



Basel III Disclosures

For the quarterly period ended December 31, 2015

CITIZENS FINANCIAL GROUP, INC.

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GLOSSARY OF ACRONYMS AND TERMS

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

2015 Form 10-K	2015 Annual Report on Form 10-K
ALLL	Allowance for Loan and Lease Losses
AOCI	Accumulated Other Comprehensive Income
BHC	Bank Holding Company
Board	Citizens Financial Group, Inc. Board of Directors
CBNA	Citizens Bank, N.A.
CBPA	Citizens Bank of Pennsylvania
CCAR	Comprehensive Capital Analysis and Review
CCB	Capital Conservation Buffer
CCO	Chief Credit Officer
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
Citizens or CFG or the Company	Citizens Financial Group, Inc. and its Subsidiaries
CRA	Community Reinvestment Act
CRO	Chief Risk Officer
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
FDIC	Federal Deposit Insurance Corporation
FFCB	Federal Farm Credit Banks
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Bank
FR Y-9C	Regulatory Financial Statements for Bank Holding Companies
GAAP	Accounting Principles Generally Accepted in the United States of America
GNMA	Government National Mortgage Association
MBS	Mortgage-Backed Securities
Mid-Atlantic	District of Columbia, Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia, and West Virginia
Midwest	Illinois, Indiana, Michigan, and Ohio
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
NRSRO	Nationally Recognized Statistical Ratings Organizations
OCC	Office of the Comptroller of the Currency
OTC	Over the Counter
PFE	Potential Future Exposure
RBS	The Royal Bank of Scotland Group plc or any of its subsidiaries
RWA	Risk-Weighted Assets
SBO	Serviced by Others Loan Portfolio
SSFA	Simplified Supervisory Formula Approach
VaR	Value-at-Risk

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INTRODUCTION

Citizens Financial Group, Inc. is one of the nation's oldest and largest financial institutions, with \$138.2 billion of total assets as of December 31, 2015. Headquartered in Providence, Rhode Island, we deliver a broad range of retail and commercial banking products and services to individuals, institutions, and companies. Our approximately 17,700 colleagues strive to meet the financial needs of customers and prospects through approximately 1,200 branches operating in an 11 state footprint across the New England, Mid-Atlantic, and Midwest regions and through our online, telephone, and mobile banking platforms. We also maintain over 100 retail and commercial non-branch offices located both in our banking footprint and in other states and the District of Columbia largely contiguous to our footprint. Our banking operations are conducted through two wholly-owned subsidiaries, Citizens Bank, N.A. and Citizens Bank of Pennsylvania.

On November 3, 2015, RBS completed the sale of all of its remaining shares of CFG's common stock. In the registered underwritten public offering, RBS sold 110,461,782 shares, or 20.9%, of CFG's outstanding common stock to the underwriters at a price of \$23.38 per share.

Report Overview

As required under U.S. regulation that interprets global regulatory standards known as "Basel III," which have been established by the Basel Committee on Banking Supervision¹, CFG will produce this report quarterly to update market participants regarding risk-based capital and risk exposures. The Basel Committee refers to this ongoing requirement as "Pillar 3 Disclosure." This report provides information on the Company's capital structure, capital adequacy, risk exposures, and RWA. This report also includes information on the methodologies used to calculate RWA. This report is unaudited and should be read in conjunction with CFG's 2015 Form 10-K, which includes important information on risk management policies and practices. This report also references certain regulatory disclosures provided in the Company's FR Y-9C. A disclosure matrix is contained in the Appendix 1 of this report and specific references have been made herein.

The disclosures presented in this report are intended to comply with the public disclosure requirements of the U.S. Basel III final rule, which was issued by the FRB, OCC, and FDIC in July 2013. The final rule implements the Basel III capital framework and certain provisions of the Dodd-Frank Act, including the Collins Amendment, which establishes minimum risk-based capital and leverage requirements on a consolidated basis for insured depository institutions and their bank holding companies. Certain aspects of the final rule, such as new minimum capital ratios, changes to the prompt corrective action ratios to reflect higher minimum capital ratios for the various capital tiers, and a revised methodology for calculating RWA became effective on January 1, 2015. Other aspects of the final rule, such as the capital conservation buffer and new regulatory deductions from and adjustments to capital, will be phased in over several years beginning on January 1, 2015 and ending January 1, 2019.

This report contains forward-looking statements within the Private Securities Litigation Reform Act of 1995. Any statement that does not describe historical or current facts is a forward-looking statement, as outlined in Appendix 2 of this document.

¹ The Basel Committee on Banking Supervision is a cooperative international forum that seeks to strengthen risk-based controls and supervision of the world-wide financial system.

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Scope of Application

The Basel III framework applies to CFG and its subsidiary banks. CFG is a “standardized approach” and “AOCI opt-out” reporting institution under Basel III.

The Company’s basis for consolidation used for regulatory financial statement reporting purposes is the same as the basis used for our financial statements prepared under GAAP. Please refer to *Financial Statements and Supplementary Data - Note 1 - Significant Accounting Policies: Basis of Presentation* on page 131 in the Company’s 2015 Form 10-K for more information on the basis for consolidation for financial reporting purposes. For regulatory capital reporting purposes, the capital and assets associated with our two financial subsidiaries (Citizens Securities, Inc. and RBS Citizens Insurance Agency, Inc.) are excluded from regulatory capital and all associated capital ratios of consolidated CBNA (per instruction from the OCC).

Restrictions on transfers between CFG and its subsidiary banks

A number of regulations and statutes restrict transfers of funds and capital within CFG. As a financial holding company and a BHC, CFG is regulated and supervised by the FRB. The OCC is the primary regulator and supervisor for CBNA, while the State of Pennsylvania and the FDIC regulate and supervise CBPA. Transfers of funds and capital between these entities may be restricted by applicable statutes and regulations that may pertain either to the BHC, one or both of its subsidiary banks, or all entities as affiliates.

Sections 23A and 23B of the Federal Reserve Act and FRB Regulation W are primary restrictors of lending, borrowing, and otherwise transacting business between affiliates. Please refer to *Business - Regulation and Supervision - Transactions with Affiliates and Insiders* on pages 23 of the Company’s 2015 Form 10-K for a full discussion of these regulations.

Restrictions on the payment of dividends and other capital distributions within the group weigh most heavily on the banks. The FRB expects bank holding companies to act as a “source of strength” to each individual subsidiary bank, providing capital to the banks as needed. Consistent with this view, bank regulators establish strong controls to ensure that capital will not be returned to the BHC in a manner that would undermine a bank’s overall “safety and soundness.” Therefore, both CBNA and CBPA are subject to specific qualitative and quantitative tests and examinations that may restrict them from paying dividends or otherwise returning capital to the BHC. Please refer to *Business - Regulation and Supervision* on pages 14-24 of the Company’s 2015 Form 10-K for an overview of the general controls and restrictions imposed on distributions of capital by the banks and for details of the current status of each bank versus its applicable regulatory restrictions.

In addition, the BHC, CBNA, and CBPA are subject to capital adequacy and liquidity standards. If either bank or the BHC fail to meet these standards, our financial condition and operations could be adversely affected. Please refer to *Risk Factors - Risks Related to Regulations Governing Our Industry* on pages 32-35 of the Company’s 2015 Form 10-K for additional information regarding this risk.

Financial subsidiaries

Although empowered as a financial holding company, CFG does not currently hold direct subsidiaries that conduct activities beyond those permitted under banking powers. The Company’s primary subsidiaries are CBNA and CBPA. Other direct subsidiaries are immaterial and not subject to additional risk-based requirements as might be imposed on a subsidiary that engaged in securities trading or insurance underwriting. As CFG’s primary bank, CBNA holds two financial subsidiaries that are appropriately deconsolidated from CBNA for purposes of determining its risk-based capital adequacy.

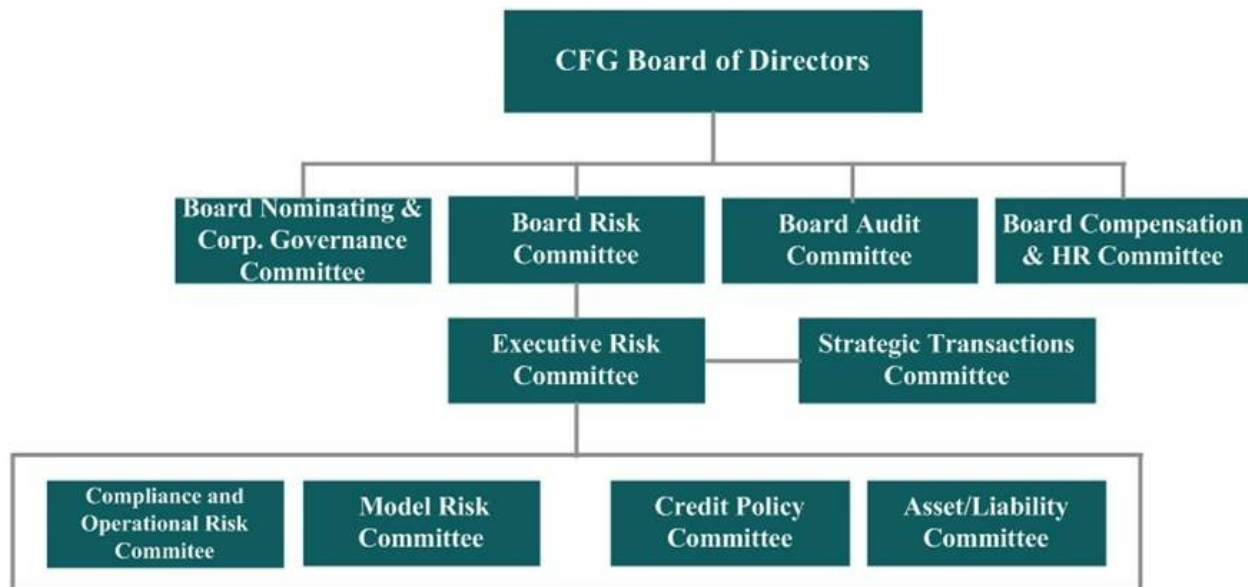
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RISK GOVERNANCE

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 we are willing to accept in the attainment of our strategic business and financial objectives are clearly understood.

To enable the 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 key committees that specifically consider risk across the enterprise are set out in the diagram below.



Chief Risk Officer

The CRO directs our overall risk management function overseeing the credit, interest rate, market, liquidity, operational, compliance, strategic, and reputational risk management. The CRO reports to our CEO and to the Board Risk Committee.

Risk Framework

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

First Line of Defense

The business lines (including their associated support functions) are the First Line of Defense and are accountable for owning and managing, within our defined risk appetite, the risks which exist in their respective business areas. The business lines are responsible for performing regular risk assessments to identify and assess the material risks that arise in their area of responsibility, complying with relevant risk policies, testing and certifying the adequacy and effectiveness of their controls on a regular basis, establishing and documenting operating procedures, and establishing and owning a governance structure for identifying and managing risk.

Second Line of Defense

The Second Line of Defense includes independent monitoring and control functions accountable for developing and ensuring implementation of risk and control frameworks and related policies. This centralized risk function is appropriately independent from the business and is accountable for overseeing and challenging our business lines on the effective management of their risks. This risk function utilizes training, communications, and awareness to provide expert support and advice to the business lines.

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This includes interpreting the risk policy standards and risk management framework, overseeing compliance by the businesses with policies and responsibilities, including providing relevant management information and escalating concerns where appropriate.

The Executive Risk Committee, chaired by the CRO, actively considers our inherent material risks, analyzes our overall risk profile, and seeks confirmation that the risks are being appropriately identified, assessed, and mitigated.

Third Line of Defense

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

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

Risk Appetite

Risk appetite is a strategic business and risk management tool. We define our risk appetite as the maximum limit of acceptable risk beyond which we would either be unable to achieve our strategic objectives and capital adequacy obligations or would assume an unacceptable amount of risk to do so. The Board Risk Committee advises our Board of Directors in relation to current and potential future risk strategies, including determination of risk appetite and tolerance.

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

Our risk appetite framework and risk limit structure establishes guidelines to determine the balance between existing and desired levels of risk and supports the implementation, measurement, and management of our risk appetite.

Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Governance* on pages 98-102 of the Company's 2015 Form 10-K for more information on risk governance.

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CAPITAL STRUCTURE AND ADEQUACY

Capital Structure

CFG manages capital to ensure consistency with all applicable regulations and statutes, as well as with robust Board-approved internal policies established to ensure that the quantity and quality of current and projected capital will be adequate in relation to the risks that the company assumes across all lines of business. (Please refer to the *Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital* section on pages 83-89 of the Company's 2015 Form 10-K for additional information). As of December 31, 2015, CFG's regulatory capital instruments consisted of common equity that qualifies as CET1 capital, preferred stock that qualifies as additional tier 1 capital, and subordinated debt that qualifies as tier 2 capital. CFG does not hold any hybrid capital instruments, such as trust preferred securities, which must transition from tier 1 capital to tier 2 capital under Basel III requirements.

Common Equity	
(in millions)	As of December 31, 2015
Common stock and related surplus, net of treasury stock	\$17,873
\$0.01 par value, 1,000,000,000 shares authorized, 563,117,415 shares issued, and 527,774,428 shares outstanding at December 31, 2015.	

Preferred Equity	
(in millions)	As of December 31, 2015
Preferred stock and related surplus	\$247
\$25.00 par value, 100,000,000 shares authorized, 250,000 shares issued and outstanding at December 31, 2015	

Subordinated Debt	
(in millions)	As of December 31, 2015
4.150% fixed rate subordinated debt, due 2022	\$350
5.158% fixed-to-floating rate subordinated debt, (LIBOR + 3.56%) callable, due 2023 ⁽¹⁾	333
4.153% fixed rate subordinated debt, due 2024 ⁽¹⁾	250
4.023% fixed rate subordinated debt, due 2024 ⁽¹⁾	331
4.082% fixed rate subordinated debt, due 2025 ⁽¹⁾	331
4.350% fixed rate subordinated debt, due 2025	250
4.300% fixed rate subordinated debt, due 2025	750
Total long-term subordinated debt	\$2,595
⁽¹⁾ Related Party borrowed funds with RBS. Please refer to Financial Statements - Note 19 Related Party Transactions on pages 181-183 of the Company's 2015 Form 10-K for more information.	

As demonstrated in the table *Regulatory Capital Composition* that follows, the Company holds a strong level of common equity versus its overall regulatory capital requirement. Regulatory deductions and adjustments to common equity capital reflect application of Basel III final rules and align with the Company's business model, which is less complex than that of many other large U.S. banking organizations.

The Company is not required to assess risk-based capital adequacy using advanced measurement methodologies and therefore may report and manage regulatory capital without recognizing all elements of AOCI that are included in equity, as reported under GAAP. As an "AOCI opt-out" institution, the Company is not required to include unrealized gains and losses on available-for-sale securities, derivatives held as fair-value cash flow hedges, or defined pension benefits in common equity. Opting out of the inclusion of AOCI in regulatory capital avoids unnecessary and potentially misleading volatility in the Company's capital ratios.

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The Company's exposure to other potential deductions and adjustments to capital is minimal. The Company does not invest in its own regulatory capital instruments, directly or indirectly, except in relation to treasury stock, which is deducted from regulatory capital in accordance with regulatory rules. The Company does not measure liabilities at fair value on its balance sheet and does not hold material interests in unconsolidated financial institutions. The Company's subsidiary banks do not issue capital instruments to third parties, which would expose the Company to a "minority interest" deduction for third-party capital. Lastly, the Company had \$164 million of mortgage servicing rights as of December 31, 2015, and was below the threshold that requires these assets to be deducted from capital.

As of December 31, 2015, common equity tier 1 capital represented 76% of CFG's total regulatory capital. The following table presents our regulatory capital composition:

Regulatory Capital Composition	
(in millions)	As of December 31, 2015
Common stock and related surplus, net of treasury stock	\$17,873
Retained earnings	1,913
Accumulated other comprehensive income	(387)
Total common shareholders' equity	19,399
Exclusions:⁽¹⁾	
Net unrealized (gains) losses recorded in accumulated other comprehensive income, net of tax:	
Debt and marketable equity securities	28
Derivatives	(10)
Unamortized net periodic benefit costs	369
Deductions:	
Goodwill	(6,876)
Deferred tax liability associated with goodwill	480
Other intangible assets	(1)
Total common equity tier 1 capital	13,389
Qualifying preferred stock	247
Total tier 1 capital	13,636
Qualifying long-term debt securities as tier 2	2,595
Allowance for loan and lease losses	1,216
Allowance for credit losses for off-balance sheet exposure	58
Total tier 2 capital	3,869
Total capital	\$17,505
⁽¹⁾ As a Basel III U.S. Standardized approach institution, CFG and its subsidiary banks selected the one-time election to opt out of the requirements to include all components of AOCI.	

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Capital Adequacy

The Company's assessment of capital adequacy begins with a well-developed risk appetite and risk management framework, which provides for the identification, measurement, and management of material risks. The capital adequacy process results in the determination of required capital in relation to actual and forecasted risk portfolios under applicable regulatory capital methodologies. This process also considers estimated impacts of approved and proposed regulatory changes that will or may apply to future periods. Key analytical frameworks, which enable the comprehensive assessment of capital adequacy versus unexpected loss, supplement our base case forecast. These supplemental frameworks include Integrated Stress Testing, as well as an Internal Capital Adequacy Requirement that builds on internally assessed Economic Capital requirements and management overlays of additional reserves that may be required for risks that are not readily quantified. Our capital planning process is supported by a robust governance framework, which includes capital management policies and procedures, capital adequacy metrics and limits, a comprehensive capital contingency plan, and the active engagement of both legal-entity boards of directors and senior management in oversight and decision-making.

Forward-looking assessments of capital adequacy for the Company, and for CBNA and CBPA, feed development of capital plans that are submitted to the FRB and to our bank supervisors. We prepare the consolidated CFG capital plan in full compliance with the FRB's Regulation Y Capital Plan Rule, and we participate in the annual CCAR process, including applicable stress test requirements. The Company also participates in stress tests required annually and semiannually by the Dodd-Frank Act. The FRB may either object to our capital plan, in whole or in part, or provide a notice of non-objection. If the FRB objects to a capital plan, we may not make any capital distribution other than those with respect to which the FRB has indicated its non-objection.

The Company develops capital plans and conducts routine capital management activities in compliance with internal target operating levels that are established for each regulatory capital ratio. These targets are intended to meet both regulatory and market expectations, while also ensuring an efficient return to shareholders. The Company sets these operating targets to comply with the fully phased-in Basel III minimum, which includes the capital conservation buffer of 250 basis points for each risk-based capital ratio. (Please refer to the related discussion in the *Capital Conservation Buffer* section of this document.) To each fully phased-in minimum, CFG adds internally-defined buffers that are calibrated annually to account for volatility, uncertainty, and other strategic considerations. As a result of this conservative approach, the Company and the banks maintain strong capital ratios and are prepared to meet fully phased-in Basel III requirements.

The Company's Basel III U.S. Standardized capital ratios as of December 31, 2015 are presented below. Please refer to *Financial Statements - Note 21 - Regulatory Matters* on pages 190-191 of the Company's 2015 Form 10-K for additional information related to the calculation of the Company's capital ratios.

Citizens Financial Group, Inc						
As of December 31, 2015						
Capital ratios	Transitional Basel III			Fully Phased-In Basel III		
	Actual Ratio	Required Minimum	Well Capitalized Minimum for Purposes of Prompt Corrective Action	Pro Forma Basel III Ratios	Required Minimum plus Required CCB for Risk-based Ratios	Well Capitalized Minimum for Purposes of Prompt Corrective Action
CET1	11.7%	4.5%	6.5%	11.7%	7.0%	6.5%
Tier 1	12.0	6.0	8.0	11.9	8.5	8.0
Total	15.3	8.0	10.0	15.3	10.5	10.0
Tier 1 Leverage	10.5	4.0	5.0	10.5	4.0	5.0

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Citizens Bank, N.A.						
As of December 31, 2015						
Capital ratios	Transitional Basel III			Fully Phased-In Basel III		
	Actual Ratio	Required Minimum	Well Capitalized Minimum for Purposes of Prompt Corrective Action	Pro Forma Basel III Ratios	Required Minimum plus Required CCB for Risk-based Ratios	Well Capitalized Minimum for Purposes of Prompt Corrective Action
CET1	11.7%	4.5%	6.5%	11.7%	7.0%	6.5%
Tier 1	11.7	6.0	8.0	11.7	8.5	8.0
Total	14.3	8.0	10.0	14.3	10.5	10.0
Tier 1 Leverage	10.7	4.0	5.0	10.7	4.0	5.0

Citizens Bank of Pennsylvania						
As of December 31, 2015						
Capital ratios	Transitional Basel III			Fully Phased-In Basel III		
	Actual Ratio	Required Minimum	Well Capitalized Minimum for Purposes of Prompt Corrective Action	Pro Forma Basel III Ratios	Required Minimum plus Required CCB for Risk-based Ratios	Well Capitalized Minimum for Purposes of Prompt Corrective Action
CET1	13.0%	4.5%	6.5%	13.0%	7.0%	6.5%
Tier 1	13.0	6.0	8.0	13.0	8.5	8.0
Total	15.4	8.0	10.0	15.3	10.5	10.0
Tier 1 Leverage	9.1	4.0	5.0	9.1	4.0	5.0

As of January 1, 2015, CFG and its subsidiary banks transitioned to the Basel III U.S. Standardized risk-weighting approach for determining capital requirements related to on- and off-balance sheet exposures, and began the transition to new Basel III regulatory capital definitions. CFG applies the Basel III standardized approach, as defined by the U.S. regulators, for determining the assignment of risk-weighted assets.

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The table below reports the composition of the Company's RWA as of December 31, 2015. Please refer to *Schedule HC-R - Part II Risk-Weighted Assets* on pages 57-70 of the Company's FR Y-9C for details on adjustments and deductions to calculate total RWA.

Standardized Risk-Weighted Assets	
(in millions)	As of December 31, 2015
(1) Exposures to sovereign entities;	\$50
(2) Exposures to certain supranational entities and multilateral development banks;	—
(3) Exposures to depository institutions, foreign banks, and credit unions;	209
(4) Exposures to public sector entities;	53
(5) Corporate exposures;	60,936
(6) Residential mortgage exposures;	6,841
(7) Statutory multifamily mortgages and pre-sold construction loans;	—
(8) High volatility commercial real estate loans;	224
(9) Past due loans;	1,259
(10) Other assets;	41,832
(11) Cleared transactions;	4
(12) Default fund contributions;	3
(13) Unsettled transactions;	—
(14) Securitization exposures; and	1,386
(15) Equity exposures.	954
Total standardized risk-weighted assets for credit risk exposure	113,751
Market risk	333
Total risk-weighted assets	\$114,084

Please refer to the *Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital* section on pages 83-89 of the Company's 2015 Form 10-K for more information regarding capital ratios and the capital adequacy process, including a review of current capital plan strategies and planned capital actions.

Capital Conservation Buffer

The Basel III U.S. Standardized Rule introduces a required CCB of 250 basis points that each institution is expected to maintain over and above the regulatory minimum set for each capital ratio (hence, 4.5% plus 2.5% for the CET1 capital ratio, 6.0% plus 2.5% for the Tier 1 capital ratio and 8.0% plus 2.5% for the Total capital ratio). When this CCB has been fully implemented and subject to other supervisory actions, laws and regulations, any institution failing to maintain 100% of the required capital conservation buffer in any quarter will be restricted as to the maximum amount of eligible retained income² that may be distributed as discretionary dividends and executive bonuses. Restrictions on pay-out of eligible net income will continue until the CCB has been fully restored.

The Basel III CCB requirement phases in for CFG between January 1, 2016 and January 1, 2019, consistent with a delayed start for this requirement for non-advanced banks. Beginning in 2019, if CFG were unable to meet the full CCB requirement for all ratios, its ability to pay planned common dividends could be restricted. However, as noted in Basel III U.S. Standardized Capital Ratios above, the Company currently meets the full requirement, reflecting CFG's conservative approach to setting operating targets, which is discussed in that same section.

² Eligible retained income is net income for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income.

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CREDIT RISK

General Disclosures

Overview

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

Objective

The credit risk management organization is responsible for approving credit transactions, monitoring portfolio performance, identifying problem loans, and ensuring remedial management.

Organizational Structure

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

The credit risk teams operate independently from the business lines to ensure decisions are not influenced by unbalanced objectives. Each team consists of senior credit officers who possess extensive experience structuring and approving loans.

Governance

The primary mechanisms used to govern our credit risk function are our consumer and commercial credit policies. These policies outline the minimum acceptable lending standards that align with our desired risk appetite. Material issues or changes are identified by the individual committees and presented to the Credit Policy Committee, Executive Risk Committee, and the Board for approval, as required.

Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Governance - Credit Risk* on pages 98-102 of the Company's 2015 Form 10-K for more information on credit risk governance.

The Company's investment securities portfolio includes U.S. Treasury and agency securities, agency mortgage-backed securities, and non-agency mortgage-backed securities. The most important element management relies on when assessing credit risk for U.S. Treasury and agency securities and agency mortgage-backed securities is the guarantee of the Federal Government or one of its agencies. When applicable, the Company considers geography as a factor when managing its investments in securities issued by state and political subdivisions. The Company did not hold material positions in such securities as of December 31, 2015. The credit risk for non-agency mortgage-backed securities is assessed based on senior to subordinated credit support levels and an analysis of the bond's underlying collateral characteristics. As a secondary measure, ratings by NRSRO are considered, but not solely relied upon, to determine the creditworthiness of the issue.

The Company's credit-related accounting policies are presented in *Financial Statements and Supplementary Data - Note 1 - Significant Accounting Policies* on pages 131-138 of the Company's 2015 Form 10-K.

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The following table presents total credit risk exposures for the Company's loans, loans held for sale, leases, lines of credit, contractual commitments to extend credit, and letters of credit ("loans, loans held for sale, credit commitments and lines of credit"). This table is categorized by counterparty type (commercial and retail) and loan products.

Credit Risk Exposures - Loans, Loans Held for Sale, Credit Commitments and Lines of Credit	
	As of December 31, 2015
(in millions)	Total Loans, Credit Commitments and Lines of Credit
Commercial	\$61,818
Commercial real estate	13,253
Leases	4,202
Total commercial	79,273
Residential mortgages	14,589
Home equity loans	2,559
Home equity lines of credit ⁽¹⁾	29,239
Home equity loans serviced by others ⁽¹⁾	986
Home equity lines of credit serviced by others	412
Automobile	14,028
Student	4,528
Credit cards	10,169
Other retail	2,287
Total retail	78,797
Total	\$158,070
⁽¹⁾ The Company's SBO portfolio consists of purchased home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.	

Please refer to *Financial Statements - Note 3 - Securities* and *Financial Statements - Note 16 - Derivatives* on page 139 and page 176, respectively, of the Company's 2015 Form 10-K for more information on the Company's credit risk exposures related to investment securities and OTC derivatives. Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations - Net Interest Income* on page 56 of the Company's 2015 Form 10-K for average balances of the Company's loans and investment securities. The average credit risk exposure related to the Company's OTC derivatives as of December 31, 2015 was \$753 million.

Please refer to *Financial Statements - Note 17 - Commitments and Contingencies* on pages 179-181 of the Company's 2015 Form 10-K for more information on the credit risk exposure related to our off-balance sheet commitments (including contractual commitments to extend credit, lines of credit and letters of credit). The average credit risk exposure associated with the Company's off-balance sheet credit commitments and lines of credit as of December 31, 2015 was \$58 billion.

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The following table presents the geographic distribution of the Company's loans, loans held for sale, credit commitments and lines of credit. The geographic distribution presented in this table is based on the address of the customer. Amounts reported as "Other" include loans, lines of credit and commitments to customers outside of the Mid-Atlantic, Midwest, and New England regions as well as certain exposures that are not managed on a geographic basis.

Geographic Distribution of Loans, Loans Held for Sale, Credit Commitments and Lines of Credit					
As of December 31, 2015					
(in millions)	Mid-Atlantic	Midwest	New England	Other	Total
Commercial	\$22,100	\$6,845	\$15,569	\$17,304	\$61,818
Commercial real estate	5,113	1,493	2,950	3,697	13,253
Leases	864	579	320	2,439	4,202
Total commercial	28,077	8,917	18,839	23,440	79,273
Residential mortgages	4,417	2,099	3,065	5,008	14,589
Home equity loans	1,060	396	964	139	2,559
Home equity lines of credit	11,044	3,712	13,204	1,279	29,239
Home equity loans serviced by others ⁽¹⁾	248	104	69	565	986
Home equity lines serviced by others ⁽¹⁾	104	34	27	247	412
Automobile	4,132	1,691	1,677	6,528	14,028
Student	1,289	456	771	2,012	4,528
Credit cards	3,852	1,459	3,577	1,281	10,169
Other retail	459	103	198	1,527	2,287
Total retail	26,605	10,054	23,552	18,586	78,797
Total	\$54,682	\$18,971	\$42,391	\$42,026	\$158,070

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

Gross commercial and retail charge-offs for the quarterly period ending December 31, 2015 were \$4 million and \$120 million, respectively. Please refer to *Financial Statements- Note 5 - Allowance for Credit Losses, Nonperforming Assets, and Concentrations of Credit Risk* on pages 146-157 of the Company's 2015 Form 10-K for the following loan-related information by counterparty type:

- Amount of impaired loans for which there was a related allowance under GAAP;
- Amount of impaired loans for which there was no related allowance under GAAP; and
- ALLL balances and related year-to-date charge-off information

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The following table presents (1) the amount of loans past due 90 days and on nonaccrual and (2) the amount of loans past due 90 days and still accruing.

Amount of Loans Past Due 90 Days or More			
(in millions)	As of December 31, 2015		
	90+ Days Past Due and Accruing	90+ Days Past Due and Nonaccruing	Total 90+ Days Past Due
Commercial	\$1	\$70	\$71
Commercial real estate	—	77	77
Leasing	—	—	—
Total commercial	1	147	148
Residential mortgages	—	246	246
Home equity loans	—	104	104
Home equity lines of credit	—	205	205
Home equity loans serviced by others ⁽¹⁾	—	20	20
Home equity lines serviced by others ⁽¹⁾	—	29	29
Automobile	—	35	35
Student	6	35	41
Credit cards	—	16	16
Other retail	2	3	5
Total retail	8	693	701
Total	\$9	\$840	\$849

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

The following table presents impaired loan amounts categorized by geographic area.

Amount of Impaired Loans by Geographic Area					
(in millions)	As of December 31, 2015				
	Mid-Atlantic	Midwest	New England	Other	Total
Commercial	\$30	\$42	\$37	\$41	\$150
Commercial real estate	6	15	47	—	68
Total commercial	36	57	84	41	218
Residential mortgages	121	148	98	74	441
Home equity loans	72	49	92	11	224
Home equity lines of credit	55	68	66	5	194
Home equity loans serviced by others ⁽¹⁾	18	5	6	45	74
Home equity lines serviced by others ⁽¹⁾	3	1	1	5	10
Automobile	4	2	2	6	14
Student	44	20	9	92	165
Credit cards	6	3	6	13	28
Other retail	1	1	—	13	15
Total retail	324	297	280	264	1,165
Total	\$360	\$354	\$364	\$305	\$1,383

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

Please refer to *Financial Statements- Note 5 - Allowance for Credit Losses, Nonperforming Assets, and Concentrations of Credit Risk* on page 146 of the Company's 2015 Form 10-K for reconciliations of changes in the Company's ALLL.

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The following table presents a summary of loans, loans held for sale and leases by remaining maturity or repricing date.

Loans and Loans Held for Sale by Remaining Maturity or Repricing Date				
As of December 31, 2015				
(in millions)	One Year or Less ⁽¹⁾	Over One Year Through Five Years	Over Five Years	Total
Commercial	\$28,390	\$3,141	\$1,830	\$33,361
Commercial real estate	8,626	155	190	8,971
Leasing	665	2,055	1,259	3,979
Total commercial	37,681	5,351	3,279	46,311
Residential mortgages	1,753	1,201	10,632	13,586
Home equity loans	542	388	1,627	2,557
Home equity lines of credit	10,772	2,144	1,758	14,674
Home equity loans serviced by others ⁽²⁾	—	133	853	986
Home equity lines serviced by others ⁽²⁾	389	—	—	389
Automobile	131	7,663	6,034	13,828
Student	13	305	4,041	4,359
Credit cards	1,487	147	—	1,634
Other retail	447	311	325	1,083
Total retail	15,534	12,292	25,270	53,096
Total	\$53,215	\$17,643	\$28,549	\$99,407
⁽¹⁾ Loans held for sale are included in One Year or Less category.				
⁽²⁾ The Company's SBO portfolio consists of purchased home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.				

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The following table presents a summary of credit commitments and lines of credit by remaining maturity or repricing date.

Credit Commitments and Lines of Credit by Remaining Maturity or Repricing Date			
(in millions)	As of December 31, 2015		
	One Year or Less	Greater than One Year	Total
Unfunded commitments and lines of credit ⁽¹⁾			
Commercial	\$7,446	\$18,872	\$26,318
Commercial real estate	500	3,782	4,282
Leases	139	84	223
Total commercial	8,085	22,738	30,823
Residential mortgages	1,003	—	1,003
Home equity loans	2	—	2
Home equity lines of credit	816	13,749	14,565
Home equity lines serviced by others ⁽¹⁾	23	—	23
Automobile	200	—	200
Student	169	—	169
Credit cards	8,535	—	8,535
Other retail	750	454	1,204
Total retail	11,498	14,203	25,701
Total unfunded commitments and lines of credit	\$19,583	\$36,941	\$56,524
Letters of credit ⁽²⁾			
Financial standby	\$507	\$1,503	\$2,010
Performance	30	12	42
Commercial	43	44	87
Total letters of credit	580	1,559	2,139
Total credit commitments and lines of credit	\$20,163	\$38,500	\$58,663
⁽¹⁾ The Company's SBO portfolio consists of purchased home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.			
⁽²⁾ Net of participations sold.			

Please refer to *Financial Statements- Note 3 - Securities* on page 139 of the Company's 2015 Form 10-K for a summary of securities by contractual maturity.

Please refer to *Schedule HC-R - Part II Risk-Weighted Assets* on page 69 of the Company's FR Y-9C for a summary of OTC derivative notional amounts by remaining maturity.

Counterparty Credit Risk-Related Disclosures

Counterparty exposure arises primarily from the OTC derivative transactions in the Company's customer and institutional derivative portfolios. The amount of this exposure depends on the value of underlying market factors (e.g., interest rates), which can be volatile and uncertain in nature. Counterparty exposure also arises (to a lesser extent) from the Company's securities lending and borrowing activities, which includes entering into repurchase agreements.

The customer derivatives portfolio consists of interest rate swap agreements and option contracts that are transacted to meet the financing needs of the Company's customers. Offsetting swap and cap agreements are simultaneously transacted on a bi-lateral basis with dealers and cleared with central counterparties, on terms consistent with institutional trades described below, to effectively eliminate the Company's market risk associated with customer derivative products. The customer derivative portfolio also includes foreign exchange contracts that are entered into on behalf of customers for the purpose of hedging exposure related to cash orders and loans and deposits denominated in foreign currencies. Customer trades are primarily unsecured and are not subject to daily

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margin or posting of financial collateral. These trades are commonly executed concurrently with new loan transactions, with any business collateral received from a counterparty being applied to both the derivative and loan. Accordingly, the underwriting process for establishing customer derivative credit limits is equivalent to the process used for corporate loan exposure. These limits are established based on PFE using an Add-On approach, which involves multiplying the trade notional amount by a risk factor. The Company manages the credit risk of its customer derivative positions by diversifying its positions among various counterparties, and, in certain cases, transferring the counterparty credit risk related to interest rate swaps to third parties through the use of risk participation agreements. When measuring the fair value of its customer derivative portfolio for GAAP financial reporting purposes, the Company includes a CVA that reflects the credit quality of the swap counterparty. Please refer to *Financial Statements- Note 20 - Fair Value Measurements* on pages 183-190 of the Company's 2015 Form 10-K for more information on the Company's valuation methodologies.

The institutional derivative portfolio primarily consists of interest rate swap agreements that are used to hedge the interest rate risk associated with the Company's loans and financing liabilities (i.e., borrowed funds, deposits, etc.). Institutional swaps and swaps executed to eliminate the market risk associated with our customer derivative products include bi-lateral trades with dealers and cleared trades with central counterparties. These trades are subject to daily margin requirements and posting of financial collateral based on pre-defined "posting thresholds". Posting thresholds represent the amount of exposure that counterparties are willing to accept on an unsecured basis. Collateral is posted only when the market value of any outstanding swaps exceeds that threshold. Changes in the Company's own creditworthiness do not generally impact the amount of collateral posted given zero thresholds have become the market convention. The majority of the Company's bi-lateral derivative trades have been transacted with RBS. Bi-lateral trades with dealers, including RBS, are subject to counterparty credit limits that cover replacement costs, and potential changes in market value based on trade maturity. Cleared trades with central counterparties are subject to counterparty credit limits for initial margin requirements where collateral is posted, but not segregated.

The Company's repurchase agreements are typically short-term transactions (e.g., overnight), but they may be extended to longer terms-to-maturity. Such transactions are fully collateralized and are accounted for as secured borrowings on the Company's financial statements. Counterparty credit limits are established to monitor the Company's over-collateralized position. When permitted by GAAP, the Company offsets the short-term receivables associated with its reverse repurchase agreements with the short-term payables associated with its repurchase agreements.

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Counterparty credit exposures are monitored daily for counterparties with an established CSA to assure collateral levels are appropriately sized to cover risk. Any collateral received from third parties is managed by the Company and held pursuant to the terms of the governing CSA agreement for the counterparty, in either a tri-party custodial, segregated or an omnibus account. Collateral types that are “acceptable” (as defined in the CSA) generally include the following:

Acceptable collateral types		Valuation %
Cash		100%
Treasury Bills	Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of not more than one year.	98%
Treasury Notes	Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than one year but not more than 10 years.	98%
Treasury Bonds	Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than 10 years but not more than 30 years.	98%
Agency Securities	Negotiable debt obligations of the FNMA, FHLMC, FHLB, or FFCB having a remaining maturity of not more than 30 years.	92%
FHLMC Certificates	Mortgage participation certificates issued by FHLMC evidencing undivided interests or participations in pools of first lien conventional or FHA/VA residential mortgages or deeds of trust, guaranteed by FHLMC, and having a remaining maturity of not more than 30 years.	92%
FNMA Certificates	Mortgage-backed pass-through certificates issued by FNMA evidencing undivided interests in pools of first lien mortgages or deeds of trust on residential properties, guaranteed by FNMA, and having a remaining maturity of not more than 30 years.	92%
GNMA Certificates	Mortgage-backed pass-through certificates issued by private entities, evidencing undivided interests in pools of first lien mortgages or deeds of trust on single family residences, guaranteed by the GNMA with the full faith and credit of the United States, and having a remaining maturity of not more than 30 years.	92%
Other Eligible Collateral	With respect to a party, as may be agreed in writing between the parties for purposes of this Annex, together with the applicable Valuation Percentage.	

Please refer to *Financial Statements - Note 16 - Derivatives* on page 176 of the Company’s 2015 Form 10-K for fair value of the Company’s derivative transactions. This disclosure presents these fair values both on a gross and a net basis. As of December 31, 2015, the Company held an immaterial amount of collateral from third parties. Therefore, the net basis presented represents the impact of legally enforceable master netting agreements.

Please refer to *Financial Statements- Note 3 - Securities* on page 139 of the Company’s 2015 Form 10-K for the gross and net carrying values of the Company’s repurchase agreements. Please refer to *Financial Statements- Note 20 - Fair Value Measurements* on page 183 of the Company’s 2015 Form 10-K for the fair value of the Company’s repurchase agreements.

Credit Risk Mitigation

The Company’s credit risk mitigation that is recognized for the purposes of reducing capital requirements is limited to implicit and explicit credit guarantees provided by the U.S. Government. Collateral is not used as a source of credit risk mitigation for the purposes of reducing capital requirements.

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The following table presents the total exposure covered by guarantees and the risk-weighted amounts associated with each exposure.

Total Exposure Covered by Guarantees and Associated RWA			
(dollars in millions)		As of December 31, 2015	
Guarantor	Guaranteed Exposure Amount	RWA	RW %
FNMA & FHLMC securities	\$10,249	\$2,050	20%
Federal Housing Administration (FHA)	394	79	20
FNMA	166	33	20
Small Business Administration (SBA)	97	20	20
Federal Family Education Loan Program (FFELP) where 97% of exposure is guaranteed	77	15	20
Federal Family Education Loan Program (FFELP) where 98% of exposure is guaranteed	26	5	20
Veteran Affairs (VA)	10	2	20
Total	\$11,019	\$2,204	20%
US Treasury & GNMA securities	\$11,104	\$—	0%
Export/Import	18	—	0
Total	\$11,122	\$—	0%

SECURITIZATION

A securitization exposure is a transaction in which the credit risk of the underlying exposure is transferred to third parties, and has been separated into two or more tranches. The performance of the securitization depends upon the performance of the underlying exposures or reference assets, all or substantially all of which are financial exposures.

The Company participates in the securitization market as an investor in traditional securitization exposures created by third parties, however not as an originator or sponsor. We invest in securitization exposures of third party issued non-agency mortgage-backed securities.

The Company does not apply credit risk mitigation to its securitized exposures and does not have exposure to securitization guarantors. We do not have synthetic securitization exposure, and all securitization exposures are held on-balance sheet in the banking book, with no trading book securitization exposures.

The Company calculates the regulatory capital requirement for securitization exposure in accordance with the Basel III U.S. Standardized Approach Hierarchy of approaches framework. The SSFA is used to determine RWA for its securitization exposures. The SSFA framework considers the Company's seniority in the securitization structure and risk factors inherent in the underlying assets.

Risk Management

The risks related to securitization positions are managed in accordance with the Company's investment, credit, and interest rate risk management policies. Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Governance* on pages 98-102 of the Company's 2015 Form 10-K for more information on the Company's credit risk and interest rate risk (i.e., non-trading risk) governance.

For each securitization position, we perform due diligence on the credit worthiness of each position prior to entering into that position. The Company's due diligence procedures are designed to provide a comprehensive understanding of the features that would materially affect the performance of a securitization, and are commensurate with the complexity of each securitization position held.

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The following table presents banking book exposures receiving securitization capital treatment by collateral type and capital treatment method.

Securitizations by Capital Treatment and Collateral Type						
(in millions)	As of December 31, 2015					
	SSFA		1250%		Total	
	Exposure	RWA	Exposure	RWA	Exposure	RWA
Private label securities	\$1,708	\$1,386	\$—	\$—	\$1,708	\$1,386
Total securitization exposure	\$1,708	\$1,386	\$—	\$—	\$1,708	\$1,386

The following table presents banking book exposures receiving securitization capital treatment by capital treatment method and risk weight bucket.

Securitizations by Capital Treatment and Risk Weight:						
(in millions)	As of December 31, 2015					
	SSFA		1250%		Total	
	Exposure	RWA	Exposure	RWA	Exposure	RWA
Securitizations by risk weight:						
= 0% to <= 20%	\$1,134	\$227	\$—	\$—	\$1,134	\$227
> 20% to <= 50%	32	10	—	—	32	10
> 50% to <= 100%	41	28	—	—	41	28
> 100% to <= 1250%	501	1,121	—	—	501	1,121
Total securitizations	1,708	1,386	—	—	1,708	1,386
Re-securitizations by risk weight:						
= 0% to <= 20%	—	—	—	—	—	—
Total re-securitizations	—	—	—	—	—	—
Total securitization exposure	\$1,708	\$1,386	\$—	\$—	\$1,708	\$1,386

The Company also invests in U.S. agency pass-through MBS and GNMA guaranteed project loan bonds, which are not considered “securitizations” under regulatory guidance. Please refer to *Financial Statements- Note 3 - Securities* on pages 139-144 of the Company’s 2015 Form 10-K for more information on the Company’s investment portfolio.

Accounting Policies

The Company’s accounting policies for its investments in securitized assets (i.e., “investments in debt securities”) are presented in *Financial Statements and Supplementary Data - Note 1 - Significant Accounting Policies* on pages 131-132 in the Company’s 2015 10-K.

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EQUITIES (NON-TRADING)

The Company primarily holds equity securities to fulfill requirements of membership and participation in U.S. banking and payments systems. The banks hold stock in the FRB and the FHLB. The Company's publicly-traded equity holdings are limited to immaterial amounts of stock.

The Company also invests in community projects in conjunction with the Company's commitment to the communities in which we operate. These investments also fulfill specific requirements imposed by the CRA as implemented by the U.S. regulatory agencies. The Company also invests in renewable wind energy projects which provide benefits from returns generated by government incentives plus other tax attributes that come with ownership. Lastly, the Company has invested amounts as venture capital in fund-related equity investments in anticipation of capital gains.

The Company's accounting policies for equity securities (i.e., "other investment securities") are presented in *Financial Statements and Supplementary Data - Note 1 - Significant Accounting Policies* on pages 131-132 in the Company's 2015 10-K. The Company's methodologies for measuring the fair value of equity securities are presented in *Financial Statements - Note 20 - Fair Value Measurements* on page 183 of the Company's 2015 Form 10-K. As of December 31, 2015, the Company has recognized a year-to-date realized gain for the amount of \$3 million from the sale of marketable securities. The carrying value of the Company's CRA investments are included in the Other assets line in *Financial Statements - Consolidated Balance Sheets* on page 125 of the Company's 2015 Form 10-K. The carrying value of the Company's renewable wind energy investments (\$118 million) are included in the Other assets line in *Financial Statements - Consolidated Balance Sheets* on page 125 of the Company's 2015 Form 10-K. The carrying value of the Company's equity securities available for sale (\$17 million) are presented in *Financial Statements - Note 3 - Securities* on page 139 in the Company's 2015 Form 10-K. Separate Account Bank Owned life insurance is included within the Bank Owned Life Insurance line within the *Financial Statements - Consolidated Balance Sheets* on page 125 of the Company's 2015 Form 10-K.

Equities			
(dollars in millions)	As of December 31, 2015		
	Exposure	RWA	RW %
Simple Risk-Weight Approach (SRWA):			
Federal Reserve stock	\$468	\$—	0%
FHLB stock	395	79	20
Community development equity	636	636	100
Non-significant equity exposures ⁽¹⁾	135	135	100
Equity Exposure to Investment Funds:			
Full look-through approach:			
Bank owned life insurance separate account	243	99	41
Venture capital and other investments	5	5	100
Total	\$1,882	\$954	
⁽¹⁾ Publicly and non-publicly traded equity investments (including those held indirectly through investment funds) that do not exceed 10% of the Company's total capital.			

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INTEREST RATE RISK (NON-TRADING)

We are exposed to market risk as a result of non-trading banking activities. This market risk consists substantially of interest rate risk, as we have immaterial equity risk and no direct currency or commodity risk. This interest rate risk emerges from the balance sheet after the aggregation of our assets, liabilities, and equity. We refer to this non-trading risk embedded in the balance sheet as “structural interest rate risk” or “interest rate risk in the banking book”. Our mortgage servicing rights assets also contain interest rate risk, as the value of the fee stream is impacted by the level of long-term interest rates.

Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk - Non-Trading Risk* on pages 102-103 of the Company's 2015 Form 10-K for more information on the Company's exposure to interest rate risk. Please refer to *Financial Statements - Note 16 - Derivatives* on pages 176-178 of the Company's 2015 Form 10-K for more information on our hedging policies and our processes for monitoring hedge effectiveness.

MARKET RISK

We are exposed to market risk price volatility across a select range of interest rates, foreign exchange rates, and credit spreads through our client facilitation activities covering interest rate derivatives, foreign exchange products, and secondary loans. These trading activities are covered under the Market Risk Rule and are conducted through our two banking subsidiaries, CBNA and CBPA.

As of December 31, 2015, our market risk RWA stood at \$333 million, reflecting general interest rate risk and specific risk. Our specific risk is not modeled through the VaR based process and thus a specific risk add-on is calculated under a standardized measurement method. We do not calculate incremental risk or comprehensive risk, as we take a standardized specific risk add-on and we do not participate in correlation trading related activities.

For further discussion related to market risk governance, risk measurements, VaR methodology and validation, and regulatory capital, please refer to the *Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Governance* section on pages 98-102 of the Company's 2015 Form 10-K and *Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk* section on pages 102-106 of the Company's 2015 Form 10-K.

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APPENDIX 1 - CITIZENS FINANCIAL GROUP, INC. BASEL III DISCLOSURES MATRIX

The disclosures required by the U.S. Basel III final rule³ are listed below. Most of these disclosures have been included in other financial reporting documents, and some in this report. This matrix provides a reference to the location of each required disclosure.

³Code of Federal Regulations, Part 217 - Capital Adequacy of Bank Holding Companies, Savings and Loan Holding Companies, and State Member Banks (Regulation Q).

General Disclosure Requirements and Scope of Application

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 DISCLOSURES BY BOARD- REGULATED INSTITUTIONS (INTRODUCTION)	(a) A Board-regulated institution must publicly disclose each quarter the following: <ul style="list-style-type: none"> (1) Common equity tier 1 capital, additional tier 1 capital, tier 2 capital, tier 1 and total capital ratios, including the regulatory capital elements and all the regulatory adjustments and deductions needed to calculate the numerator of such ratios; 	Pg. 8-9			
	(2) Total risk-weighted assets, including the different regulatory adjustments and deductions needed to calculate total RWA;	Pg. 11			Sch. HC-R Part II Pg. 57-70
	(3) Regulatory capital ratios during any transition periods, including a description of all the regulatory capital elements and all regulatory adjustments and deductions needed to calculate the numerator and denominator of each capital ratio during any transition period; and	Pg. 9-10			
	(4) A reconciliation of regulatory capital elements as they relate to its balance sheet in any audited consolidated financial statements.	Pg. 8			
§217.63 TABLE 1 — SCOPE OF APPLICATION	(a) The name of the top corporate entity in the group to which subpart D (<i>Risk Weighted Assets - Standardized Approach</i>) of this part applies.	Pg. 3			
	(b) A brief description of the differences in the basis for consolidating entities for accounting and regulatory purposes, with a description of those entities: <ul style="list-style-type: none"> (1) That are fully consolidated; (2) That are deconsolidated and deducted from total capital; (3) For which the total capital requirement is deducted; and (4) That are neither consolidated nor deducted (for example, where the investment in the entity is assigned a risk weight in accordance with this subpart). 	Pg. 4	Pg. 131		
	(c) Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	Pg. 4			
	(d) The aggregate amount of surplus capital of insurance subsidiaries included in the total capital of the consolidated group.	Pg. 4			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 1 — SCOPE OF APPLICATION	(e) The aggregate amount by which actual total capital is less than the minimum total capital requirement in all subsidiaries, with total capital requirements and the name(s) of the subsidiaries with such deficiencies.	N/A			

Capital Structure and Adequacy

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 2 — CAPITAL STRUCTURE	(a) Summary information on the terms and conditions of the main features of all regulatory capital instruments.	Pg. 7-8			
	(b) The amount of common equity tier 1 capital, with separate disclosure of: <ul style="list-style-type: none"> (1) Common stock and related surplus; (2) Retained earnings; (3) Common equity minority interest; (4) AOCI; and (5) Regulatory deductions and adjustments made to common equity tier 1 capital. 	Pg. 7-8			
	(c) The amount of tier 1 capital, with separate disclosure of: <ul style="list-style-type: none"> (1) Additional tier 1 capital elements, including additional tier 1 capital instruments and tier 1 minority interest not included in common equity tier 1 capital; and (2) Regulatory deductions and adjustments made to tier 1 capital 	Pg. 7-8			
§217.63 TABLE 2 — CAPITAL STRUCTURE	(d) The amount of total capital, with separate disclosure of: <ul style="list-style-type: none"> (1) Tier 2 capital elements, including tier 2 capital instruments and total capital minority interest not included in tier 1 capital; and (2) Regulatory deductions and adjustments made to total capital. 	Pg. 8			
§217.63 TABLE 3 — CAPITAL ADEQUACY	(a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	Pg. 9-10			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 3 — CAPITAL ADEQUACY	(b) Risk-weighted assets for: (1) Exposures to sovereign entities; (2) Exposures to certain supranational entities and MDBs; (3) Exposures to depository institutions, foreign banks, and credit unions; (4) Exposures to PSEs; (5) Corporate exposures; (6) Residential mortgage exposures; (7) Statutory multifamily mortgages and pre-sold construction loans; (8) HVCRE loans; (9) Past due loans; (10) Other assets; (11) Cleared transactions; (12) Default fund contributions; (13) Unsettled transactions; (14) Securitization exposures; and (15) Equity exposures.	Pg. 11			Sch. HC-R Part II Pg. 57-70
	(c) Standardized market risk-weighted assets as calculated under subpart F of this part.	Pg. 11			Sch. HC-R Part II Pg. 57-70
	(d) Common equity tier 1, tier 1 and total risk-based capital ratios: (1) For the top consolidated group; and (2) For each depository institution subsidiary	Pg. 9-10	Item (1): Pg. 84		Sch. HC-R Part I Pg. 53-56
	(e) Total standardized risk-weighted assets	Pg. 11	Pg. 85		Sch. HC-R Part II Pg. 57-70
§217.63 TABLE 4 — CAPITAL CONSERVATION BUFFER	(a) At least quarterly, the Bank must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	Pg. 11			
	(b) At least quarterly, Bank must calculate and publicly disclose the eligible retained income of the Bank, as described under § 217.11.	Pg. 11			
	(c) At least quarterly, the Bank must calculate and publicly disclose any limitations it has on capital distributions and discretionary bonus payments resulting from the capital conservation buffer framework described under § 217.11, including the maximum payout amount for the quarter.	Pg. 11			

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Credit Risk

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 5 — CREDIT RISK: GENERAL DISCLOSURES	<ul style="list-style-type: none"> General qualitative disclosure requirement. For each separate risk area described in Tables 5 through 10, the Board-regulated institution must describe its risk management objectives and policies, including: Strategies and processes; the structure and organization of the relevant risk management function; the scope and nature of risk reporting and/or measurement systems; policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants. 	Pg. 12	Pg. 100-102		
	<p>(a) The general qualitative disclosure requirement with respect to credit risk (excluding counterparty credit risk disclosed in accordance with Table 6), including the:</p> <ul style="list-style-type: none"> (1) Policy for determining past due or delinquency status; (2) Policy for placing loans on nonaccrual; (3) Policy for returning loans to accrual status; (4) Definition of and policy for identifying impaired loans (for financial accounting purposes); (5) Description of the methodology that the Board-regulated institution uses to estimate its allowance for loan and lease losses, including statistical methods used where applicable; (6) Policy for charging-off uncollectible amounts; and (7) Discussion of the Board-regulated institution's credit risk management policy. 	Pg. 12	<p>Items (1) – (4): Pg. 133-134</p> <p>Item (5): Pg. 132-133</p> <p>Item (6): Pg. 133-134</p> <p>Item (7): Pg. 100-102</p>		
	<p>(b) Total credit risk exposures and average credit risk exposures, after accounting offsets in accordance with GAAP, without taking into account the effects of credit risk mitigation techniques (for example, collateral and netting not permitted under GAAP), over the period categorized by major types of credit exposure. For example, Board-regulated institutions could use categories similar to that used for financial statement purposes. Such categories might include, for instance:</p> <ul style="list-style-type: none"> (1) Loans, off-balance sheet commitments, and other non-derivative off-balance sheet exposures; (2) Debt securities; and (3) OTC derivatives. 	Pg. 13	Pg. 56, 139, 176, and 179		
	<p>(c) Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.</p>	Pg. 14			
	<p>(d) Industry or counterparty type distribution of exposures, categorized by major types of credit exposure.</p>	Pg. 13			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 5 — CREDIT RISK: GENERAL DISCLOSURES	(e) By major industry or counterparty type: <ul style="list-style-type: none"> (1) Amount of impaired loans for which there was a related allowance under GAAP; (2) Amount of impaired loans for which there was no related allowance under GAAP; (3) Amount of loans past due 90 days and on nonaccrual; (4) Amount of loans past due 90 days and still accruing; (5) The balance in the allowance for loan and lease losses at the end of each period, disaggregated on the basis of the Board-regulated institution's impairment method. To disaggregate the information required on the basis of impairment methodology, an entity shall separately disclose the amounts based on the requirements in GAAP; and (6) Charge-offs during the period. 	Pg. 14-16	Items (1) & (2): Pg. 151 Item (5): Pg. 146 Item (6): Pg. 146		
	(f) Amount of impaired loans and, if available, the amount of past due loans categorized by significant geographic areas including, if practical, the amounts of allowances related to each geographical area, further categorized as required by GAAP.	Pg. 15			
	(g) Reconciliation of changes in ALLL. The reconciliation should include the following: A description of the allowance; the opening balance of the allowance; charge-offs taken against the allowance during the period; amounts provided (or reversed) for estimated probable loan losses during the period; any other adjustments (for example, exchange rate differences, business combinations, acquisitions and disposals of subsidiaries), including transfers between allowances; and the closing balance of the allowance. Charge-offs and recoveries that have been recorded directly to the income statement should be disclosed separately.	Pg. 16	Pg. 146		
	(h) Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	Pg. 16-17	Pg. 142		Sch. HC-R Part II Pg. 70
§217.63 TABLE 6 — GENERAL DISCLOSURE FOR COUNTERPARTY CREDIT RISK-RELATED EXPOSURES	(a) The general qualitative disclosure requirement with respect to OTC derivatives, eligible margin loans, and repo-style transactions, including a discussion of: <ul style="list-style-type: none"> (1) The methodology used to assign credit limits for counterparty credit exposures; (2) Policies for securing collateral, valuing and managing collateral, and establishing credit reserves; (3) The primary types of collateral taken; and (4) The impact of the amount of collateral the Board-regulated institution would have to provide given a deterioration in the Board-regulated institution's own creditworthiness. 	Pg. 17-19			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 6 — GENERAL DISCLOSURE FOR COUNTERPARTY CREDIT RISK- RELATED EXPOSURES	(b) Gross positive fair value of contracts, collateral held (including type, for example, cash, government securities), and net unsecured credit exposure. Net unsecured credit exposure is the credit exposure after considering both the benefits from legally enforceable netting agreements and collateral arrangements without taking into account haircuts for price volatility, liquidity, etc. A Board-regulated institution also must disclose the notional value of credit derivative hedges purchased for counterparty credit risk protection and the distribution of current credit exposure by exposure type. This may include interest rate derivative contracts, foreign exchange derivative contracts, equity derivative contracts, credit derivatives, commodity or other derivative contracts, repo-style transactions, and eligible margin loans.	Pg. 19	Pg. 143, 176, and 190		
	(c) Notional amount of purchased and sold credit derivatives, segregated between use for the Board-regulated institution's own credit portfolio and in its intermediation activities, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group.	N/A			
§217.63 TABLE 7 — CREDIT RISK MITIGATION	(a) The general qualitative disclosure requirement with respect to credit risk mitigation, including: (1) Policies and processes for collateral valuation and management; (2) A description of the main types of collateral taken by the Board-regulated institution (3) The main types of guarantors/credit derivative counterparties and their creditworthiness; and (4) Information about (market or credit) risk concentrations with respect to credit risk mitigation.	Pg. 19-20			
	(b) For each separately disclosed credit risk portfolio, the total exposure that is covered by eligible financial collateral, and after the application of haircuts.	N/A			
	(c) For each separately disclosed portfolio, the total exposure that is covered by guarantees/credit derivatives and the risk-weighted asset amount associated with that exposure. Credit derivatives that are treated, for the purposes of this subpart, as synthetic securitization exposures should be <u>excluded</u> from the credit risk mitigation disclosures and included within those relating to securitization (Table 8).	Pg. 19-20			

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Securitization

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 8 — SECURITIZATION	<ul style="list-style-type: none"> General qualitative disclosure requirement. For each separate risk area described in Tables 5 through 10, the Board-regulated institution must describe its risk management objectives and policies, including: Strategies and processes; the structure and organization of the relevant risk management function; the scope and nature of risk reporting and/or measurement systems; policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants. 	Pg. 20-21	Pg. 98-104		
	<p>(a) The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of:</p> <ol style="list-style-type: none"> The Board-regulated institution's objectives for securitizing assets, including the extent to which these activities transfer credit risk of the underlying exposures away from the Board-regulated institution to other entities and including the type of risks assumed and retained with resecuritization activity. The Board-regulated institution should describe the structure of resecuritizations in which it participates; this description should be provided for the main categories of resecuritization products in which the Board-regulated institution is active; The nature of the risks (e.g. liquidity risk) inherent in the securitized assets; The roles played by the Board-regulated institution in the securitization process (for example, these roles may include originator, investor, servicer, provider of credit enhancement, sponsor, liquidity provider, or swap provider) and an indication of the extent of the Board-regulated institution's involvement in each of them; The processes in place to monitor changes in the credit and market risk of securitization exposures including how those processes differ for resecuritization exposures; The Board-regulated institution's policy for mitigating the credit risk retained through securitization and resecuritization exposures; and The risk-based capital approaches that the Board-regulated institution follows for its securitization exposures including the type of securitization exposure to which each approach applies. 	Pg. 20-21			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 8 — SECURITIZATION	<p>(b) A list of:</p> <ul style="list-style-type: none"> (1) The type of securitization SPEs that the Board-regulated institution, as sponsor, uses to securitize third-party exposures. The Board-regulated institution must indicate whether it has exposure to these SPEs, either on- or off-balance sheet.; and (2) Affiliated entities: <ul style="list-style-type: none"> i. That the Board-regulated institution manages or advises; and ii. That invest either in the securitization exposures that the Board-regulated institution has securitized or in securitization SPEs that the Board-regulated institution sponsors. Such affiliated entities may include, for example, money market funds, to be listed individually, and personal and private trusts, to be noted collectively 	N/A			
	<p>(c) Summary of the Board-regulated institution's accounting policies for securitization activities, including:</p> <ul style="list-style-type: none"> (1) Whether the transactions are treated as sales or financings; (2) Recognition of gain-on-sale; (3) Methods and key assumptions applied in valuing retained or purchased interests; (4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes; (5) Treatment of synthetic securitizations; (6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and (7) Policies for recognizing liabilities on the balance sheet for arrangements that could require the Board-regulated institution to provide financial support for securitized assets. 	Pg. 21	<p>Item (3): Pg. 131-132</p> <p>Item (4): Pg. 134-135, 184-185 Other Items are N/A</p>		
	<p>(d) An explanation of significant changes to any quantitative information since the last reporting period.</p>	N/A			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 8 — SECURITIZATION	(e) The total outstanding exposures securitized by the Board-regulated institution in securitizations that meet the operational criteria provided in § 217.41 (categorized into traditional and synthetic securitizations), by exposure type, separately for securitizations of third-party exposures for which the bank acts only as sponsor. “Exposures securitized” include underlying exposures originated by the bank, whether generated by them or purchased, and recognized in the balance sheet, from third parties, and third-party exposures included in sponsored transactions. Securitization transactions (including underlying exposures originally on the bank's balance sheet and underlying exposures acquired by the bank from third-party entities) in which the originating bank does not retain any securitization exposure should be shown separately but need only be reported for the year of inception. Banks are required to disclose exposures regardless of whether there is a capital charge under this part.	N/A			
	(f) For exposures securitized by the Board-regulated institution in securitizations that meet the operational criteria in § 217.41: (1) Amount of securitized assets that are impaired/past due categorized by exposure type; include credit-related other than temporary impairment (OTTI); and (2) Losses recognized by the Board-regulated institution during the current period categorized by exposure type; for example, charge-offs/allowances (if the assets remain on the bank's balance sheet) or credit-related OTTI of interest-only strips and other retained residual interests, as well as recognition of liabilities for probable future financial support required of the bank with respect to securitized assets.	N/A			
	(g) The total amount of outstanding exposures intended to be securitized categorized by exposure type.	N/A			
	(h) Aggregate amount of: (1) On-balance sheet securitization exposures retained or purchased categorized by exposure type; and (2) Off-balance sheet securitization exposures categorized by exposure type.	Pg. 21			
	(i) (1) Aggregate amount of securitization exposures retained or purchased and the associated capital requirements for these exposures, categorized between securitization and resecuritization exposures, further categorized into a meaningful number of risk weight bands and by risk-based capital approach (e.g., SSFA); and (2) Exposures that have been deducted entirely from tier 1 capital, CEIOs deducted from total capital (as described in § 217.42(a)(1), and other exposures deducted from total capital should be disclosed separately by exposure type.	Pg. 21			
	(j) Summary of current year's securitization activity, including the amount of exposures securitized (by exposure type), and recognized gain or loss on sale by exposure type.	N/A			

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 8 — SECURITIZATION	<p>(k) Aggregate amount of securitization exposures retained or purchased categorized according to:</p> <p>(1) Exposures to which credit risk mitigation is applied and those not applied; and</p> <p>(2) Exposures to guarantors categorized according to guarantor creditworthiness categories or guarantor name.</p>	Pg. 21			

Equities (Non-Trading)

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 9 — EQUITIES (NON-TRADING)	<ul style="list-style-type: none"> General qualitative disclosure requirement. For each separate risk area described in Tables 5 through 10, the Board-regulated institution must describe its risk management objectives and policies, including: Strategies and processes; the structure and organization of the relevant risk management function; the scope and nature of risk reporting and/or measurement systems; policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants. 	Pg. 12			
	<p>(a) The general qualitative disclosure requirement with respect to equity risk for equities not subject to subpart F (i.e. the Market Risk Rule) of this part, including:</p> <p>(1) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and</p>	Pg. 22			
	<p>(2) Discussion of important policies covering the valuation of and accounting for equity holdings not subject to subpart F of this part. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</p>	Pg. 22	Pg. 131-132, 134-136 and 183-190		
	<p>(b) Value disclosed on the balance sheet of investments, as well as the fair value of those investments; for securities that are publicly traded, a comparison to publicly-quoted share values where the share price is materially different from fair value.</p>	Pg. 22	Pg. 139		
	<p>(c) The types and nature of investments, including the amount that is: (1) Publicly traded; and (2) Non-publicly traded.</p>	Pg. 22	Pg. 139		
	<p>(d) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.</p> <p>(1) Total unrealized gains (losses) recognized on the balance sheet but not through earnings.</p> <p>(2) Total unrealized gains (losses) not recognized either on the balance sheet or through earnings.</p> <p>(3) Any amounts of the above included in tier 1 or tier 2 capital.</p>	Pg. 22			
	<p>(e) Capital requirements categorized by appropriate equity groupings, consistent with the Board-regulated institution's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition regarding regulatory capital requirements.</p>	Pg. 22			

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Interest Rate Risk (Non-Trading)

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.63 TABLE 10 — INTEREST RATE RISK FOR NON-TRADING ACTIVITIES	<ul style="list-style-type: none"> General qualitative disclosure requirement. For each separate risk area described in Tables 5 through 10, the Board-regulated institution must describe its risk management objectives and policies, including: Strategies and processes; the structure and organization of the relevant risk management function; the scope and nature of risk reporting and/or measurement systems; policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants. 	Pg. 23			
	(a) The general qualitative disclosure requirement, including the nature of interest rate risk for non-trading activities and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of measurement of interest rate risk for non-trading activities.	Pg. 23	Pg. 102-103		
	(b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk for non-trading activities, categorized by currency (as appropriate).	Pg. 23	Pg. 103		

Market Risk

Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.212 TABLE — MARKET RISK DISCLOSURES	(1) For each material portfolio of covered positions, the Board-regulated institution must provide timely public disclosures of the following information at least quarterly:	Pg. 23	Pg. 105		
	i. The high, low, and mean VaR-based measures over the reporting period and the VaR-based measure at period-end;				
	ii. The high, low, and mean stressed VaR-based measures over the reporting period and the stressed VaR-based measure at period-end;	Pg. 23	Pg. 105		
	iii. The high, low, and mean incremental risk capital requirements over the reporting period and the incremental risk capital requirement at period-end;	N/A			
	iv. The high, low, and mean comprehensive risk capital requirements over the reporting period and the comprehensive risk capital requirement at period-end, with the period-end requirement broken down into appropriate risk classifications (for example, default risk, migration risk, correlation risk);	N/A			
	v. Separate measures for interest rate risk, credit spread risk, equity price risk, foreign exchange risk, and commodity price risk used to calculate the VaR-based measure; and	Pg. 23	Pg. 105		

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.212 TABLE — MARKET RISK DISCLOSURES	vi. A comparison of VaR-based estimates with actual gains or losses experienced by the Board-regulated institution, with an analysis of important outliers.	Pg. 23	Pg. 106		
	(2) In addition, the Board-regulated institution must disclose publicly the following information at least quarterly:	Pg. 20-21			
	i. The aggregate amount of on-balance sheet and off-balance sheet securitization positions by exposure type; and				
	ii. The aggregate amount of correlation trading positions.	N/A			
	For each material portfolio of covered positions, the Board-regulated institution must provide timely public disclosures of the following information at least annually after the end of the fourth calendar quarter, or more frequently in the event of material changes for each portfolio:	Pg. 23			
	(1) The composition of material portfolios of covered positions;				
	(2) The Board-regulated institution's valuation policies, procedures, and methodologies for covered positions including, for securitization positions, the methods and key assumptions used for valuing such positions, any significant changes since the last reporting period, and the impact of such change;	Pg. 23	Pg. 104-106		
	(3) The characteristics of the internal models used for purposes of this subpart. For the incremental risk capital requirement and the comprehensive risk capital requirement, this must include:	Pg. 23	Pg. 104-106		
	i. The approach used by the Board-regulated institution to determine liquidity horizons;				
	ii. The methodologies used to achieve a capital assessment that is consistent with the required soundness standard; and				
	iii. The specific approaches used in the validation of these models;				
	(4) A description of the approaches used for validating and evaluating the accuracy of internal models and modeling processes for purposes of this subpart;	Pg. 23	Pg. 106		
	(5) For each market risk category (that is, interest rate risk, credit spread risk, equity price risk, foreign exchange risk, and commodity price risk), a description of the stress tests applied to the positions subject to the factor;	Pg. 23	Pg. 105-106		
	(6) The results of the comparison of the Board-regulated institution's internal estimates for purposes of this subpart with actual outcomes during a sample period not used in model development;	Pg. 23	Pg. 106		

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Pillar III Requirement	Required Disclosures	Basel III Page #	2015 10-K Page #	10-Q Page #	FRY9C Page #
§217.212 TABLE — MARKET RISK DISCLOSURES	(7) The soundness standard on which the Board-regulated institution's internal capital adequacy assessment under this subpart is based, including a description of the methodologies used to achieve a capital adequacy assessment that is consistent with the soundness standard;	Pg. 9-11			
	(8) A description of the Board-regulated institution's processes for monitoring changes in the credit and market risk of securitization positions, including how those processes differ for resecuritization positions; and	Pg. 12, 23			
	(9) A description of the Board-regulated institution's policy governing the use of credit risk mitigation to mitigate the risks of securitization and resecuritization positions.	N/A			

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APPENDIX 2 - FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the Private Securities Litigation Reform Act of 1995. Statements regarding potential future share repurchases and future dividends are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “goals,” “targets,” “initiatives,” “potentially,” “probably,” “projects,” “outlook” 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 conditions that adversely affect the general economy, housing prices, the job market, consumer confidence, and spending habits which may affect, among other things, the level of nonperforming assets, charge-offs, and provision expense;
- the rate of growth in the economy and employment levels, as well as general business and economic conditions;
- our ability to implement our strategic plan, including the cost savings and efficiency components, and achieve our indicative performance targets;
- our ability to remedy regulatory deficiencies and meet supervisory requirements and expectations;
- liabilities and business restrictions resulting from litigation and regulatory investigations;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- changes in interest rates and market liquidity, as well as the magnitude of such changes, which may reduce interest margins, impact funding sources and affect the ability to originate and distribute financial products in the primary and secondary markets;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- 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;
- management’s ability to identify and manage these and other risks; and
- any failure by us to successfully replicate or replace certain functions, systems and infrastructure provided by RBS.

In addition to the above factors, we also caution that the amount and timing of any future common stock dividends or share repurchases will depend on our financial condition, earnings, cash needs, regulatory constraints, capital requirements

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(including requirements of our subsidiaries), and any other factors that our Board of Directors deems relevant in making such a determination. Therefore, there can be no assurance that we will pay any dividends to holders of our common stock, or as to the amount of any such dividends.

More information about factors that could cause actual results to differ materially from those described in the forward-looking statements can be found under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015.