Citizens Financial Group, Inc.

Dodd-Frank Act Mid-Cycle Company-Run Stress Test Disclosure

July 6, 2015

Table of Contents

1. Introduction

Citizens Financial Group, Inc. (CFG) is a bank holding company headquartered in Providence, Rhode Island. The primary subsidiaries of CFG are its two insured depository institutions, Citizens Bank, N.A., a national banking association, and Citizens Bank of Pennsylvania, a Pennsylvania-chartered savings bank. Through its subsidiaries, CFG provides traditional banking products and services to consumer and commercial customers across an eleven-state footprint in New England, the Mid-Atlantic and the Midwest. CFG has approximately 1,200 branches 3,200 branded ATMs and 17,800 employees.

This document outlines the estimated impacts of economic stress on CFG, consistent with requirements for the 2015 Mid-Cycle Dodd-Frank Act Stress Test (Mid-Cycle DFAST 2015). The Stress Test Final Rule published by the Board of Governors of the Federal Reserve System (Federal Reserve) defines this requirement in accordance with the Dodd-Frank Act of 2010. CFG must disclose the following information for a CFG-designed Severely Adverse stress scenario and associated set of capital actions over the nine-quarter planning horizon beginning Q2 2015 and ending Q2 2017:

A. A description of the types of risk included in the stress tests.

B. A general description of the methodologies used in the stress test, including those used to estimate losses, revenues, provision for loan and lease losses, and changes in capital positions over the planning horizon.

C. The estimates of projected revenue, losses and net income before taxes; loan losses in aggregate and by sub-portfolio; pro forma regulatory capital ratios along with the tier 1 common ratio; and an explanation of the most significant causes for the changes in regulatory capital ratios.

The Federal Reserve Board defines a stress test as “a process to assess the potential impact of a scenario (hypothetical economic conditions) on the consolidated earnings, losses, and capital of a covered company over the planning horizon (a set period of time), taking into account its current condition, risks, exposures, strategies, and activities.” The enclosed outcomes are not a forecast and do not represent CFG’s expected performance under current business strategies.

The projected outcomes published in this disclosure are the result of a “company-run” assessment of the CFG Severely Adverse stress scenario reflecting:

- CFG-designed scenario inputs created to stress CFG’s specific vulnerabilities in a severely adverse macroeconomic environment, using internally-developed models and methodologies;
- Specific characteristics of CFG’s risk profile, products and activities;
- DFAST capital actions defined by the Federal Reserve; and
- Where necessary, management’s interpretation of regulatory requirements and guidance.

Exhibit 1 summarizes the Federal Reserve-defined DFAST capital action assumptions.

Exhibit 1: Supervisory Capital Action Assumptions for DFAST Mid-Cycle Assessment

DFAST Capital Action	Q2 2015	Each Quarter Q3 2015 - Q2 2017
Quarterly Common Dividends	Actual	Equal to the quarterly average dollar amount of common dividends paid in Q3 2014 - Q2 2015
Payments on Additional Tier 1 and on Tier 2 Capital Instruments[1]	Actual	Equal to the stated dividend, interest, or principal due on such instrument
Redemption / Repurchase of Capital Instruments	Actual	None
Issuance of Common or Preferred Stock	Actual	None except for common share issuances related to expensed employee compensation

[1]*Additional Tier 1 and Tier 2 capital instruments include non-cumulative preferred equity and qualifying subordinated debt.*

Estimated impacts of stress are one of many inputs to CFG's capital management process. The Finance and Risk organizations lead the capital management process with participation from the lines of business, Treasury and Audit. The CFG capital management process is supported by internal policies and practices used by CFG to ensure that the amount and composition of capital is adequate given the company's risk exposures and the regulatory standards.

1.1. Risks Considered by CFG

CFG is subject to a number of risks potentially affecting its business, financial condition, operations and cash flows. As a financial services organization, certain elements of risk are inherent in CFG's transactions, operations and business decisions. CFG, therefore, encounters risk as part of the normal course of business and has designed risk management processes to help manage these risks. CFG's success is dependent on the ability to identify, understand and manage the risks presented by business activities so that senior management can appropriately balance revenue generation and profitability.

In order to ensure that CFG's idiosyncratic scenarios test the specific vulnerabilities of the company, stakeholders considered the risks across the business activities of the company during the development of the scenario and the execution of the capital management process. As CFG has a straightforward business model focused on lending and deposit taking with relatively few non-traditional banking sources of revenue, CFG has designed its idiosyncratic scenario to account for the following key vulnerabilities:

- CFG has a concentration in residential real estate lending in the form of mortgage and home equity lending, mortgage banking and mortgage-backed securities. The performance of these portfolios deteriorates when increasing unemployment rates lead to increased defaults and when decreasing housing prices result in increased losses in the event of default.

- CFG has material consumer and small business lending portfolios. The performance of these portfolios deteriorates when increasing unemployment rates lead to increased defaults and reduced business activity.
- CFG has a diversified commercial lending portfolio. However, the performance of the whole commercial portfolio deteriorates when declining GDP leads to increased default rates and reduced business activities.
- CFG has a relatively high reliance on net interest income for revenue and is asset sensitive. Therefore, extended periods of very low short- and long-term interest rates result in reduced spreads and a compressed net interest margin.

The 2014 bottom-up risk identification process identified nine material risks to which the company is exposed. *Exhibit 2* below catalogs the material risks, how these risks are captured and where they appear in the stress test.

Exhibit 2: Summary of Mid-Cycle 2015 Material Risk and Associated Projection Approaches

Material Risks	Risk Taxonomy Definition	Captured in Stress Testing	Stress Testing Approach	Overall Approach
Credit Risk	The risk of loss from the failure of a customer to meet its obligations to settle outstanding amounts.	Y	Modeled	Credit risk is captured through credit loss modeling and overlays derived from additional analysis and expert judgment for base and stress forecasting.
Non-Traded Market Risk	Risks in non-traded assets and liabilities and financial investments designated as available-for-sale and held-to-maturity.	Y	Modeled and Non-Modeled	Interest rate risk is captured through traditional asset liability management tools and modeling approaches, complete data on contractual repricing and business unit insight into pricing under stress.
Funding and Liquidity Risk	Liquidity risk is defined as the risk that CFG is unable to meet its contractual or potential payment obligations in a timely manner.	N	Non-Modeled	CFG does not hold capital for liquidity. At the same time, stress scenarios do include characteristics that clearly test the liquidity position of the organization. In addition, management makes certain assumptions about reinvestment and funding under each scenario and also confirms CFG and the subsidiary banks remain solvent and within regulatory and policy defined liquidity requirements.
Traded Market Risk	The risks that arise from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities, whether or not captured by the Value at Risk model.	Y	Non-Modeled	Traded market risk is captured through non-modeled, expert judgment-based forecasts under base and stress scenarios.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	Y	Modeled and Non-Modeled	Operational risk is captured through loss modeling and non-modeled overlays including the litigation overlay.
Strategic Risk	Strategic risk, which includes business risk, is the risk to current or anticipated earnings, capital, or franchise or enterprise value arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the banking industry and operating environment. This risk is a function of a bank's strategic goals, business strategies, resources, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communications channels, operating systems, delivery networks, and managerial capacities and capabilities.	Y	Non-Modeled	Strategic risk is captured through an internally derived non-modeled approach that considers impacts captured through the normal business cycle, disruptive unknowns, and material business plan changes.
Reputation Risk	The risk to current or anticipated earnings, capital, franchise/enterprise value, or the exit of key employees arising from negative public opinion. Reputational risk can arise from actions taken, or by the failure to take actions.	Y	Non-Modeled	Reputation risk is captured within the stress forecasts through loan growth and deposit assumptions from the lines of business based on idiosyncratic operational risk events.
Pension Risk	The risk to a firm caused by its contractual or other liabilities to or with respect to its pension schemes, whether established for its employees or those of a related company or otherwise. It also means the risk that the firm will make payments or other contributions to or with respect to a pension scheme because of a moral obligation or because the firm considers that it needs to do so for some other reason.	Y	Modeled	Pension risk is captured through a modeled approach in the base and stress forecasts.
Model Risk	The occurrence of limitations in models from design through to implementation and use. Including the quality of data used to build the model and input into the model. The misapplication or misuse of models through a failure to understand or apply the model within its specified limitations.	Y	Non-Modeled (Add-On)	Model risk is captured through both an overlay estimation process to certain PPNR models and through an add-on estimation process post aggregation outside the FR Y-14A submission.

The results of the risk identification process are direct inputs to the scenario generation process, model development and the capital adequacy assessment. Exposures to risks not adequately captured in stress testing are considered for a capital add-on. For the 2015 mid-cycle submission, model risk, reputation risk and strategic risk were each considered for a capital add-on. Based on this assessment, a $500 million add-on was estimated for model risk.

1.2. The CFG Severely Adverse Stress Scenario

The CFG Severely Adverse scenario was developed to test the strength and resiliency of the banking organization in a more significantly adverse economic environment. Using historical data series, the macro-economic variables that stress CFG’s risk profile were then shocked to match large historical shocks observed in the last 75 years. By stressing all variables in this manner, the scenario ignores historical correlations between macro-variables. The resulting scenarios are more severe and do not assume that the next crisis will unfold in the same manner as the last. For example, a scenario that assumed housing prices would decline materially in all U.S. markets simultaneously would have been inconsistent with housing price data prior to 2007.

The CFG Severely Adverse scenario features a substantial weakening in global economic activity, resulting in a deep, prolonged recession with elevated and sustained levels of unemployment and severe deterioration of asset prices. Treasury rates remain low with some widening of credit spreads. This scenario consciously drops housing prices significantly to exploit the vulnerabilities of income produced by our concentration in mortgage products. Interest rates are kept low, given the asset-sensitive position, further compressing net interest margins. This scenario includes two operational risk events resulting in legal costs as well as potential impacts to volume and yields as lines of business evaluate the reputational impact of such events.

Exhibit 3: Projected Variables for the CFG Severely Adverse Stress Scenario

Quarter	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Key Macro Variables									
Real GDP - Q-over-Q Annualized (%)	(9.8)	(10.1)	0.0	0.0	3.3	3.2	3.2	3.2	3.2
HPI[1] - Q-over-Q Annualized (%)	(26.2)	(28.0)	(30.1)	(32.6)	0.0	0.0	3.0	3.0	3.0
Unemployment (%)	7.5	8.8	10.1	11.4	11.4	11.4	11.0	10.6	10.2
Disposable Income - Q-over-Q Annualized (%)	(3.8)	(3.8)	(3.9)	(3.9)	0.0	0.0	1.0	1.0	1.0
Key Market Rates									
Dow Jones Total Market - Q-over-Q Change (%)	(16.3)	(27.1)	(18.5)	(13.9)	(1.9)	5.6	5.7	9.1	9.9
3-Month Treasury (%)	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
10-Year Treasury (%)	0.9	1.0	1.2	1.3	1.5	1.5	1.6	1.8	1.9
BBB Bond Spread[2] (bps)	280	290	300	310	300	290	280	270	260

[1] HPI refers to the Case-Shiller single-family aggregate home price index.
[2] BBB Bond Spread = BBB Corporate Bond yield - 10-year Treasury yield

In the CFG Severely Adverse stress scenario, real GDP falls in the first two quarters, stays flat for two quarters before returning to growth. Home prices decline during the first year of the scenario, and do not start to increase until Q4 2016. Unemployment increases to 11.4% over the first year before falling slowly from Q4 2016. Interest rates remain low through the horizon. The 10-year Treasury falls sharply to 0.90% then rises steadily to finish at 1.9% in Q2 2017. The 3-month Treasury remains low at 0.03% for the whole scenario.

CFG has exposure to operational risk loss events that occur independently of the macro-economic environment. During the CFG Severely Adverse stress scenario, CFG includes two operational loss events. These events were selected from scenarios developed in the Operational Risk scenario analysis process and were selected for their size.

1.3. CFG Methodologies

CFG's integrated stress testing process measures the impact of macroeconomic factors on the material risks and estimated financial performance of CFG. The goal of the stress testing process is to ensure that CFG and its subsidiaries have sufficient capital to absorb potential losses and to support operations under severely adverse economic conditions. CFG uses a number of quantitative and qualitative methodologies to generate a projected balance sheet, income statement and pro forma capital ratios for a specific scenario. This section provides details about the methodologies used for PPNR, losses, provisions and changes in capital position under hypothetical stress.

1.3.1. Pre-Provision Net Revenue

CFG develops projected balances and yields by rolling the balance sheet forward through the planning horizon. CFG starts with the current portfolio position and adds or subtracts the estimated business activity (e.g., originations, prepayment, scheduled payments, losses, repricing, etc.) to project the ending balance and yield for each product or portfolio. Dedicated teams within the lines of business and central business functions develop and document these business activity assumptions. These teams use various combinations of internal analytics, business activity macroeconomic models, historical data and prior stress test results with business unit expert judgment to develop the possible outcome under assumed stress conditions.

1.3.1.1. Net Interest Income

CFG determines the net-interest income for a given period based on the pricing characteristics of starting position balances and the pricing characteristics of any new asset or liability balance. More specifically, CFG calculates net-interest income as the yield on performing assets less the yield on liabilities based upon the scenario-specific interest rates. Projections are derived from a combination of macroeconomic models and pricing characteristics associated with new business and renewals provided by business line subject matter experts.

1.3.1.2. Non-Interest Income

CFG captures fees and other income in order to create a complete income statement. The businesses provide forecast fees and other income generally based on the level of business activity for a given scenario using modeled and non-modeled approaches supported by expert judgment and historical data.

1.3.1.3. Non-Interest Expenses

Businesses and support functions use non-modeled approaches supported by expert judgment and historical data to project expenses. Starting with the most recent expense structure, the stress forecast takes into account the economic conditions defined in the scenario and the planned levels of business activity to determine the projected expenses over the planning horizon. In addition, the Operational Risk Management team projects expenses for expected operational risk losses for a scenario using an internally developed model and also includes the effects of two operational risk scenario events. CFG’s external pension actuaries calculate the expected pension expenses for a given scenario.

1.3.2. Losses

This section provides a summary of the methodologies used to model credit and other than temporary impairment losses used for the CFG Severely Adverse stress scenario.

1.3.2.1. Credit Losses

CFG uses Consumer and Commercial credit loss forecasting models to project charge-offs for a given scenario. The credit loss forecasting models use historically observed losses from CFG’s portfolios and take into account the macroeconomic conditions and interest rate environment defined in the scenario. The credit modeling team uses forecast balances generated as part of the pre-provision net revenue methodology described above to forecast charge-offs under stress through the scenario horizon.

1.3.2.2. Other Than Temporary Impairment Losses

CFG uses a model to project other than temporary impairment exposures for the residential mortgage-backed securities portfolio in a given scenario. CFG includes projected other than temporary impairment in realized losses/gains on securities (AFS/HTM) for the period in which the impairment is estimated to be realized under stress.

1.3.3. Provision for Loan and Lease Losses

CFG generates provisions based on net charge-offs and change in the allowance for loan and lease losses (ALLL). The calculation of estimated ALLL under stress is similar to the methodology used for the quarterly ALLL calculation. The ALLL reserve for a stressed scenario is based on outputs from the credit stress testing models on a product-by-product basis. The Commercial reserves are calculated as a function of expected loan balance and required reserve coverage rates. The Commercial loss models provide loan balances by risk categories on a quarterly basis. A reserve coverage rate, generated from the loss probabilities and the loss severities, is applied to each quarter's projected loan balance. The final component of calculating the reserve coverage rate is the application of an adjustment for the appropriate loss time horizon (also called the incurred loss period) given the credit environment. The incurred loss period for the reserves under stress are similar to the normal quarterly reserve process: they will cover a longer time horizon for incurred but unrealized losses in good times, and conversely cover a shorter time horizon for incurred but unrealized losses in a weak credit environment. The Consumer process is based on each quarter's net charge-off amount. Similar to the Commercial reserves, stressed Consumer reserves for each product are adjusted for the appropriate loss time horizon. As mentioned above, the incurred loss periods change for both Commercial and Consumer based on the economic and credit environment and therefore the severity of the stress scenarios. The provision expense is a function of the change in the reserve each quarter plus the net charge-offs for that quarter.

1.3.4. Changes in Capital Position

CFG assesses and manages regulatory capital ratios as a "non-advanced" banking organization. This designation means that the Federal Reserve does not require CFG or its subsidiary banks to assess credit and operational risk using the Federal Reserve's more complex advanced approach modeling methodologies to calculate risk-weighted asset (RWA) requirements. As a non-advanced bank, CFG began transitioning to new Basel III capital rules and ratio requirements on January 1, 2015 and also transitioned to new US Standardized RWA methodologies that apply to all US banks as of that date. The new Basel III capital definitions and requirements to which CFG is now subject are in transition and will phase in by 2019.

Within this disclosure, CFG uses the outputs of the integrated stress testing process to assess pro forma capital ratios for the CFG Severely Adverse stress scenario. CFG's estimated financial performance and changes in the size and credit characteristics of CFG's underlying risk portfolios under stress are the key drivers in determining both its projected level of capital and projected risk-weighted asset requirement at the end of each quarter in the scenario horizon. These projected sources and uses of capital, along with prescribed DFAST capital actions, are the drivers of change for CFG's capital ratios.

1.4. CFG Performance under the CFG Severely Adverse Stress Scenario

1.4.1. DFAST Capital Actions Applied by CFG

CFG's DFAST capital actions make a key distinction in the projection of pro forma quarterly common dividends to be paid in future quarters. This distinction is necessary to meet the spirit of FRB-prescribed actions. These actions anticipate a quarterly common dividend that provides a flat dollar return to common shareholders over a full scenario horizon (to which CFG refers below as a normalized quarterly dividend). However, the DFAST capital actions generally exclude any transaction that would otherwise reduce or augment the level of overall regulatory capital available under stress.

In keeping with this view, CFG's calculation of a normalized average dollar payment for quarterly common dividends in Q3 2015 trough Q2 2017 reflects only $50 million of a total of $383 million of dividends paid to its parent RBS Group plc (RBS) in Q3 2014. During Q3 2014, CFG paid two common dividends to RBS, one a quarterly dividend of $50 million and the other a special dividend of $333 million. CFG paired the special dividend with the issuance to RBS of $333 million of tier 2 subordinated debt (sub-debt). This pairing was irrespective of income and focused on reducing tier 1 common equity while remaining neutral to total regulatory capital. Hence, CFG does not include the $333 million special dividend in the estimation of CFG's "normalized" quarterly common dividend payment for this mid-cycle DFAST assessment.

All other actions modeled in CFG's Severely Adverse stress scenario are fully detailed in *Exhibit 4* below.

Exhibit 4: DFAST Capital Actions as Applied by CFG

Capital Action	Federal Reserve DFAST Instructions		CFG Capital Actions ($ millions)	
	Q2 2015	Q3 2015 - Q2 2017	Q2 2015	Q3 2015 - Q2 2017
Quarterly Common Dividends	Actual	Each quarter equal to 25% of actual common dividends paid in Q3 2014 - Q2 2015	$54	Approximately $53.2 / quarter = 25% of "normalized" common dividends paid in Q3 2014 - Q2 2015
Payments on Additional Tier 1 Instruments	Actual	Equal to the stated dividend, interest or principal due on such instrument	$0	5.5% dividend on preferred equity issued in Q2 2015 charged to retained earnings in quarters of declaration (Q3 and Q1, beginning with Q3 2015). Approximately $6.9 semi-annually beginning in Q3 2015
Payments on Tier 2 Capital Instruments	Actual	Equal to the stated dividend, interest or principal due on such instrument	$26 pre-tax included in computation of net income	$209 pre-tax, expensed and accrued quarterly included in scenario net income
Share Repurchases	Actual	None	$251	$0
Issuance of Common Stock	Actual	None, except for common stock issuances associated with expensed employee compensation	$7	Approximately $52.4 aggregate over eight quarters
Issuance of Non-Cumulative Preferred Equity	Actual	None	$247	$0
Issuance of Qualifying Tier 2 Subordinated Debt	Actual	None	$0	$0

1.4.2. Impacts of Stress on Overall Financial Performance and Loan Portfolios

Exhibits 5 and *6* outline the pro forma impact of the CFG Severely Adverse stress scenario on CFG's cumulative financial performance for Q2 2015 through Q2 2017.

The net income before taxes under the CFG Severely Adverse stress scenario as shown in *Exhibit 4* below is primarily impacted by:

- An increase to provision expense in anticipation of projected future charge-offs;
- An increase in operational losses due to an additional $555 million of operational losses driven by two large idiosyncratic loss events and litigation overlays;
- A reduction in net interest income due to a combination of lower interest rates and a declining balance sheet size, consistent with CFG's historical experience.

Provision expense increases as higher unemployment rates reduce many customers' ability to pay, increasing loss rates across all Consumer and small business portfolios. Declining home prices deflate the value of the collateral CFG is holding against losses experienced, further affecting the provision expense. At the same time, revenue declines. The balance sheet is materially smaller as expected business activity and increased losses reduce the loan balance. Net interest margin remains compressed as a result of the low rate environment. Operational losses total $707 million over the nine-quarter forecast horizon driven by an additional $555 million of operational losses driven by two large idiosyncratic loss events and litigation overlays. Non-interest income also declines due to reduced loan origination and customer payment activity.

Exhibit 5: CFG Projected Net Income under CFG Severely Adverse Stress Scenario

	Q2 2015 - Q2 2017 ($ billions)	Percent of Average Assets[1] (%)
Pre-provision net revenue[2]	$1.9	1.5%
Other revenue[3]	0.0	0.0
less		
Provisions	4.1	3.1
Realized losses/gains on securities (AFS/HTM)	(0.1)	(0.1)
Trading and counterparty losses[4]	0.0	0.0
Other losses/gains[5]	0.0	0.0
equals		
Net income (loss) before taxes[6]	(2.2)	(1.7)

[1]Average assets is the nine-quarter average of total assets.
[2]Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses and other real estate owned costs.
[3]Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.
[4]Trading and counterparty losses include mark-to-market and credit valuation adjustments losses and losses from counterparty default scenario component applied to derivatives, securities lending and repurchase agreement activities.
[5]Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option and goodwill impairment losses.
[6]Numbers may not sum due to rounding.

The macroeconomic variables under the CFG Severely Adverse stress scenario negatively affect the portfolio performance across all loan types as shown in *Exhibit 6*.The rise in unemployment and drop in home prices are the primary drivers that affect the first lien mortgage and HELOC losses. In addition to the drop in commercial real estate prices, the rise in unemployment and drop in gross domestic product are the primary drivers that affect the commercial real estate losses. As reduced loan originations in the weaker macroeconomic environments are not sufficient to offset large increases in losses and expected prepayment activity during the CFG Severely Adverse stress scenario, the size of the loan book declines.

Exhibit 6: CFG Projected Loan Losses under CFG Severely Adverse Stress Scenario

	Q2 2015 - Q2 2017 ($ billions)	Portfolio loss rates[1] (%)
Loan losses[2]	$3.4	3.7%
First-lien mortgages, domestic	0.3	2.1
Junior-liens and HELOCs, domestic	0.9	5.2
Commercial and industrial[3]	0.7	2.6
Commercial real estate, domestic	0.3	3.3
Credit cards	0.2	18.7
Other consumer[4]	0.7	4.0
Other loans[5]	0.3	3.8

[1]Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

[2]Numbers may not sum due to rounding.

[3]Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

[4]Other consumer loans include student loans, automobile loans and other personal loans.

[5]Other loans include lending to not-for-profit, municipals, depository and other financial institutions, commercial leases, and loans denominated in foreign currency.

1.4.3. Impacts of Stress and Assumed Capital Actions on Capital Ratios

Exhibit 7 summarizes CFG's estimated capital ratios under the CFG Severely Adverse stress scenario with DFAST capital actions. All ratios end the scenario 50 to 90 basis points lower than where they began; however, the ending level and the minimum level for all ratios exceed the ratio's required regulatory minimum under stress by at least 490 basis points.

Exhibit 7: CFG Projected Capital Ratios under CFG Severely Adverse Stress Scenario

	Actual Q1 2015	Stressed Capital Ratios[1]		Required Regulatory Minimum under Stress
		Ending Q2 2017	Minimum through Q2 2017	
Tier 1 common ratio	12.4%	11.5%	10.9%	5%
Common equity tier 1 capital ratio	12.2	11.4	10.7	4.5
Tier 1 capital ratio	12.2	11.6	10.9	6.0
Total capital ratio	15.5	15.0	14.3	8.0
Tier 1 leverage ratio	10.5	9.8	9.3	4.0

[1]Capital ratios are calculated subject to stress assumptions developed by CFG and capital actions that meet Federal Reserve specifications under its Dodd-Frank Act stress testing requirement. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes or capital ratios. Minimum ratios are calculated over the projection window of Q2 2015 through Q2 2017.

Over the projection horizon, ratios benefit from a reduction in CFG's risk-weighted asset requirement. As shown in *Exhibit 8*, risk-weighted assets decline due primarily to projected credit losses and anticipated weak loan demand under stress, but also reflecting a higher portion of ALLL balances being used to offset gross risk-weighted assets.

Exhibit 8: CFG Projected Risk-Weighted Assets under CFG Severely Adverse Stress Scenario

($ billions)	Actual Q1 2015	Projected Q2 2017
Risk-weighted assets[1]	$109.8	$101.8
Balance sheet assets	136.5	126.5

[1]Risk-weighted assets reflect U.S. standardized methodologies and certain transitioning Basel III capital rules. The tier 1 common ratio is the only risk-based ratio that continues to use the general risk-based weighting approach that was used in Basel I.

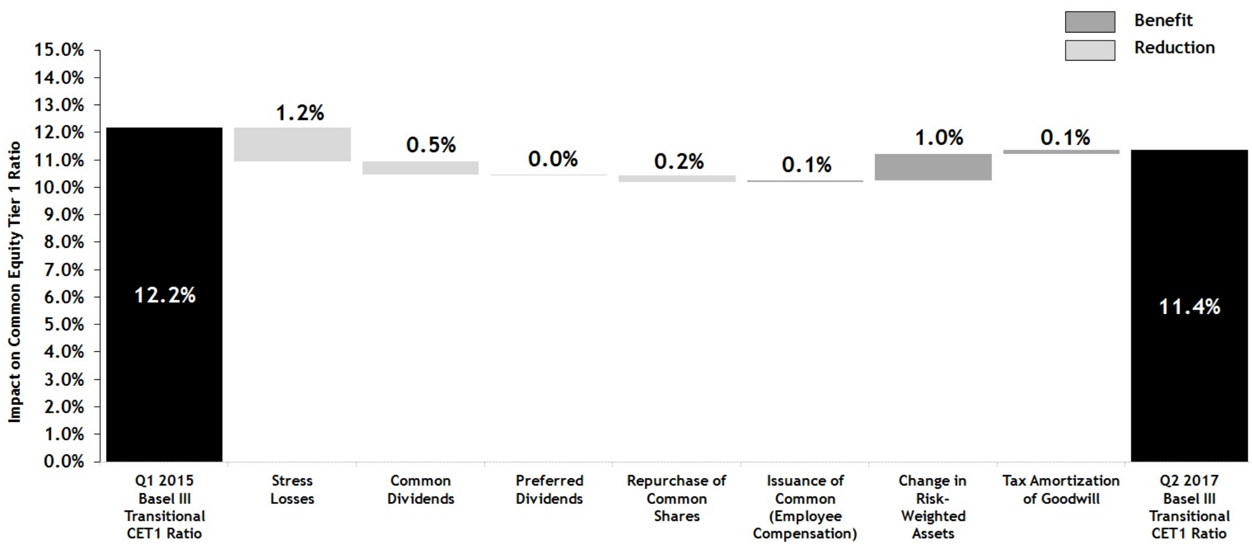
1.4.4. Most Significant Drivers of Change in Regulatory Capital Ratios

All ratios are generally impacted by the same factors under stress, with the primary difference being that ratios that qualify common equity as regulatory capital but do not recognize preferred equity or subordinated debt (CET1 and tier 1 common equity) do not benefit from the issuance of $247 million of preferred equity that occurred in Q2 2015. During Q2 2015, CFG repurchased $250 million of common shares and issued $247 million of preferred equity, which reduced common equity ratios by approximately 22 basis points, while remaining generally neutral to both of CFG's tier 1 ratios and to the total capital ratio. Under DFAST capital actions, actual Q2 2015 transactions are assumed to occur as planned, irrespective of stress losses.

Over nine quarters of the CFG Severely Adverse stress scenario, CFG's common equity tier 1 (CET1) ratio declines approximately 0.8%, from 12.2% to 11.4%, as demonstrated in *Exhibit 9*. This decline reflects an estimated $1.2 billion of net losses (-1.2% to the ratio), as well as the impact of capital activity related to common equity (dividends, repurchases and share-based employee compensation) plus the payment of preferred dividends. On a net basis, these actions reduce capital by $0.7 billion (-0.7%).

An $8.0 billion decrease in risk-weighted assets (+1.0%) provides a partial offset to these uses of capital. The decrease in RWAs is influenced by: changes in risk portfolios; a $0.5 billion increase in CFG's ALLL balance; and the risk-weighting of $0.3 billion of net deferred tax assets that arise from timing differences in tax recognition of income and expense and cannot be realized through net operating loss carrybacks. The CET1 ratio also benefits from tax amortization of $0.1 billion of goodwill (+0.1%).

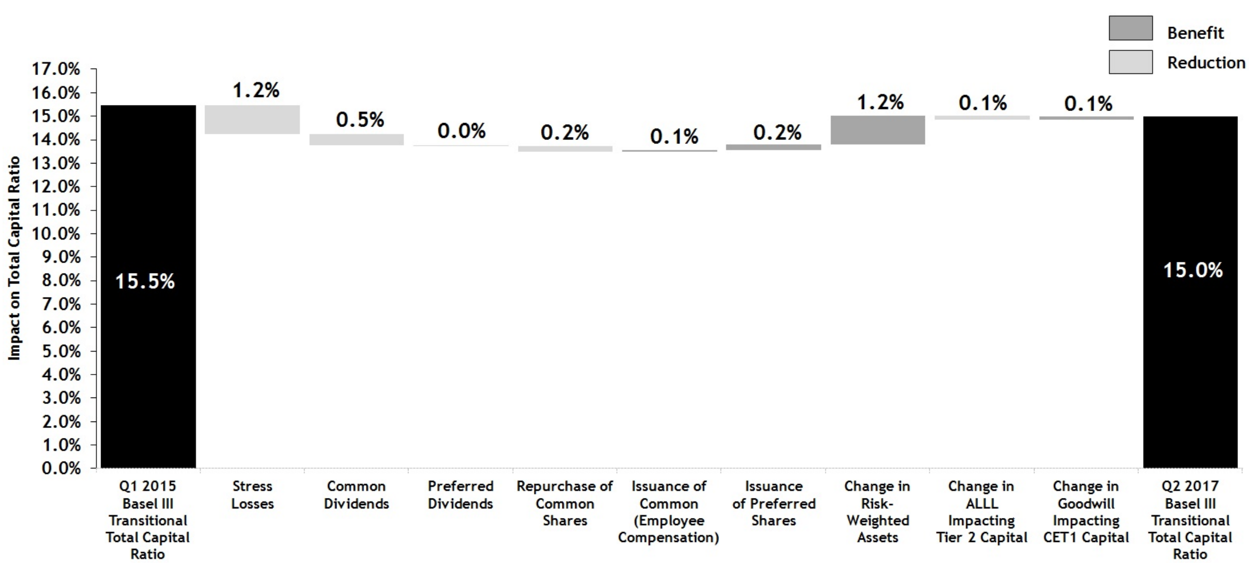
Exhibit 9: CFG Common Equity Tier 1 Ratio Change under CFG Severely Adverse Stress Scenario[1]



[1]Due to rounding the sum of individual changes will not foot to the total change in the ratio from Q1 2015 to Q2 2017.

Over nine quarters of the mid-cycle CFG Severely Adverse stress scenario with DFAST capital actions, CFG estimates that its total risk-based capital ratio declines approximately 0.5%, from 15.5% to 15.0%, as demonstrated in *Exhibit 10*. Factors that impact total regulatory capital but not CET1 are the issuance of $0.2 billion of preferred equity (+0.2%) and the $0.1 billion reduction in the portion of ALLL dollars that qualifies as tier 2 capital (-0.1%).

Exhibit 10: CFG Total Risk-Based Capital Ratio Change under CFG Severely Adverse Stress Scenario[2]



[2]Due to rounding the sum of individual changes will not foot to the total change in the ratio from Q1 2015 to Q2 2017.

Supervisory DFAST capital actions used in these assessments do not reflect CFG's planned capital actions for 2015 and 2016, nor do they necessarily reflect the capital actions that CFG would execute in a stressed environment. CFG's internal policy controls would restrict planned capital distributions if losses such as those implied by the CFG Severely Adverse stress scenario were to occur. CFG would not resume distributions until the company could meet the full range of internal and regulatory requirements governing the distributions.

Cautionary Statement About Forward-Looking Statements

This document contains forward-looking statements within the Private Securities Litigation Reform Act of 1995. Statements about our future regulatory capital compliance, which will be an important factor in determining the extent to which we may pay common stock dividends and repurchase our common stock 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.

We also caution that the amount and timing of any future common stock dividends or stock repurchases will depend on our financial condition, earnings, cash needs, regulatory constraints, capital requirements (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. In addition, the timing and manner of the sale of RBS's remaining ownership of our common stock remains uncertain, and we have no control over the manner in which RBS may seek to divest such remaining shares. Any such sale would impact the price of our shares of common stock.

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 filed with the United States Securities and Exchange Commission on March 3, 2015.