CITIZENS FINANCIAL GROUP INC/RI
Form 10-Q
May 09, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended
March 31, 2016

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

For the Transition Period From
(Not Applicable)
Commission File Number 001-36636
CITIZENS FINANCIAL GROUP, INC.
(Exact name of the registrant as specified in its charter)

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

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

(401) 456-7000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
[ü] Yes [ ] No

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

Large accelerated filer [ü] Accelerated filer [ ]
Non-accelerated filer (Do not check if a smaller reporting company) [ ] Smaller reporting company [ ]

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

There were 528,980,180 shares of Registrant's common stock ($0.01 par value) outstanding on May 2, 2016.

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CITIZENS FINANCIAL GROUP, INC.

GLOSSARY OF ACRONYMS AND TERMS

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

| | |
|---|---|
| AFS | Available for Sale |
| ALLL | Allowance for Loan and Lease Losses |
| AOCI | Accumulated Other Comprehensive Income (Loss) |
| ASU | Accounting Standards Update |
| ATM | Automated Teller Machine |
| BHC | Bank Holding Company |
| bps | Basis Points |
| C&I | Commercial and Industrial |
| Capital Plan Rule | Federal Reserve's Regulation Y Capital Plan Rule |
| 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 |
| CFPB | Consumer Financial Protection Bureau |
| Citizens or CFG or the Company | Citizens Financial Group, Inc. and its Subsidiaries |
| CLTV | Combined Loan to Value |
| CMO | Collateralized Mortgage Obligation |
| CRE | Commercial Real Estate |
| CRO | Chief Risk Officer |
| DFAST | Dodd-Frank Act Stress Test |
| Dodd-Frank Act | The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 |
| EPS | Earnings Per Share |
| ERISA | Employee Retirement Income Security Act of 1974 |
| Fannie Mae (FNMA) | Federal National Mortgage Association |
| FASB | Financial Accounting Standards Board |
| FDIA | Federal Deposit Insurance Act |
| FDIC | Federal Deposit Insurance Corporation |
| FHLB | Federal Home Loan Bank |
| FICO | Fair Isaac Corporation (credit rating) |
| FRB | Federal Reserve Bank |
| FRBG | Federal Reserve Board of Governors |
| Freddie Mac (FHLMC) | Federal Home Loan Mortgage Corporation |
| FTP | Funds Transfer Pricing |
| GAAP | Accounting Principles Generally Accepted in the United States of America |
| GDP | Gross Domestic Product |
| Ginnie Mae (GNMA) | Government National Mortgage Association |
| HELOC | Home Equity Line of Credit |
| HTM | Held To Maturity |
| IPO | Initial Public Offering |

| | |
|---|---|
| LCR | Liquidity Coverage Ratio |
| LGD | Loss Given Default |
| LIBOR | London Interbank Offered Rate |
| LIHTC | Low Income Housing Tax Credit |
| LTV | Loan to Value |
| MBS | Mortgage-Backed Securities |
| MSR | Mortgage Servicing Right |
| NSFR | Net Stable Funding Ratio |
| OCC | Office of the Comptroller of the Currency |
| OCI | Other Comprehensive Income |
| OIS | Overnight Index Swap |
| PD | Probability of Default |
| peers or peer banks or peer regional banks | BB&T, Comerica, Fifth Third, KeyCorp, M&T, PNC, Regions, SunTrust and U.S. Bancorp |
| RBS | The Royal Bank of Scotland Group plc or any of its subsidiaries |
| ROTCE | Return on Average Tangible Common Equity |
| RPA | Risk Participation Agreement |
| RWA | Risk-weighted Assets |
| SBO | Serviced by Others loan portfolio |
| SEC | United States Securities and Exchange Commission |
| SVaR | Stressed Value at Risk |
| TDR | Troubled Debt Restructuring |
| VaR | Value at Risk |

CITIZENS FINANCIAL GROUP, INC.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS


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CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (in millions, except share data) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| ASSETS: | | |
| Cash and due from banks | $839 | $1,099 |
| Interest-bearing cash and due from banks | 1,016 | 1,986 |
| Interest-bearing deposits in banks | 534 | 356 |
| Securities available for sale, at fair value (including $297 and $4,283 pledged to creditors, respectively) (a) | 17,964 | 17,884 |
| Securities held to maturity (including $0 and $135 pledged to creditors, respectively, and fair value of $5,261 and $5,297, respectively) (a) | 5,129 | 5,258 |
| Other investment securities, at fair value | 68 | 70 |
| Other investment securities, at cost | 896 | 863 |
| Loans held for sale, at fair value | 365 | 325 |
| Other loans held for sale | 386 | 40 |
| Loans and leases | 100,991 | 99,042 |
| Less: Allowance for loan and lease losses | 1,224 | 1,216 |
| Net loans and leases | 99,767 | 97,826 |
| Derivative assets | 1,068 | 625 |
| Premises and equipment, net | 570 | 595 |
| Bank-owned life insurance | 1,576 | 1,564 |
| Goodwill | 6,876 | 6,876 |
| Due from broker | 161 | — |
| Other assets | 2,862 | 2,841 |
| TOTAL ASSETS | $140,077 | $138,208 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| LIABILITIES: | | |
| Deposits: | | |
| Noninterest-bearing | $27,186 | $27,649 |
| Interest-bearing | 75,420 | 74,890 |
| Total deposits | 102,606 | 102,539 |
| Federal funds purchased and securities sold under agreements to repurchase | 714 | 802 |
| Other short-term borrowed funds | 3,300 | 2,630 |
| Derivative liabilities | 832 | 485 |
| Deferred taxes, net | 852 | 730 |
| Long-term borrowed funds (RBS balances of $1,125 and $1,250, respectively) | 10,035 | 9,886 |
| Due to broker | 276 | — |
| Other liabilities | 1,497 | 1,490 |
| TOTAL LIABILITIES | $120,112 | $118,562 |
| Contingencies (refer to Note 12) | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $25.00 par value, authorized 100,000,000 shares: | | |
| Series A, non-cumulative perpetual, $25.00 par value (liquidation preference $1,000), 250,000 shares authorized and issued net of issuance costs and related premium at March 31, 2016 and December 31, 2015 | $247 | $247 |
| Common stock: | | |
| | 6 | 6 |

| | | |
|---|---|---|
| $0.01 par value, 1,000,000,000 shares authorized, 564,276,714 shares issued and 528,933,727 shares outstanding at March 31, 2016 and 1,000,000,000 shares authorized, 563,117,415 shares issued and 527,774,428 shares outstanding at December 31, 2015 | | |
| Additional paid-in capital | 18,730 | 18,725 |
| Retained earnings | 2,076 | 1,913 |
| Treasury Stock, at cost, 35,342,987 shares at March 31, 2016 and December 31, 2015. | (858) | (858) |
| Accumulated other comprehensive loss | (236) | (387) |
| TOTAL STOCKHOLDERS' EQUITY | $19,965 | $19,646 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $140,077 | $138,208 |

(a) Includes only collateral pledged by the Company where counterparties have the right to sell or pledge the collateral.

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions, except share and per-share data) | 2016 | 2015 |
| INTEREST INCOME: | | |
| Interest and fees on loans and leases | $868 | $779 |
| Interest and fees on loans held for sale, at fair value | 3 | 2 |
| Interest and fees on other loans held for sale | 1 | 1 |
| Investment securities | 145 | 159 |
| Interest-bearing deposits in banks | 2 | 1 |
| Total interest income | 1,019 | 942 |
| INTEREST EXPENSE: | | |
| Deposits | 60 | 52 |
| Federal funds purchased and securities sold under agreements to repurchase | 1 | 7 |
| Other short-term borrowed funds | 11 | 15 |
| Long-term borrowed funds (RBS balances of $11 and $20, respectively) | 43 | 32 |
| Total interest expense | 115 | 106 |
| Net interest income | 904 | 836 |
| Provision for credit losses | 91 | 58 |
| Net interest income after provision for credit losses | 813 | 778 |
| NONINTEREST INCOME: | | |
| Service charges and fees | 144 | 135 |
| Card fees | 50 | 52 |
| Trust and investment services fees | 37 | 36 |
| Capital markets fees | 22 | 22 |
| Foreign exchange and letter of credit fees | 21 | 23 |
| Mortgage banking fees | 18 | 33 |
| Bank-owned life insurance income | 13 | 12 |
| Securities gains, net | 9 | 8 |
| Net securities impairment losses recognized in earnings | (1) | (1) |
| Other income | 17 | 27 |
| Total noninterest income | 330 | 347 |
| NONINTEREST EXPENSE: | | |
| Salaries and employee benefits | 425 | 419 |
| Outside services | 91 | 79 |
| Occupancy | 76 | 80 |
| Equipment expense | 65 | 63 |
| Amortization of software | 39 | 36 |
| Other operating expense | 115 | 133 |
| Total noninterest expense | 811 | 810 |
| Income before income tax expense | 332 | 315 |
| Income tax expense | 109 | 106 |
| NET INCOME | $223 | $209 |
| Net income available to common stockholders | $216 | $209 |
| Weighted-average common shares outstanding: | | |
| Basic | 528,070,648 | 546,291,363 |
| Diluted | 530,446,188 | 549,798,717 |

| | | |
|---|---|---|
| Per common share information: | | |
| Basic earnings | $0.41 | $0.38 |
| Diluted earnings | 0.41 | 0.38 |
| Dividends declared and paid | 0.10 | 0.10 |

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| (in millions) | Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Net income | $223 | $209 |
| Other comprehensive income: | | |
| Net unrealized derivative instrument gains arising during the periods, net of income taxes of $21 and $39, respectively | 33 | 65 |
| Reclassification adjustment for net derivative gains included in net income, net of income taxes of ($6) and ($1), respectively | (8) | (2) |
| Net unrealized securities available for sale gains arising during the periods, net of income taxes of $92 and $54, respectively | 154 | 90 |
| Other-than-temporary impairment not recognized in earnings on securities, net of income taxes of ($15) and ($11), respectively | (25) | (19) |
| Reclassification of net securities gains to net income, net of income taxes of ($3) and ($3), respectively | (5) | (4) |
| Defined benefit pension plans: | | |
| Amortization of actuarial loss, net of income taxes $2 and $1, respectively | 2 | 2 |
| Total other comprehensive income, net of income taxes | 151 | 132 |
| Total comprehensive income | $374 | $341 |

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Retained Earnings | Treasury Stock, at Cost | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|---|
| (in millions) | Shares | Amount | Shares | Amount | | | | | |
| Balance at January 1, 2015 | — | $— | 546 | $6 | $18,676 | $1,294 | ($336) | ($372) | $19,268 |
| Dividends to common stockholders | — | — | — | — | — | (16) | — | — | (16) |
| Dividends to RBS | — | — | — | — | — | (39) | — | — | (39) |
| Share-based compensation plans | — | — | 1 | — | 29 | — | (21) | — | 8 |
| Employee stock purchase plan shares purchased | — | — | — | — | 2 | — | — | — | 2 |
| Total comprehensive income: | | | | | | | | | |
| Net income | — | — | — | — | — | 209 | — | — | 209 |
| Other comprehensive income | — | — | — | — | — | — | — | 132 | 132 |
| Total comprehensive income | — | — | — | — | — | 209 | — | 132 | 341 |
| Balance at March 31, 2015 | — | $— | 547 | $6 | $18,707 | $1,448 | ($357) | ($240) | $19,564 |
| Balance at January 1, 2016 | — | $247 | 528 | $6 | $18,725 | $1,913 | ($858) | ($387) | $19,646 |
| Dividends to common stockholders | — | — | — | — | — | (53) | — | — | (53) |
| Dividend to preferred stockholders | — | — | — | — | — | (7) | — | — | (7) |
| Share-based compensation plans | — | — | 1 | — | 2 | — | — | — | 2 |
| Employee stock purchase plan shares purchased | — | — | — | — | 3 | — | — | — | 3 |
| Total comprehensive income: | | | | | | | | | |
| Net income | — | — | — | — | — | 223 | — | — | 223 |
| Other comprehensive income | — | — | — | — | — | — | — | 151 | 151 |
| Total comprehensive income | — | — | — | — | — | 223 | — | 151 | 374 |
| Balance at March 31, 2016 | — | $247 | 529 | $6 | $18,730 | $2,076 | ($858) | ($236) | $19,965 |

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2016 | 2015 |
| OPERATING ACTIVITIES | | |
| Net income | $223 | $209 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 91 | 58 |
| Originations of mortgage loans held for sale | (484) | (495) |
| Proceeds from sales of mortgage loans held for sale | 479 | 462 |
| Purchases of commercial loans held for sale | (362) | (288) |
| Proceeds from sales of commercial loans held for sale | 345 | 262 |
| Amortization of terminated cash flow hedges | 15 | 4 |
| Depreciation, amortization and accretion | 112 | 113 |
| Mortgage servicing rights valuation charge-off (recovery) | 5 | (1) |
| Securities impairment | 1 | 1 |
| Deferred income taxes | 30 | 14 |
| Share-based compensation | 4 | 6 |
| Gain on sales of: | | |
| Debt securities | (9) | (8) |
| Marketable equity securities available for sale | — | (2) |
| Premises and equipment | (2) | — |
| Increase in other assets | (339) | (136) |
| Increase (decrease) in other liabilities | 265 | (101) |
| Net cash provided by operating activities | 374 | 98 |
| INVESTING ACTIVITIES | | |
| Investment securities: | | |
| Purchases of securities available for sale | (706) | (2,190) |
| Proceeds from maturities and paydowns of securities available for sale | 709 | 865 |
| Proceeds from sales of securities available for sale | 217 | 1,101 |
| Purchases of securities held to maturity | — | (181) |
| Proceeds from maturities and paydowns of securities held to maturity | 131 | 150 |
| Purchases of other investment securities, at fair value | (51) | — |
| Proceeds from sales of other investment securities, at fair value | 53 | — |
| Purchases of other investment securities, at cost | (37) | (6) |
| Proceeds from sales of other investment securities, at cost | 4 | 11 |
| Net increase in interest-bearing deposits in banks | (178) | (245) |
| Net increase in loans and leases | (2,401) | (1,183) |
| Net increase in bank-owned life insurance | (12) | (8) |
| Premises and equipment: | | |
| Purchases | (8) | (18) |
| Proceeds from sales | 3 | 11 |
| Capitalization of software | (45) | (47) |
| Net cash used in investing activities | (2,321) | (1,740) |
| FINANCING ACTIVITIES | | |
| Net increase in deposits | 67 | 3,283 |

| | | |
|---|---|---|
| Net (decrease) increase in federal funds purchased and securities sold under agreements to repurchase | (88 ) | 145 |
| Net increase in other short-term borrowed funds | 670 | — |
| Proceeds from issuance of long-term borrowed funds | 750 | — |
| Repayments of long-term borrowed funds (RBS balances of $125 and $0, respectively) | (629 ) | (3 ) |
| Dividends declared and paid to common stockholders | (53 ) | (55 ) |
| Net cash provided by financing activities | 717 | 3,370 |
| (Decrease) increase in cash and cash equivalents | (1,230 ) | 1,728 |
| Cash and cash equivalents at beginning of period | 3,085 | 3,276 |
| Cash and cash equivalents at end of period | $1,855 | $5,004 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NOTE 1 - BASIS OF PRESENTATION
Basis of Presentation
The unaudited interim Consolidated Financial Statements, including the Notes thereto of Citizens Financial Group, Inc., have been prepared in accordance with GAAP interim reporting requirements, and therefore do not include all information and Notes included in the audited Consolidated Financial Statements in conformity with GAAP. These unaudited interim Consolidated Financial Statements and Notes thereto should be read in conjunction with the Company’s audited Consolidated Financial Statements and accompanying Notes included in the Company’s Form 10-K for the year ended December 31, 2015. The Company’s principal business activity is banking, conducted through its subsidiaries, Citizens Bank, N.A. and Citizens Bank of Pennsylvania.
The unaudited interim Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results for interim periods are not necessarily indicative of results for a full year.
Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on net income, total comprehensive income, total assets or total stockholders’ equity as previously reported.
Recent Accounting Pronouncements
In April 2016, the FASB issued ASU No. 2016-10 “Identifying Performance Obligations and Licensing.” The ASU supplements the new revenue recognition standard issued in 2014 by clarifying the guidance related to licensing and the identification of performance obligations. The ASU is effective for the Company beginning on January 1, 2018. The Company is currently assessing the impact of this guidance on the Company’s unaudited interim Consolidated Financial Statements.
In March 2016, the FASB issued ASU No. 2016-09 “Improvements to Employee Share-Based Payment Accounting.” The ASU modifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The ASU is effective for the Company beginning on January 1, 2017. Adoption of this guidance is not expected to have a material impact on the Company’s unaudited interim Consolidated Financial Statements.
In March 2016, the FASB issued ASU No. 2016-08 “Principal versus Agent Considerations (Reporting Revenue Gross versus Net).” The ASU supplements the new revenue recognition standard issued in 2014 by clarifying the implementation guidance on principal versus agent considerations. The ASU is effective for the Company beginning on January 1, 2018. The Company is currently assessing the impact of this guidance on the Company’s unaudited interim Consolidated Financial Statements.
In March 2016, the FASB issued ASU No. 2016-05 “Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.” The ASU clarifies that a change in a counterparty to a derivative instrument that has been designated as a hedging instrument, in and of itself, does not result in a hedge de-designation under ASC 815. The ASU is effective for the Company beginning on January 1, 2017. Adoption of this guidance is not expected to have a material impact on the Company’s unaudited interim Consolidated Financial Statements.
In February 2016, the FASB issued ASU 2016-02 “Leases.” The ASU generally requires lessees to recognize a right-of use asset and corresponding lease liability for all leases with a lease term of greater than one year. The ASU is effective for the Company beginning on January 1, 2019. The Company is currently assessing the impact of this guidance on the Company’s unaudited interim Consolidated Financial Statements.
In January 2016, the FASB issued ASU No. 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.” The ASU requires equity investments (except for those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in the fair value recognized through net income. The ASU also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the notes to the financial statements. In addition, the ASU makes several other targeted amendments to the existing accounting and disclosure

requirements for financial instruments, including revised guidance related to valuation allowance assessments when recognizing deferred tax assets on unrealized losses on debt securities available for sale. The ASU is effective for the Company beginning on January 1, 2018. The Company is currently assessing the impact of this guidance on the Company's unaudited interim Consolidated Financial Statements.

In February 2015, the FASB issued ASU No. 2015-02 “Consolidation (Topic 810): Amendments to the Consolidation Analysis.” This standard focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (e.g., collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). This new standard simplifies consolidation accounting by reducing the number of consolidation models. The ASU was effective for the Company beginning on January 1, 2016. Adoption of this guidance did not have a material impact on the Company’s unaudited interim Consolidated Financial Statements.

NOTE 2 - SECURITIES

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

| | March 31, 2016 | | | | December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Securities Available for Sale | | | | | | | | |
| U.S. Treasury and other | $16 | $— | $— | $16 | $16 | $— | $— | $16 |
| State and political subdivisions | 9 | — | — | 9 | 9 | — | — | 9 |
| Mortgage-backed securities: | | | | | | | | |
| Federal agencies and U.S. government sponsored entities | 17,147 | 300 | (13) | 17,434 | 17,234 | 153 | (67) | 17,320 |
| Other/non-agency | 526 | 2 | (40) | 488 | 555 | 4 | (37) | 522 |
| Total mortgage-backed securities | 17,673 | 302 | (53) | 17,922 | 17,789 | 157 | (104) | 17,842 |
| Total debt securities available for sale | 17,698 | 302 | (53) | 17,947 | 17,814 | 157 | (104) | 17,867 |
| Marketable equity securities | 5 | — | — | 5 | 5 | — | — | 5 |
| Other equity securities | 12 | — | — | 12 | 12 | — | — | 12 |
| Total equity securities available for sale | 17 | — | — | 17 | 17 | — | — | 17 |
| Total securities available for sale | $17,715 | $302 | ($53) | $17,964 | $17,831 | $157 | ($104) | $17,884 |
| Securities Held to Maturity | | | | | | | | |
| Mortgage-backed securities: | | | | | | | | |
| Federal agencies and U.S. government sponsored entities | $4,010 | $93 | $— | $4,103 | $4,105 | $27 | ($11) | $4,121 |
| Other/non-agency | 1,119 | 39 | — | 1,158 | 1,153 | 23 | — | 1,176 |
| Total securities held to maturity | $5,129 | $132 | $— | $5,261 | $5,258 | $50 | ($11) | $5,297 |
| Other Investment Securities, at Fair Value | | | | | | | | |
| Money market mutual fund | $63 | $— | $— | $63 | $65 | $— | $— | $65 |
| Other investments | 5 | — | — | 5 | 5 | — | — | 5 |
| Total other investment securities, at fair value | $68 | $— | $— | $68 | $70 | $— | $— | $70 |
| Other Investment Securities, at Cost | | | | | | | | |
| Federal Reserve Bank stock | $468 | $— | $— | $468 | $468 | $— | $— | $468 |
| Federal Home Loan Bank stock | 428 | — | — | 428 | 395 | — | — | 395 |
| Total other investment securities, at cost | $896 | $— | $— | $896 | $863 | $— | $— | $863 |

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company has reviewed its securities portfolio for other-than-temporary impairments. The following table presents the net securities impairment losses recognized in earnings:

| | Three Months Ended March 31 | |
|---|---|---|
| (in millions) | 2016 | 2015 |
| Other-than-temporary impairment: | | |
| Total other-than-temporary impairment losses | ($41) | ($31) |
| Portions of loss recognized in other comprehensive income (before taxes) | 40 | 30 |
| Net securities impairment losses recognized in earnings | ($1) | ($1) |

The following tables summarize those securities whose fair values are below carrying values, segregated by those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve months or longer:

| | March 31, 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Less than 12 Months | | | 12 Months or Longer | | | Total | | |
| (dollars in millions) | Number of Issues | Fair Value | Gross Unrealized Losses | Number of Issues | Fair Value | Gross Unrealized Losses | Number of Issues | Fair Value | Gross Unrealized Losses |
| U.S. Treasury and other | 1 | $9 | $— | — | $— | $— | 1 | $9 | $— |
| Mortgage-backed securities: | | | | | | | | | |
| Federal agencies and U.S. government sponsored entities | 15 | 614 | (1) | 33 | 727 | (12) | 48 | 1,341 | (13) |
| Other/non-agency | 6 | 19 | — | 20 | 344 | (40) | 26 | 363 | (40) |
| Total mortgage-backed securities | 21 | 633 | (1) | 53 | 1,071 | (52) | 74 | 1,704 | (53) |
| Total | 22 | $642 | ($1) | 53 | $1,071 | ($52) | 75 | $1,713 | ($53) |

| | December 31, 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Less than 12 Months | | | 12 Months or Longer | | | Total | | |
| (dollars in millions) | Number of Issues | Fair Value | Gross Unrealized Losses | Number of Issues | Fair Value | Gross Unrealized Losses | Number of Issues | Fair Value | Gross Unrealized Losses |
| State and political subdivisions | 1 | $9 | $— | — | $— | $— | 1 | $9 | $— |
| U.S. Treasury and other | 1 | 15 | — | — | — | — | 1 | 15 | — |
| Mortgage-backed securities: | | | | | | | | | |
| Federal agencies and U.S. government sponsored entities | 162 | 7,423 | (51) | 36 | 819 | (27) | 198 | 8,242 | (78) |
| Other/non-agency | 2 | 9 | — | 20 | 361 | (37) | 22 | 370 | (37) |
| Total mortgage-backed securities | 164 | 7,432 | (51) | 56 | 1,180 | (64) | 220 | 8,612 | (115) |
| Total | 166 | $7,456 | ($51) | 56 | $1,180 | ($64) | 222 | $8,636 | ($115) |

For each debt security identified with an unrealized loss, the Company reviews the expected cash flows to determine if the impairment in value is temporary or other-than-temporary. If the Company has determined that the present value

of the debt security’s expected cash flows is less than its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of impairment loss that is recognized in current period earnings is dependent on the Company’s intent to sell (or not sell) the debt security.

If the Company intends to sell the impaired debt security, the impairment loss recognized in current period earnings equals the difference between the debt security's fair value and its amortized cost. If the Company does not intend to sell the impaired debt security, and it is not likely that the Company will be required to sell the impaired security, the credit-related impairment loss is recognized in current period earnings and equals the difference between the amortized cost of the debt security and the present value of the expected cash flows that have currently been projected. In addition to these cash flow projections, several other characteristics of each debt security are reviewed when determining whether a credit loss exists and the period over which the debt security is expected to recover. These characteristics include: (1) the type of investment, (2) various market factors affecting the fair value of the security (e.g., interest rates, spread levels, liquidity in the sector, etc.), (3) the length and severity of impairment, and (4) the public credit rating of the instrument.

The Company estimates the portion of loss attributable to credit using a cash flow model. The inputs to this model include prepayment, default and loss severity assumptions that are based on industry research and observed data. The loss projections generated by the model are reviewed on a quarterly basis by a cross-functional governance committee. This governance committee determines whether security impairments are other-than-temporary based on this review.

The following table presents the cumulative credit-related losses recognized in earnings on debt securities held by the Company:

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2016 | 2015 |
| Cumulative balance at beginning of period | $66 | $62 |
| Credit impairments recognized in earnings on securities that have been previously impaired | 1 | 1 |
| Reductions due to increases in cash flow expectations on impaired securities | (1) | (1) |
| Cumulative balance at end of period | $66 | $62 |

Cumulative credit losses recognized in earnings for impaired AFS debt securities held as of March 31, 2016 and 2015 were $66 million and $62 million, respectively. There were no credit losses recognized in earnings for the Company's HTM portfolio as of March 31, 2016 and 2015. For the three months ended March 31, 2016 and 2015, the Company recognized credit related other-than-temporary impairment losses in earnings of $1 million related to non-agency MBS in the AFS portfolio. There were no credit impaired debt securities sold during the three months ended March 31, 2016 and 2015. Reductions in credit losses due to increases in cash flow expectations were $1 million for the three months ended March 31, 2016 and 2015, and were presented in interest income from investment securities on the Consolidated Statements of Operations. The Company does not currently have the intent to sell these debt securities, and it is not likely that the Company will be required to sell these debt securities prior to the recovery of their amortized cost bases.

The Company has determined that credit losses are not expected to be incurred on the remaining agency and non-agency MBS identified with unrealized losses as of the current reporting date. The unrealized losses on these debt securities reflect the reduced liquidity in the MBS market and the increased risk spreads due to the uncertainty of the U.S. macroeconomic environment. Therefore, the Company has determined that these debt securities are not other-than-temporarily impaired because the Company does not currently have the intent to sell these debt securities, and it is not likely that the Company will be required to sell these debt securities prior to the recovery of their amortized cost bases. Any subsequent increases in the valuation of impaired debt securities do not impact their recorded cost bases. Additionally, as of March 31, 2016 and 2015, $40 million and $30 million respectively, of pre-tax non-credit related losses were deferred in OCI.

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CITIZENS FINANCIAL GROUP, INC.
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The amortized cost and fair value of debt securities at March 31, 2016 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without incurring penalties.

| (in millions) | Distribution of Maturities | | | | |
|---|---|---|---|---|---|
| | 1 Year or Less | 1-5 Years | 5-10 Years | After 10 Years | Total |
| Amortized Cost: | | | | | |
| Debt securities available for sale | | | | | |
| U.S. Treasury and other | $15 | $— | $1 | $— | $16 |
| State and political subdivisions | — | — | — | 9 | 9 |
| Mortgage-backed securities: | | | | | |
| Federal agencies and U.S. government sponsored entities | 15 | 37 | 1,790 | 15,305 | 17,147 |
| Other/non-agency | — | 57 | 3 | 466 | 526 |
| Total debt securities available for sale | 30 | 94 | 1,794 | 15,780 | 17,698 |
| Debt securities held to maturity | | | | | |
| Mortgage-backed securities: | | | | | |
| Federal agencies and U.S. government sponsored entities | — | — | — | 4,010 | 4,010 |
| Other/non-agency | — | — | — | 1,119 | 1,119 |
| Total debt securities held to maturity | — | — | — | 5,129 | 5,129 |
| Total amortized cost of debt securities | $30 | $94 | $1,794 | $20,909 | $22,827 |
| | | | | | |
| Fair Value: | | | | | |
| Debt securities available for sale | | | | | |
| U.S. Treasury and other | $15 | $— | $1 | $— | $16 |
| State and political subdivisions | — | — | — | 9 | 9 |
| Mortgage-backed securities: | | | | | |
| Federal agencies and U.S. government sponsored entities | 15 | 39 | 1,823 | 15,557 | 17,434 |
| Other/non-agency | — | 57 | 3 | 428 | 488 |
| Total debt securities available for sale | 30 | 96 | 1,827 | 15,994 | 17,947 |
| Debt securities held to maturity | | | | | |
| Mortgage-backed securities: | | | | | |
| Federal agencies and U.S. government sponsored entities | — | — | — | 4,103 | 4,103 |
| Other/non-agency | — | — | — | 1,158 | 1,158 |
| Total debt securities held to maturity | — | — | — | 5,261 | 5,261 |
| Total fair value of debt securities | $30 | $96 | $1,827 | $21,255 | $23,208 |

The following table reports the amounts recognized in interest income from investment securities on the Consolidated Statements of Operations:

| (in millions) | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Taxable | $145 | $159 |
| Non-taxable | — | — |

| | | |
|---|---|---|
| Total interest income from investment securities and interest-bearing deposits in banks | $145 | $159 |

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CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Realized gains and losses on securities are shown below:

| (in millions) | Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Gains on sale of debt securities | $9 | $12 |
| Losses on sale of debt securities | — | (4) |
| Debt securities gains, net | $9 | $8 |
| Equity securities gains | $— | $2 |

The amortized cost and fair value of securities pledged are shown below:

| (in millions) | March 31, 2016 Amortized Cost | March 31, 2016 Fair Value | December 31, 2015 Amortized Cost | December 31, 2015 Fair Value |
|---|---|---|---|---|
| Pledged against repurchase agreements | $682 | $695 | $805 | $808 |
| Pledged against FHLB borrowed funds | 1,129 | 1,168 | 1,163 | 1,186 |
| Pledged against derivatives, to qualify for fiduciary powers, and to secure public and other deposits as required by law | 3,336 | 3,406 | 3,579 | 3,610 |

The Company regularly enters into security repurchase agreements with unrelated counterparties. Repurchase agreements are financial transactions that involve the transfer of a security from one party to another and a subsequent transfer of the same (or "substantially the same") security back to the original party. The Company's repurchase agreements are typically short-term transactions, but they may be extended to longer terms to maturity. Such transactions are accounted for as secured borrowed funds on the Company's financial statements. 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.

The effects of this offsetting on the Consolidated Balance Sheets are presented in the following table:

| (in millions) | March 31, 2016 Gross Assets (Liabilities) | March 31, 2016 Gross Assets (Liabilities) Offset | March 31, 2016 Net Amounts of Assets (Liabilities) | December 31, 2015 Gross Assets (Liabilities) | December 31, 2015 Gross Assets (Liabilities) Offset | December 31, 2015 Net Amounts of Assets (Liabilities) |
|---|---|---|---|---|---|---|
| Securities purchased under agreements to resell | $— | $— | $— | $500 | ($500) | $— |
| Securities sold under agreements to repurchase | — | — | — | (500) | 500 | — |

Note: The Company also offsets certain derivative assets and derivative liabilities on the Consolidated Balance Sheets. For further information see Note 11 "Derivatives."

There were no securitizations of mortgage loans retained in the investment portfolio for the three months ended March 31, 2016 and there were $18 million of securitizations of mortgage loans for the three months ended March 31, 2015. These securitizations included a substantive guarantee by a third party. In 2015, the guarantor was Freddie Mac. These securitizations were accounted for as a sale of the transferred loans and as a purchase of securities. The securities received from the guarantors are classified as AFS.

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CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 - LOANS AND LEASES

A summary of the loans and leases portfolio follows:

| (in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Commercial | $34,671 | $33,264 |
| Commercial real estate | 9,406 | 8,971 |
| Leases | 3,895 | 3,979 |
| Total commercial | 47,972 | 46,214 |
| Residential mortgages | 13,345 | 13,318 |
| Home equity loans | 2,313 | 2,557 |
| Home equity lines of credit | 14,526 | 14,674 |
| Home equity loans serviced by others (1) | 930 | 986 |
| Home equity lines of credit serviced by others (1) | 339 | 389 |
| Automobile | 13,847 | 13,828 |
| Student | 5,006 | 4,359 |
| Credit cards | 1,581 | 1,634 |
| Other retail | 1,132 | 1,083 |
| Total retail | 53,019 | 52,828 |
| Total loans and leases (2) (3) | $100,991 | $99,042 |

(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) Excluded from the table above are loans held for sale totaling $751 million and $365 million as of March 31, 2016 and December 31, 2015, respectively.
(3) Mortgage loans serviced for others by the Company’s subsidiaries are not included above and amounted to $17.4 billion and $17.6 billion at March 31, 2016 and December 31, 2015, respectively.

Loans held for sale at fair value totaled $365 million and $325 million at March 31, 2016 and December 31, 2015, respectively, and consisted of residential mortgages originated for sale of $292 million and the commercial trading portfolio of $73 million as of March 31, 2016. As of December 31, 2015, residential mortgages originated for sale were $268 million and the commercial trading portfolio totaled $57 million.
Other loans held for sale, at lower of cost or market value, totaled $386 million and $40 million as of March 31, 2016 and December 31, 2015, respectively. On March 31, 2016, the Company transferred $373 million of TDRs to other loans held for sale, including $288 million of residential mortgages and $85 million of home equity loans. Other loans held for sale also included commercial loans associated with the Company’s syndications business of $13 million as of March 31, 2016 compared with $40 million as of December 31, 2015. The December 31, 2015 balance consisted entirely of commercial loan syndications.
Loans pledged as collateral for FHLB borrowed funds totaled $23.7 billion and $23.2 billion at March 31, 2016 and December 31, 2015, respectively. This collateral consists primarily of residential mortgages and home equity loans. Loans pledged as collateral to support the contingent ability to borrow at the FRB discount window, if necessary, totaled $15.6 billion and $15.9 billion at March 31, 2016 and December 31, 2015, respectively.
During the three months ended March 31, 2016, the Company purchased $134 million of automobile loans, $120 million of residential mortgages, and $369 million of student loans. During the three months ended March 31, 2015, the Company purchased $249 million of residential loans, $393 million of automobile loans, and $261 million of student loans.
During the three months ended March 31, 2016, the Company sold $73 million of commercial loans and $173 million of residential mortgage loans. During the three months ended March 31, 2015, the Company sold $273 million of

residential mortgage loans and $111 million of commercial loans.

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 4 - ALLOWANCE FOR CREDIT LOSSES, NONPERFORMING ASSETS, AND CONCENTRATIONS OF CREDIT RISK

The allowance for credit losses consists of the ALLL and the reserve for unfunded commitments. It is increased through a provision for credit losses that is charged to earnings, based on the Company's quarterly evaluation of the loan portfolio, and is reduced by net charge-offs and the ALLL associated with sold loans. See Note 1 "Significant Accounting Policies" to the Company's audited Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2015, for a detailed discussion of ALLL reserve methodologies and estimation techniques.

On a quarterly basis, the Company reviews and refines its estimate of the allowance for credit losses, taking into consideration changes in portfolio size and composition, historical loss experience, internal risk ratings, current economic conditions, industry performance trends and other pertinent information.

There were no material changes in assumptions or estimation techniques compared with prior periods that impacted the determination of the current period's ALLL and the reserve for unfunded lending commitments.

The following is a summary of changes in the allowance for credit losses:

| | Three Months Ended March 31, 2016 | | |
|---|---|---|---|
| (in millions) | Commercial | Retail | Total |
| Allowance for loan and lease losses as of January 1, 2016 | $596 | $620 | $1,216 |
| Charge-offs | (13) | (113) | (126) |
| Recoveries | 4 | 39 | 43 |
| Net charge-offs | (9) | (74) | (83) |
| Provision charged to income | 46 | 45 | 91 |
| Allowance for loan and lease losses as of March 31, 2016 | 633 | 591 | 1,224 |
| Reserve for unfunded lending commitments as of January 1, 2016 | 58 | — | 58 |
| Credit for unfunded lending commitments | — | — | — |
| Reserve for unfunded lending commitments as of March 31, 2016 | 58 | — | 58 |
| Total allowance for credit losses as of March 31, 2016 | $691 | $591 | $1,282 |

| | Three Months Ended March 31, 2015 | | |
|---|---|---|---|
| (in millions) | Commercial | Retail | Total |
| Allowance for loan and lease losses as of January 1, 2015 | $544 | $651 | $1,195 |
| Charge-offs | (6) | (109) | (115) |
| Recoveries | 28 | 33 | 61 |
| Net recoveries (charge-offs) | 22 | (76) | (54) |
| Sales/Other | — | (2) | (2) |
| Provision charged to income | 12 | 51 | 63 |
| Allowance for loan and lease losses as of March 31, 2015 | 578 | 624 | 1,202 |
| Reserve for unfunded lending commitments as of January 1, 2015 | 61 | — | 61 |
| Provision for unfunded lending commitments | (5) | — | (5) |
| Reserve for unfunded lending commitments as of March 31, 2015 | 56 | — | 56 |
| Total allowance for credit losses as of March 31, 2015 | $634 | $624 | $1,258 |

CITIZENS FINANCIAL GROUP, INC.
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The recorded investment in loans and leases based on the Company's evaluation methodology is as follows:

| | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| (in millions) | Commercial | Retail | Total | Commercial | Retail | Total |
| Individually evaluated | $439 | $775 | $1,214 | $218 | $1,165 | $1,383 |
| Formula-based evaluation | 47,533 | 52,244 | 99,777 | 45,996 | 51,663 | 97,659 |
| Total | $47,972 | $53,019 | $100,991 | $46,214 | $52,828 | $99,042 |

The following is a summary of the allowance for credit losses by evaluation method:

| | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| (in millions) | Commercial | Retail | Total | Commercial | Retail | Total |
| Individually evaluated | $42 | $82 | $124 | $36 | $101 | $137 |
| Formula-based evaluation | 649 | 509 | 1,158 | 618 | 519 | 1,137 |
| Allowance for credit losses | $691 | $591 | $1,282 | $654 | $620 | $1,274 |

For commercial loans and leases, the Company utilizes regulatory classification ratings to monitor credit quality. Loans with a "pass" rating are those that the Company believes will be fully repaid in accordance with the contractual loan terms. Commercial loans and leases that are "criticized" are those that have some weakness that indicates an increased probability of future loss. For retail loans, the Company primarily uses the loan's payment and delinquency status to monitor credit quality. The further a loan is past due, the greater the likelihood of future credit loss. These credit quality indicators for both commercial and retail loans are continually updated and monitored.
The recorded investment in classes of commercial loans and leases based on regulatory classification ratings is as follows:

| | March 31, 2016 | | | | |
|---|---|---|---|---|---|
| | | Criticized | | | |
| (in millions) | Pass | Special Mention | Substandard | Doubtful | Total |
| Commercial | $32,567 | $928 | $1,086 | $90 | $34,671 |
| Commercial real estate | 8,864 | 272 | 184 | 86 | 9,406 |
| Leases | 3,767 | 72 | 56 | — | 3,895 |
| Total | $45,198 | $1,272 | $1,326 | $176 | $47,972 |

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | | Criticized | | | |
| (in millions) | Pass | Special Mention | Substandard | Doubtful | Total |
| Commercial | $31,276 | $911 | $1,002 | $75 | $33,264 |
| Commercial real estate | 8,450 | 272 | 171 | 78 | 8,971 |
| Leases | 3,880 | 55 | 44 | — | 3,979 |
| Total | $43,606 | $1,238 | $1,217 | $153 | $46,214 |

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The recorded investment in classes of retail loans, categorized by delinquency status is as follows:

| | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Current | 1-29 Days Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total |
| Residential mortgages | $13,058 | $77 | $52 | $7 | $151 | $13,345 |
| Home equity loans | 2,055 | 147 | 26 | 5 | 80 | 2,313 |
| Home equity lines of credit | 13,870 | 380 | 53 | 17 | 206 | 14,526 |
| Home equity loans serviced by others [(1)] | 840 | 55 | 14 | 1 | 20 | 930 |
| Home equity lines of credit serviced by others [(1)] | 250 | 40 | 9 | 5 | 35 | 339 |
| Automobile | 12,827 | 860 | 104 | 20 | 36 | 13,847 |
| Student | 4,848 | 87 | 17 | 9 | 45 | 5,006 |
| Credit cards | 1,511 | 37 | 10 | 7 | 16 | 1,581 |
| Other retail | 1,069 | 49 | 9 | 2 | 3 | 1,132 |
| Total | $50,328 | $1,732 | $294 | $73 | $592 | $53,019 |

[(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.

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Current | 1-29 Days Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total |
| Residential mortgages | $12,905 | $97 | $54 | $16 | $246 | $13,318 |
| Home equity loans | 2,245 | 164 | 32 | 12 | 104 | 2,557 |
| Home equity lines of credit | 13,982 | 407 | 60 | 20 | 205 | 14,674 |
| Home equity loans serviced by others [(1)] | 886 | 60 | 14 | 6 | 20 | 986 |
| Home equity lines of credit serviced by others [(1)] | 296 | 48 | 10 | 6 | 29 | 389 |
| Automobile | 12,670 | 964 | 127 | 32 | 35 | 13,828 |
| Student | 4,175 | 113 | 19 | 11 | 41 | 4,359 |
| Credit cards | 1,554 | 44 | 11 | 9 | 16 | 1,634 |
| Other retail | 1,013 | 53 | 8 | 4 | 5 | 1,083 |
| Total | $49,726 | $1,950 | $335 | $116 | $701 | $52,828 |

[(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.

CITIZENS FINANCIAL GROUP, INC.
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Nonperforming Assets

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

| (in millions) | Nonperforming [1] | | Accruing and 90 days or more past due | |
|---|---|---|---|---|
| | March 31, 2016 | December 31, 2015 | March 31, 2016 | December 31, 2015 |
| Commercial | $284 | $71 | $2 | $1 |
| Commercial real estate | 86 | 77 | 2 | — |
| Leases | — | — | — | — |
| Total commercial | 370 | 148 | 4 | 1 |
| Residential mortgages [2] [3] [4] | 174 | 331 | 22 | — |
| Home equity loans [2] | 99 | 135 | — | — |
| Home equity lines of credit | 261 | 272 | — | — |
| Home equity loans serviced by others [5] | 37 | 38 | — | — |
| Home equity lines of credit serviced by others [5] | 38 | 32 | — | — |
| Automobile | 42 | 42 | — | — |
| Student | 40 | 41 | 5 | 6 |
| Credit card | 16 | 16 | — | — |
| Other retail | 2 | 5 | 1 | 2 |
| Total retail | 709 | 912 | 28 | 8 |
| Total | $1,079 | $1,060 | $32 | $9 |

[1] Effective March 31, 2016, the Company began excluding loans 90 days or more past due and still accruing, which includes loans guaranteed by government-sponsored entities, from nonperforming loans and leases. Nonperforming loans and leases as of December 31, 2015 included loans and leases on nonaccrual of $1.051 billion and loans and leases accruing and 90 days or more past due of $9 million.

[2] $97 million of previously nonperforming troubled debt restructured loans were transferred from loans and leases to other loans held for sale on March 31, 2016, including $66 million of residential mortgages and $31 million of home equity loans.

[3] Effective March 31, 2016, the Company began excluding first lien residential mortgage loans that are 100% guaranteed by the Federal Housing Administration from nonperforming balances; $22 million of these loans are presented above as accruing and 90 days or more past due.

[4] Effective March 31, 2016, the Company began excluding guaranteed residential mortgage loans sold to GNMA for which the Company had the right but not the obligation to repurchase from nonperforming balances; these totaled $37 million; these loans are consolidated on the Company's Consolidated Balance Sheets.

[5] 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.

A summary of other nonperforming assets is as follows:

| (in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Other nonperforming assets, net of valuation allowance: | | |
| Commercial | $1 | $1 |
| Retail | 47 | 45 |
| Other nonperforming assets, net of valuation allowance | $48 | $46 |

Other nonperforming assets consist primarily of other real estate owned and are presented in other assets on the Consolidated Balance Sheets.

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

A summary of key performance indicators is as follows:

| | March 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| Nonperforming commercial loans and leases as a percentage of total loans and leases [1] | 0.37 | % | 0.15 | % |
| Nonperforming retail loans as a percentage of total loans and leases [1] | 0.70 | | 0.92 | |
| Total nonperforming loans and leases as a percentage of total loans and leases [1] | 1.07 | % | 1.07 | % |
| | | | | |
| Nonperforming commercial assets as a percentage of total assets [1] | 0.26 | % | 0.11 | % |
| Nonperforming retail assets as a percentage of total assets [1] | 0.54 | | 0.69 | |
| Total nonperforming assets as a percentage of total assets [1] | 0.80 | % | 0.80 | % |

[1] December 31, 2015 ratios included loans accruing and 90 days or more past due of $1 million and $8 million for commercial and retail, respectively.

The recorded investment in mortgage loans collateralized by residential real estate property for which formal foreclosure proceedings are in process was $216 million and $257 million as of March 31, 2016 and December 31, 2015, respectively.

The following is an analysis of the age of the past due amounts (accruing and nonaccruing):

| (in millions) | March 31, 2016 | | | | December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due |
| Commercial | $13 | $7 | $287 | $307 | $9 | $4 | $71 | $84 |
| Commercial real estate | 40 | — | 88 | 128 | 30 | 3 | 77 | 110 |
| Leases | 15 | — | — | 15 | 9 | 1 | — | 10 |
| Total commercial | 68 | 7 | 375 | 450 | 48 | 8 | 148 | 204 |
| Residential mortgages | 52 | 7 | 151 | 210 | 54 | 16 | 246 | 316 |
| Home equity loans | 26 | 5 | 80 | 111 | 32 | 12 | 104 | 148 |
| Home equity lines of credit | 53 | 17 | 206 | 276 | 60 | 20 | 205 | 285 |
| Home equity loans serviced by others [1] | 14 | 1 | 20 | 35 | 14 | 6 | 20 | 40 |
| Home equity lines of credit serviced by others [1] | 9 | 5 | 35 | 49 | 10 | 6 | 29 | 45 |
| Automobile | 104 | 20 | 36 | 160 | 127 | 32 | 35 | 194 |
| Student | 17 | 9 | 45 | 71 | 19 | 11 | 41 | 71 |
| Credit cards | 10 | 7 | 16 | 33 | 11 | 9 | 16 | 36 |
| Other retail | 9 | 2 | 3 | 14 | 8 | 4 | 5 | 17 |
| Total retail | 294 | 73 | 592 | 959 | 335 | 116 | 701 | 1,152 |
| Total | $362 | $80 | $967 | $1,409 | $383 | $124 | $849 | $1,356 |

[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.

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Impaired loans include: (1) nonaccruing larger balance commercial loans (greater than $3 million carrying value); and (2) commercial and retail TDRs (excluding loans held for sale). The following is a summary of impaired loan information by class:

| (in millions) | March 31, 2016 Impaired Loans With a Related Allowance | Allowance on Impaired Loans | Impaired Loans Without a Related Allowance | Unpaid Contractual Balance | Total Recorded Investment in Impaired Loans |
|---|---|---|---|---|---|
| Commercial | $163 | $30 | $208 | $414 | $371 |
| Commercial real estate | 56 | 12 | 12 | 69 | 68 |
| Total commercial | 219 | 42 | 220 | 483 | 439 |
| Residential mortgages [1] | 35 | 4 | 111 | 183 | 146 |
| Home equity loans [1] | 55 | 6 | 84 | 165 | 139 |
| Home equity lines of credit | 25 | 3 | 165 | 227 | 190 |
| Home equity loans serviced by others [2] | 48 | 7 | 22 | 84 | 70 |
| Home equity lines of credit serviced by others [2] | 3 | — | 7 | 14 | 10 |
| Automobile | 3 | — | 11 | 19 | 14 |
| Student | 163 | 47 | 1 | 164 | 164 |
| Credit cards | 27 | 11 | — | 27 | 27 |
| Other retail | 13 | 4 | 2 | 17 | 15 |
| Total retail | 372 | 82 | 403 | 900 | 775 |
| Total | $591 | $124 | $623 | $1,383 | $1,214 |

[1] Excluded from the table above are retail TDR principal balances held for sale with a total recorded investment of $373 million, including residential mortgages of $288 million and home equity loans of $85 million.
[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.

| (in millions) | December 31, 2015 Impaired Loans With a Related Allowance | Allowance on Impaired Loans | Impaired Loans Without a Related Allowance | Unpaid Contractual Balance | Total Recorded Investment in Impaired Loans |
|---|---|---|---|---|---|
| Commercial | $92 | $23 | $58 | $144 | $150 |
| Commercial real estate | 56 | 13 | 12 | 70 | 68 |
| Total commercial | 148 | 36 | 70 | 214 | 218 |
| Residential mortgages | 121 | 16 | 320 | 608 | 441 |
| Home equity loans | 85 | 11 | 139 | 283 | 224 |
| Home equity lines of credit | 27 | 2 | 167 | 234 | 194 |
| Home equity loans serviced by others [1] | 50 | 8 | 24 | 88 | 74 |
| Home equity lines of credit serviced by others [1] | 3 | 1 | 7 | 14 | 10 |
| Automobile | 3 | — | 11 | 19 | 14 |
| Student | 163 | 48 | 2 | 165 | 165 |
| Credit cards | 28 | 11 | — | 28 | 28 |

| | | | | | |
|---|---|---|---|---|---|
| Other retail | 13 | 4 | 2 | 18 | 15 |
| Total retail | 493 | 101 | 672 | 1,457 | 1,165 |
| Total | $641 | $137 | $742 | $1,671 | $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.

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Additional information on impaired loans is as follows:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| (in millions) | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment |
| Commercial | $1 | $201 | $1 | $142 |
| Commercial real estate | — | 66 | — | 51 |
| Total commercial | 1 | 267 | 1 | 193 |
| Residential mortgages | 1 | 142 | 4 | 441 |
| Home equity loans | 2 | 134 | 2 | 268 |
| Home equity lines of credit | 1 | 187 | 1 | 156 |
| Home equity loans serviced by others [(1)] | 1 | 71 | 1 | 88 |
| Home equity lines of credit serviced by others [(1)] | — | 10 | — | 11 |
| Automobile | — | 13 | — | 11 |
| Student | 2 | 163 | 2 | 164 |
| Credit cards | — | 27 | 1 | 30 |
| Other retail | — | 14 | — | 19 |
| Total retail | 7 | 761 | 11 | 1,188 |
| Total | $8 | $1,028 | $12 | $1,381 |

[(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.

Troubled Debt Restructurings

A loan modification is identified as a TDR when the Company or a bankruptcy court grants the borrower a concession the Company would not otherwise make in response to the borrower’s financial difficulties. TDRs typically result from the Company’s loss mitigation efforts and are undertaken in order to improve the likelihood of recovery and continuity of the relationship. The Company’s loan modifications are handled on a case-by-case basis and are negotiated to achieve mutually agreeable terms that maximize loan collectability and meet the borrower’s financial needs. Concessions granted in TDRs for all classes of loans may include lowering the interest rate, forgiving a portion of principal, extending the loan term, lowering scheduled payments for a specified period of time, principal forbearance, or capitalizing past due amounts. A rate increase can be a concession if the increased rate is lower than a market rate for debt with risk similar to that of the restructured loan. TDRs for commercial loans and leases may also involve creating a multiple note structure, accepting non-cash assets, accepting an equity interest, or receiving a performance-based fee. In some cases, a TDR may involve multiple concessions. The financial effects of TDRs for all loan classes may include lower income (either due to a lower interest rate or a delay in the timing of cash flows), larger loan loss provisions, and accelerated charge-offs if the modification renders the loan collateral-dependent. In some cases, interest income throughout the term of the loan may increase if, for example, the loan is extended or the interest rate is increased as a result of the restructuring.

Because TDRs are impaired loans, the Company measures impairment by comparing the present value of expected future cash flows, or when appropriate, the fair value of collateral, to the loan’s recorded investment. Any excess of recorded investment over the present value of expected future cash flows or collateral value is recognized by creating a valuation allowance or increasing an existing valuation allowance. Any portion of the loan’s recorded investment the Company does not expect to collect as a result of the modification is charged off at the time of modification.

Commercial TDRs were $143 million and $155 million on March 31, 2016 and December 31, 2015, respectively. Retail TDRs totaled $775 million and $1.2 billion on March 31, 2016 and December 31, 2015, respectively. On March 31, 2016, $373 million of TDRs were transferred to other loans held for sale including $288 million of residential

mortgages and $85 million of home equity loans. Commitments to lend additional funds to debtors owing receivables which were TDRs were $28 million and $15 million on March 31, 2016 and December 31, 2015, respectively.

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The following table summarizes how loans were modified during the three months ended March 31, 2016, the charge-offs related to the modifications, and the impact on the ALLL. The reported balances include loans that became TDRs during 2016 and were paid off in full, charged off, or sold prior to March 31, 2016.

| | Primary Modification Types | | | | | |
|---|---|---|---|---|---|---|
| | Interest Rate Reduction [1] | | | Maturity Extension [2] | | |
| (dollars in millions) | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| Commercial | 5 | $1 | $1 | 26 | $4 | $4 |
| Commercial real estate | — | — | — | — | — | — |
| Total commercial | 5 | 1 | 1 | 26 | 4 | 4 |
| Residential mortgages | 22 | 3 | 3 | 6 | 1 | 1 |
| Home equity loans | 14 | 1 | 1 | 16 | 2 | 2 |
| Home equity lines of credit | 7 | 1 | 1 | 19 | 2 | 2 |
| Home equity loans serviced by others [3] | 3 | — | — | — | — | — |
| Home equity lines of credit serviced by others [3] | — | — | — | 1 | — | — |
| Automobile | 21 | 1 | 1 | 5 | — | — |
| Student | — | — | — | — | — | — |
| Credit cards | 529 | 3 | 3 | — | — | — |
| Other retail | — | — | — | — | — | — |
| Total retail | 596 | 9 | 9 | 47 | 5 | 5 |
| Total | 601 | $10 | $10 | 73 | $9 | $9 |

| | Primary Modification Types | | | | |
|---|---|---|---|---|---|
| | Other [4] | | | | |
| (dollars in millions) | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Net Change to ALLL Resulting from Modification | Charge-offs Resulting from Modification |
| Commercial | 5 | $21 | $20 | ($1) | $18 |
| Commercial real estate | — | — | — | — | — |
| Total commercial | 5 | 21 | 20 | (1) | 18 |
| Residential mortgages | 64 | 8 | 8 | — | — |
| Home equity loans | 87 | 6 | 6 | — | — |
| Home equity lines of credit | 32 | 2 | 2 | — | — |
| Home equity loans serviced by others [3] | 18 | 1 | 1 | — | — |
| Home equity lines of credit serviced by others [3] | 8 | — | — | — | — |
| Automobile | 191 | 3 | 3 | — | — |
| Student | 186 | 4 | 4 | 1 | — |
| Credit cards | — | — | — | — | — |
| Other retail | 3 | — | — | — | — |
| Total retail | 589 | 24 | 24 | 1 | — |
| Total | 594 | $45 | $44 | $— | $18 |

[1] Includes modifications that consist of multiple concessions, one of which is an interest rate reduction.

[2] Includes modifications that consist of multiple concessions, one of which is a maturity extension (unless one of the other concessions was an interest rate reduction).
[3] 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.
[4] Includes modifications other than interest rate reductions or maturity extensions, such as lowering scheduled payments for a specified period of time, principal forbearance, capitalizing arrearages, and principal forgiveness. Also included are the following: deferrals, trial modifications, certain bankruptcies, loans in forbearance and prepayment plans. Modifications can include the deferral of accrued interest resulting in post modification balances being higher than pre-modification.

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The following table summarizes how loans were modified during the three months ended March 31, 2015, the charge-offs related to the modifications, and the impact on the ALLL. The reported balances include loans that became TDRs during 2015 and were paid off in full, charged off, or sold prior to March 31, 2015.

| | Primary Modification Types | | | | | |
|---|---|---|---|---|---|---|
| | Interest Rate Reduction [1] | | | Maturity Extension [2] | | |
| (dollars in millions) | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| Commercial | 6 | $1 | $1 | 28 | $10 | $10 |
| Commercial real estate | 1 | — | — | — | — | — |
| Total commercial | 7 | 1 | 1 | 28 | 10 | 10 |
| Residential mortgages | 33 | 6 | 6 | 10 | 2 | 2 |
| Home equity loans | 21 | 1 | 1 | 37 | 5 | 5 |
| Home equity lines of credit | — | — | — | 3 | — | — |
| Home equity loans serviced by others [3] | 17 | 1 | 1 | — | — | — |
| Automobile | 20 | 1 | 1 | 1 | — | — |
| Credit cards | 604 | 3 | 3 | — | — | — |
| Total retail | 695 | 12 | 12 | 51 | 7 | 7 |
| Total | 702 | $13 | $13 | 79 | $17 | $17 |

| | Primary Modification Types | | | | |
|---|---|---|---|---|---|
| | Other [4] | | | | |
| (dollars in millions) | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Net Change to ALLL Resulting from Modification | Charge-offs Resulting from Modification |
| Commercial | 1 | $2 | $2 | ($1) | $— |
| Commercial real estate | 1 | 4 | 4 | — | — |
| Total commercial | 2 | 6 | 6 | (1) | — |
| Residential mortgages | 64 | 6 | 6 | (1) | — |
| Home equity loans | 197 | 10 | 10 | — | — |
| Home equity lines of credit | 135 | 8 | 7 | — | 1 |
| Home equity loans serviced by others [3] | 46 | 2 | 2 | — | 1 |
| Home equity lines of credit serviced by others [3] | 7 | — | — | — | — |
| Automobile | 297 | 5 | 4 | — | 1 |
| Student | 381 | 8 | 7 | 2 | — |
| Other retail | 11 | — | — | — | — |
| Total retail | 1,138 | 39 | 36 | 1 | 3 |
| Total | 1,140 | $45 | $42 | $— | $3 |

[1] Includes modifications that consist of multiple concessions, one of which is an interest rate reduction.
[2] Includes modifications that consist of multiple concessions, one of which is a maturity extension (unless one of the other concessions was an interest rate reduction).
[3] 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.
[4] Includes modifications other than interest rate reductions or maturity extensions, such as lowering scheduled payments for a specified period of time, principal forbearance, capitalizing arrearages, and principal forgiveness. Also

included are the following: deferrals, trial modifications, certain bankruptcies, loans in forbearance and prepayment plans. Modifications can include the deferral of accrued interest resulting in post modification balances being higher than pre-modification.

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The table below summarizes TDRs that defaulted during the three months ended March 31, 2016 and 2015 within 12 months of their modification date. For purposes of this table, a payment default is defined as being past due 90 days or more under the modified terms. Amounts represent the loan's recorded investment at the time of payment default. Loan data includes loans meeting the criteria that were paid off in full, charged off, or sold prior to March 31, 2016 and 2015. If a TDR of any loan type becomes 90 days past due after being modified, the loan is written down to the fair value of collateral less cost to sell. The amount written off is charged to the ALLL.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| (dollars in millions) | Number of Contracts | Balance Defaulted | Number of Contracts | Balance Defaulted |
| Commercial | 3 | $— | 6 | $— |
| Commercial real estate | — | — | — | — |
| Total commercial | 3 | — | 6 | — |
| Residential mortgages | 54 | 8 | 49 | 7 |
| Home equity loans | 49 | 3 | 51 | 3 |
| Home equity lines of credit | 25 | 3 | 40 | 2 |
| Home equity loans serviced by others [1] | 10 | 1 | 16 | — |
| Home equity lines of credit serviced by others [1] | 5 | — | 1 | — |
| Automobile | 15 | — | 23 | — |
| Student | 13 | — | 65 | 2 |
| Credit cards | 121 | 1 | 102 | 1 |
| Other retail | — | — | 2 | — |
| Total retail | 292 | 16 | 349 | 15 |
| Total | 295 | $16 | 355 | $15 |

[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.

Concentrations of Credit Risk

Most of the Company's business activity is with customers located in the New England, Mid-Atlantic and Midwest regions. Generally, loans are collateralized by assets including real estate, inventory, accounts receivable, other personal property and investment securities. As of March 31, 2016 and December 31, 2015, the Company had a significant amount of loans collateralized by residential and commercial real estate. There are no significant concentrations within the commercial loan or retail loan portfolios. Exposure to credit losses arising from lending transactions may fluctuate with fair values of collateral supporting loans, which may not perform according to contractual agreements. The Company's policy is to collateralize loans to the extent necessary; however, unsecured loans are also granted on the basis of the financial strength of the applicant and the facts surrounding the transaction. Certain loan products, including residential mortgages, home equity loans and lines of credit, and credit cards, have contractual features that may increase credit exposure to the Company in the event of an increase in interest rates or a decline in housing values. These products include loans that exceed 90% of the value of the underlying collateral (high LTV loans), interest-only and negative amortization residential mortgages, and loans with low introductory rates. Certain loans have more than one of these characteristics.

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The following table presents balances of loans with these characteristics:

| | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Residential Mortgages | Home Equity Loans and Lines of Credit | Home Equity Products Serviced by Others | Credit Cards | Student | Total |
| High loan-to-value | $519 | $815 | $695 | $— | $— | $2,029 |
| Interest only/negative amortization | 1,181 | — | — | — | 1 | 1,182 |
| Low introductory rate | — | — | — | 93 | — | 93 |
| Multiple characteristics and other | 4 | — | — | — | — | 4 |
| Total | $1,704 | $815 | $695 | $93 | $1 | $3,308 |

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Residential Mortgages | Home Equity Loans and Lines of Credit | Home Equity Products Serviced by Others | Credit Cards | Student | Total |
| High loan-to-value | $649 | $1,038 | $785 | $— | $— | $2,472 |
| Interest only/negative amortization | 1,110 | — | — | — | — | 1,110 |
| Low introductory rate | — | 3 | — | 96 | — | 99 |
| Multiple characteristics and other | 14 | — | — | — | — | 14 |
| Total | $1,773 | $1,041 | $785 | $96 | $— | $3,695 |

NOTE 5 - VARIABLE INTEREST ENTITIES

The Company makes equity investments in various entities that are considered VIEs, as defined by GAAP. These investments primarily include ownership interests in limited partnerships that sponsor affordable housing projects and ownership interests in limited liability companies that sponsor renewable energy projects. A summary of these investments is as follows:

| (in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| LIHTC investment included in other assets | $642 | $598 |
| LIHTC unfunded commitments included in other liabilities | 377 | 365 |
| Renewable energy investments included in other assets | 118 | 118 |

Low Income Housing Tax Credit Partnerships

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

The Company applies the proportional amortization method to account for its LIHTC investments. Under the proportional amortization method, the initial investment is amortized in proportion to the actual tax credits and other tax benefits to be received in the current period as compared to the total tax credits and other tax benefits expected to be received over the life of the investment. The amortization and tax benefits are included as a component of income

tax expense. The Company reports its equity share of affordable housing partnership gains and losses as an adjustment to non-interest income. The Company reports its commitments to make future investments in other liabilities on the Consolidated Balance Sheets. The Company also receives tax credits, which are reported as a reduction of income tax expense (or increase to income tax benefit) related to these transactions.

For the three months ended March 31, 2016, the Company recognized $15 million of amortization expense, $15 million of tax credits and $6 million of other tax benefits associated with these investments in the provision for income taxes. For the three months ended March 31, 2015, the Company recognized $12 million of amortization expense, $11 million of tax credits and $4

million of other tax benefits associated with these investments in the provision for income taxes. No LIHTC investment impairment losses were recognized during the three months ended March 31, 2016 and 2015, respectively.

Renewable Energy Entities

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

NOTE 6 - MORTGAGE BANKING

In its mortgage banking business, the Company sells residential mortgages to government-sponsored entities and other parties, who may issue securities backed by pools of such loans. The Company retains no beneficial interests in these sales, but may retain the servicing rights of the loans sold. The Company is obligated to subsequently repurchase a loan if the purchaser discovers a standard representation or warranty violation such as noncompliance with eligibility requirements, customer fraud, or servicing violations. This primarily occurs during a loan file review.

The Company received $479 million and $747 million of proceeds from the sale of residential mortgages for the three months ended March 31, 2016 and 2015, respectively, and recognized gains on such sales of $14 million and $21 million for the three months ended March 31, 2016 and 2015, respectively. Pursuant to the standard representations and warranties obligations discussed in the preceding paragraph, the Company repurchased residential mortgage loans totaling $2 million and $4 million for the three months ended March 31, 2016, and 2015, respectively.

Mortgage servicing fees, a component of mortgage banking income, were $13 million and $14 million for the three months ended March 31, 2016 and 2015, respectively. The Company recorded valuation charge-offs of $5 million and recoveries of $1 million for its MSRs for the three months ended March 31, 2016 and 2015, respectively.

Changes related to MSRs were as follows:

| | As of and for the Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2016 | 2015 |
| MSRs: | | |
| Balance as of January 1 | $173 | $184 |
| Amount capitalized | 5 | 6 |
| Amortization | (9 ) | (10 ) |
| Carrying amount before valuation allowance | 169 | 180 |
| Valuation allowance for servicing assets: | | |
| Balance as of January 1 | 9 | 18 |
| Valuation charge-offs (recoveries) | 5 | (1 ) |
| Balance at end of period | 14 | 17 |
| Net carrying value of MSRs | $155 | $163 |

MSRs are presented in other assets on the Consolidated Balance Sheets.

The fair value of MSRs is estimated using a valuation model that calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, contractual servicing fee income, servicing costs, default rates, ancillary income, and other economic factors, which are determined based on current market conditions. The valuation model uses a static discounted cash flow methodology incorporating current market interest rates. A static model does not attempt to forecast or predict the

future direction of interest rates; rather it estimates the amount and timing of future servicing cash flows using current market interest rates. The current mortgage interest rate influences the expected prepayment rate and therefore, the length of the cash flows associated with the servicing asset, while the discount rate determines the present value of those cash flows. Expected mortgage loan prepayment assumptions are obtained using the QRM Multi Component prepayment model. The Company periodically obtains third-party valuations of its MSRs to assess the reasonableness of the fair value calculated by the valuation model.

The key economic assumptions used to estimate the value of MSRs are presented in the following table:

| (dollars in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Fair value | $168 | $178 |
| Weighted average life (in years) | 4.9 | 5.4 |
| Weighted average constant prepayment rate | 13.3% | 11.6% |
| Weighted average discount rate | 9.7% | 9.7% |

The key economic assumptions used in estimating the fair value of MSRs capitalized during the period were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Weighted average life (in years) | 6.1 | 4.7 |
| Weighted average constant prepayment rate | 11.0% | 12.2% |
| Weighted average discount rate | 9.8% | 9.6% |

The sensitivity analysis below as of March 31, 2016 and December 31, 2015 presents the impact to current fair value of an immediate 50 basis points and 100 basis points adverse change in the key economic assumptions and presents the decline in fair value that would occur if the adverse change were realized. These sensitivities are hypothetical. The effect of a variation in a particular assumption on the fair value of the mortgage servicing rights is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., changes in interest rates, which drive changes in prepayment speeds, could result in changes in the discount rates), which might amplify or counteract the sensitivities. The primary risk inherent in the Company's MSRs is an increase in prepayments of the underlying mortgage loans serviced, which is dependent upon market movements of interest rates.

| (in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Prepayment rate: | | |
| Decline in fair value from a 50 basis point decrease in interest rates | $6 | $5 |
| Decline in fair value from a 100 basis point decrease in interest rates | $14 | $11 |
| Weighted average discount rate: | | |
| Decline in fair value from a 50 basis point increase in weighted average discount rate | $3 | $3 |
| Decline in fair value from a 100 basis point increase in weighted average discount rate | $5 | $6 |

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## NOTE 7 - BORROWED FUNDS

The following is a summary of the Company's short-term borrowed funds:

| (in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Federal funds purchased | $23 | $— |
| Securities sold under agreements to repurchase | 691 | 802 |
| Other short-term borrowed funds (primarily current portion of FHLB advances) | 3,300 | 2,630 |
| Total short-term borrowed funds | $4,014 | $3,432 |

Key data related to short-term borrowed funds is presented in the following table:

| (dollars in millions) | As of and for the Three Months Ended March 31, 2016 | | As of and for the Year Ended December 31, 2015 | |
|---|---|---|---|---|
| Weighted-average interest rate at period-end: | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | 0.01 | % | 0.15 | % |
| Other short-term borrowed funds (primarily current portion of FHLB advances) | 0.57 | | 0.44 | |
| Maximum amount outstanding at month-end during the period: | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | $1,274 | | $5,375 | |
| Other short-term borrowed funds (primarily current portion of FHLB advances) | 3,300 | | 7,004 | |
| Average amount outstanding during the period: | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | $881 | | $3,364 | |
| Other short-term borrowed funds (primarily current portion of FHLB advances) | 3,098 | | 5,865 | |
| Weighted-average interest rate during the period: | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | 0.06 | % | 0.22 | % |
| Other short-term borrowed funds (primarily current portion of FHLB advances) | 0.58 | | 0.28 | |

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

| (in millions) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Citizens Financial Group, Inc.: | | |
| 4.150% fixed rate subordinated debt, due 2022 [1] | $347 | $350 |
| 5.158% fixed-to-floating rate subordinated debt, (LIBOR + 3.56%) callable, due 2023 [2] | 333 | 333 |
| 3.750% fixed rate subordinated debt, due 2024 [2] [3] | 250 | 250 |
| 4.023% fixed rate subordinated debt, due 2024 [2] [4] | 214 | 331 |
| 4.082% fixed rate subordinated debt, due 2025 [2] [5] | 346 | 331 |
| 4.350% fixed rate subordinated debt, due 2025 [6] | 248 | 250 |
| 4.300% fixed rate subordinated debt, due 2025 [7] | 749 | 750 |
| Banking Subsidiaries: | | |
| 1.600% senior unsecured notes, due 2017 [8] [9] | 752 | 749 |
| 2.300% senior unsecured notes, due 2018 [8] [10] | 753 | 747 |
| 2.450% senior unsecured notes, due 2019 [8] [11] | 763 | 752 |
| 2.500% senior unsecured notes, due 2019 [8][12] | 750 | — |
| Federal Home Loan advances due through 2033 | 4,516 | 5,018 |
| Other | 14 | 25 |
| Total long-term borrowed funds | $10,035 | $9,886 |

[1] These balances are comprised of: principal balances of $350 million at March 31, 2016 and December 31, 2015, as well as the impact of ($3) million of unamortized deferred issuance costs and discount at March 31, 2016.
[2] Borrowed funds with RBS. See Note 13 "Related Party Transactions and Significant Transactions with RBS" for further information.
[3] Prior to January 1, 2016, interest was payable at a fixed rate per annum of 4.153%.
[4] These balances are comprised of: principal balance of $208 million and $333 million at March 31, 2016 and December 31, 2015, respectively, as well as the impact from interest rate swaps of $6 million and ($2) million at March 31, 2016 and December 31, 2015, respectively. See Note 11 "Derivatives" for further information. In addition, on March 7, 2016, the Company repurchased $125 million of these securities from RBS. See Note 13 "Related Party Transactions and Significant Transactions with RBS" for further information.
[5] These balances are comprised of: principal balance of $334 million at March 31, 2016 and December 31, 2015; impact from interest rate swaps of $12 million and ($3) million at March 31, 2016 and December 31, 2015, respectively. See Note 11 "Derivatives" for further information.
[6] These balances are comprised of: principal balances of $250 million at March 31, 2016 and December 31, 2015, as well as the impact of ($2) million of unamortized deferred issuance costs and discount at March 31, 2016.
[7] These balances are comprised of: principal balances of $750 million at March 31, 2016 and December 31, 2015, as well as the impact of ($1) million of unamortized deferred issuance costs and discount at March 31, 2016.
[8] These securities were offered under CBNA's Global Bank Note Program dated December 1, 2014.
[9] These balances are comprised of: principal balances of $750 million at March 31, 2016 and December 31, 2015; impact from interest rate swaps of $3 million and ($1) million at March 31, 2016 and December 31, 2015, respectively; and ($1) million of unamortized deferred issuance costs and discount at March 31, 2016. See Note 11 "Derivatives" for further information.
[10] These balances are comprised of: principal balances of $750 million at March 31, 2016 and December 31, 2015; impact from interest rate swaps of $6 million and ($3) million at March 31, 2016 and December 31, 2015, respectively; and ($3) million of unamortized deferred issuance costs and discount at March 31, 2016. See Note 11 "Derivatives" for further information.

(11) These balances are comprised of: principal balances of $750 million at March 31, 2016 and December 31, 2015; impact from interest rate swaps of $16 million and $2 million at March 31, 2016 and December 31, 2015, respectively; and ($3) million of unamortized deferred issuance costs and discount at March 31, 2016. See Note 11 "Derivatives" for further information.
(12) The balance is comprised of: principal balance of $750 million at March 31, 2016; impact from interest rate swaps of $2 million and $(2) million of unamortized deferred issuance costs and discount at March 31, 2016. See Note 11 "Derivatives" for further information.

Advances, lines of credit, and letters of credit from the FHLB are collateralized by pledged mortgages and pledged securities at least sufficient to satisfy the collateral maintenance level established by the FHLB. The utilized borrowing capacity for FHLB advances and letters of credit was $12.1 billion and $11.3 billion at March 31, 2016 and December 31, 2015, respectively. The Company's available FHLB borrowing capacity was $3.5 billion and $4.1 billion at March 31, 2016 and December 31, 2015, respectively. The Company can also borrow from the FRB discount window to meet short-term liquidity requirements. Collateral, such as investment securities and loans, was pledged to provide borrowing capacity at the FRB. At March 31, 2016, the Company's unused secured borrowing capacity was approximately $31.6 billion, which includes unencumbered securities, FHLB borrowing capacity, and FRB discount window capacity.

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The following is a summary of maturities for the Company's long-term borrowed funds at March 31, 2016:

| Year (in millions) | CFG Parent Company | Banking Subsidiaries | Consolidated |
|---|---|---|---|
| 2017 or on demand | $— | $5,256 | $5,256 |
| 2018 | — | 759 | 759 |
| 2019 | — | 1,514 | 1,514 |
| 2020 | — | 2 | 2 |
| 2021 | — | 5 | 5 |
| 2022 and thereafter | 2,487 | 12 | 2,499 |
| Total | $2,487 | $7,548 | $10,035 |

NOTE 8 - STOCKHOLDERS' EQUITY

Preferred Stock

The Company had 100,000,000 shares authorized and 250,000 shares outstanding of $25.00 par value undesignated preferred stock as of March 31, 2016 and December 31, 2015, respectively. The Board of Directors or any authorized committee thereof are authorized to provide for the issuance of these shares in one or more series, and by filing a certificate pursuant to applicable law of the State of Delaware, to establish or change from time to time the number of shares of each such series, and to fix the designations, powers, including voting powers, full or limited, or no voting powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereof.

On April 6, 2015, the Company issued $250 million, or 250,000 shares, of 5.500% fixed-to-floating rate non-cumulative perpetual Series A Preferred Stock, par value of $25.00 per share with a liquidation preference $1,000 per share (the "Series A Preferred Stock") to the initial purchasers in reliance on the exemption from registration provided by Section (4)(a)(2) of the Securities Act of 1933, as amended, for resale pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. As a result of this issuance, the Company received net proceeds of $247 million after underwriting discount.

The Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or other obligation of the Company. Holders of the Series A Preferred Stock will be entitled to receive dividend payments when, and if, declared by the Company's Board of Directors or a duly authorized committee thereof. Any such dividends will be payable on a semi-annual basis at an annual rate equal to 5.500%. On April 6, 2020, the Series A Preferred Stock converts to a quarterly floating-rate basis equal to three-month U.S. dollar LIBOR on the related dividend determination date plus 3.960%.

Citizens may redeem the Series A Preferred Stock, in whole or in part on any dividend payment date, on or after April 6, 2020 or, in whole but not in part, at any time within 90 days following a regulatory capital treatment event at a redemption price equal to $1,000 per share, plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Citizens may not redeem shares of the Series A Preferred Stock without obtaining the prior approval of the FRBG if then required under applicable capital guidelines.

Shares of the Series A Preferred Stock have priority over the Company's common stock with regard to the payment of dividends and, as such, the Company may not pay dividends on or repurchase, redeem, or otherwise acquire for consideration shares of its common stock unless dividends for the Series A Preferred Stock have been declared for that period and sufficient funds have been set aside to make payment.

Except in certain limited circumstances, the Series A Preferred Stock does not have any voting rights.

Treasury Stock

On August 3, 2015, CFG used the net proceeds of its public offering of $250 million aggregate principal amount 4.350% Subordinated Notes due 2025 issued on July 31, 2015, to repurchase 9,615,384 shares of its outstanding common stock directly from RBS at a public offering price of $26.00 per share. The repurchased shares are held in

treasury.
On April 7, 2015, the Company used the net proceeds of the Series A Preferred Stock offering to repurchase 10,473,397 shares of its common stock from RBS at a total cost of approximately $250 million and a price per share of $23.87, which equaled the volume-weighted average price of the Company’s common stock for all traded volume over the five trading days preceding the repurchase agreement date of April 1, 2015. The repurchased shares are held in treasury.

No treasury stock activity was recorded during the three months ended March 31, 2016. During the year ended December 31, 2015, the Company recorded an additional 876,087 shares of treasury stock associated with share-based compensation plan activity for a total cost of $22 million at a weighted-average price per share of $25.50.

NOTE 9 - EMPLOYEE BENEFITS

The Company maintains a non-contributory pension plan (the "Plan" or "qualified plan") that was closed to new hires and re-hires effective January 1, 2009, and frozen to all participants effective December 31, 2012. Benefits under the Plan are based on employees' years of service and highest five-year average of eligible compensation. The Plan is funded on a current basis, in compliance with the requirements of ERISA. The Company also provides an unfunded, non-qualified supplemental retirement plan (the "non-qualified plan"), which was closed and frozen effective December 12, 2012.

The following table presents the components of net periodic (income) cost for the Company's qualified and non-qualified plans:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | Qualified Plan | | Non-Qualified Plan | | Total | |
| (in millions) | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Service cost | $1 | $1 | $— | $— | $1 | $1 |
| Interest cost | 11 | 11 | 1 | 1 | 12 | 12 |
| Expected return on plan assets | (17) | (18) | — | — | (17) | (18) |
| Amortization of actuarial loss | 4 | 3 | — | 1 | 4 | 4 |
| Net periodic pension (income) cost | ($1) | ($3) | $1 | $2 | $— | ($1) |

NOTE 10 - INCOME TAXES

Income Tax Provision

The provision for income taxes was $109 million and $106 million for the three months ended March 31, 2016 and 2015, respectively, resulting in effective tax rates of 32.9% and 33.7%, respectively. For the three months ended March 31, 2016 and 2015, the effective tax rate compared favorably to the statutory rate of 35% primarily as a result of the permanent benefits of tax credits and tax-exempt income.

Deferred Tax Liability

At March 31, 2016, the Company reported a net deferred tax liability of $852 million, compared to a $730 million liability as of December 31, 2015. The increase in the net deferred tax liability is primarily attributable to the tax effect of net unrealized gains on securities and derivatives arising during the period.

NOTE 11 - DERIVATIVES

In the normal course of business, the Company enters into a variety of derivative transactions in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates and foreign currency exchange rates. The Company does not use derivatives for speculative purposes.

The Company's derivative instruments are recognized on the Consolidated Balance Sheets at fair value. Information regarding the valuation methodology and inputs used to estimate the fair value of the Company's derivative instruments is described in Note 14 "Fair Value Measurements."

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The following table identifies derivative instruments included on the Consolidated Balance Sheets in derivative assets and derivative liabilities:

| (in millions) | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Notional Amount [1] | Derivative Assets | Derivative Liabilities | Notional Amount [1] | Derivative Assets | Derivative Liabilities |
| Derivatives designated as hedging instruments: | | | | | | |
| Interest rate swaps | $14,000 | $296 | $167 | $16,750 | $96 | $50 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate swaps | 35,896 | 739 | 658 | 33,719 | 540 | 455 |
| Foreign exchange contracts | 8,928 | 146 | 138 | 8,366 | 163 | 156 |
| Other contracts | 1,117 | 11 | 8 | 981 | 8 | 5 |
| Total derivatives not designated as hedging instruments | | 896 | 804 | | 711 | 616 |
| Gross derivative fair values | | 1,192 | 971 | | 807 | 666 |
| Less: Gross amounts offset in the Consolidated Balance Sheets [2] | | (123) | (123) | | (178) | (178) |
| Less: Cash collateral applied [2] | | (1) | (16) | | (4) | (3) |
| Total net derivative fair values presented in the Consolidated Balance Sheets [3] | | $1,068 | $832 | | $625 | $485 |

[1] The notional or contractual amount of interest rate derivatives and foreign exchange contracts is the amount upon which interest and other payments under the contract are based. Notional amounts are typically not exchanged. Therefore, notional amounts should not be taken as the measure of credit or market risk, as they do not measure the true economic risk of these contracts.
[2] Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions.
[3] The Company also offsets assets and liabilities associated with repurchase agreements on the Consolidated Balance Sheets. See Note 2 “Securities” for further information.

The Company’s derivative transactions are internally divided into three sub-groups: institutional, customer and residential loan.

Institutional derivatives

The institutional derivatives 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.). The goal of the Company’s interest rate hedging activities is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income.

The Company enters into certain interest rate swap agreements to hedge the risk associated with floating rate loans. By entering into pay-floating/receive-fixed interest rate swaps, the Company was able to minimize the variability in the cash flows of these assets due to changes in interest rates. The Company has outstanding interest rate swap agreements designed to hedge a portion of the Company’s borrowed funds and deposits. By entering into a pay-fixed/receive-floating interest rate swap, a portion of these liabilities has been effectively converted to a fixed rate liability for the term of the interest rate swap agreement. The Company has also entered into a forward-starting interest rate swap to minimize the exposure to variability in the interest cash flows on a forecasted fixed rate debt issuance.

The Company also uses receive-fixed/pay-floating interest rate swaps to manage the interest rate exposure on our medium term borrowings.

Customer derivatives

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 to effectively eliminate the Company’s market risk associated with the customer derivative products. The customer derivatives 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 currency. The primary risks associated with these transactions arise from exposure to changes in foreign currency exchange rates and the ability of the counterparties to meet the terms of the contract. To manage this market risk, the Company simultaneously enters into offsetting foreign exchange contracts.

Residential loan derivatives

The Company enters into residential loan commitments that allow residential mortgage customers to lock in the interest rate on a residential mortgage while the loan undergoes the underwriting process. The Company also uses forward sales contracts to protect the value of residential mortgage loans and loan commitments that are being underwritten for future sale to investors in the secondary market.

The Company has certain derivative transactions that are designated as hedging instruments described as follows:

Derivatives designated as hedging instruments

The Company's entire institutional hedging portfolio qualifies for hedge accounting. This includes interest rate swaps that are designated in highly effective fair value and cash flow hedging relationships. The Company formally documents at inception all hedging relationships, as well as risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Company uses dollar offset or regression analysis at the hedge's inception, and monthly thereafter to assess whether the derivatives are expected to be, or have been, highly effective in offsetting changes in the hedged item's expected cash flows. The Company discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be effective as a hedge, and then reflects changes in fair value in earnings after termination of the hedge relationship.

Fair value hedges

The Company entered into interest rate swap agreements to manage the interest rate exposure on its medium term borrowings. The changes in fair value of the fair value hedges, to the extent that the hedging relationship is effective, are recorded through earnings and offset against changes in the fair value of the hedged item.

The following table summarizes certain information related to the Company's fair value hedges:

| | The Effect of Fair Value Hedges on Net Income Amounts Recognized in Other Income for the | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended March 31, 2016 | | | Three Months Ended March 31, 2015 | | |
| (in millions) | Derivative | Hedged Item | Hedge Ineffectiveness | Derivative | Hedged Item | Hedge Ineffectiveness |
| Hedges of interest rate risk on borrowings using interest rate swaps | $52 | ($52) | $— | $9 | ($9) | $— |

Cash flow hedges

The Company has outstanding interest rate swap agreements designed to hedge a portion of the Company's floating rate assets, financing liabilities (including its borrowed funds), and a forecasted debt issuance. All of these swaps have been deemed as highly effective cash flow hedges. The effective portion of the hedging gains and losses associated with these hedges are recorded in OCI; the ineffective portion of the hedging gains and losses is recorded in earnings (other income). Hedging gains and losses on derivative contracts reclassified from OCI to current period earnings are included in the line item in the accompanying Consolidated Statements of Operations in which the hedged item is recorded and in the same period that the hedged item affects earnings. During the next 12 months, approximately $1 million of net gain (pre-tax) on derivative instruments included in OCI is expected to be reclassified to net interest income in the Consolidated Statements of Operations.

Hedging gains and losses associated with the Company's cash flow hedges are immediately reclassified from OCI to current period earnings (other income) if it becomes probable that the hedged forecasted transactions will not occur during the originally specified time period.

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The following table summarizes certain information related to the Company's cash flow hedges:
The Effect of Cash Flow Hedges on Net Income and Stockholders' Equity

| | Amounts Recognized for the Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2016 | 2015 |
| Effective portion of gain recognized in OCI [1] | $54 | $104 |
| Amounts reclassified from OCI to interest income [2] | 22 | 18 |
| Amounts reclassified from OCI to interest expense [2] | (8 ) | (15 ) |
| Ineffective portion of gain recognized in other income [3] | — | 1 |

[1] The cumulative effective gains and losses on the Company's cash flow hedging activities are included on the accumulated other comprehensive loss line item on the Consolidated Balance Sheets.
[2] This amount includes both (a) the amortization of effective gains and losses associated with the Company's terminated cash flow hedges and (b) the current reporting period's interest settlements realized on the Company's active cash flow hedges. Both (a) and (b) were previously included on the accumulated other comprehensive loss line item on the Consolidated Balance Sheets and were subsequently recorded as adjustments to the interest expense of the underlying hedged item.
[3]This amount represents the net ineffectiveness recorded during the reporting periods presented plus any amounts excluded from effectiveness testing. These amounts are reflected in the other income line item on the Consolidated Statements of Operations.

Economic hedges

The Company's customer derivatives are recorded on the Consolidated Balance Sheets at fair value. These include interest rate and foreign exchange derivative contracts that are transacted to meet the hedging and financing needs of the Company's customers. Mark-to-market adjustments to the fair value of customer related interest rate contracts are included in other income in the accompanying Consolidated Statements of Operations. Mark-to-market adjustments to the fair value of foreign exchange contracts relating to foreign currency loans are included in interest and fees on loans and leases in the accompanying Consolidated Statements of Operations, while all other foreign currency contract fair value changes are included in foreign exchange and letter of credit fees. In both cases, the mark-to-market gains and losses associated with the customer derivatives are mitigated by the mark-to-market gains and losses on the offsetting interest rate and foreign exchange derivative contracts transacted.

The Company's residential loan derivatives (including residential loan commitments and forward sales contracts) are recorded on the Consolidated Balance Sheets at fair value. Mark-to-market adjustments to the fair value of residential loan commitments and forward sale contracts are included in noninterest income under mortgage banking fees.

The following table summarizes certain information related to the Company's customer derivatives and economic hedges:

The Effect of Customer Derivatives and Economic Hedges on Net Income

| | Amounts Recognized in Noninterest Income for |
|---|---|

| (in millions) | the Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Customer derivative contracts | | |
| Customer interest rate contracts [1] | $97 | $73 |
| Customer foreign exchange contracts [1] | 51 | (35 ) |
| Residential loan commitments [2] | 4 | — |
| Economic hedges | | |
| Offsetting derivatives transactions to hedge interest rate risk on customer interest rate contracts [1] | (91 ) | (68 ) |
| Offsetting derivatives transactions to hedge foreign exchange risk on customer foreign exchange contracts [3] | (50 ) | 35 |
| Forward sale contracts [2] | (5 ) | (1 ) |
| Total | $6 | $4 |

[1] Reported in other income on the Consolidated Statements of Operations.
[2] Reported in mortgage banking fees on the Consolidated Statements of Operations.
[3] Reported in foreign exchange and letter of credit fees on the Consolidated Statements of Operations.

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NOTE 12 - COMMITMENTS AND CONTINGENCIES

The following is a summary of outstanding off-balance sheet arrangements:

| (in millions) | March 31, 2016 | December 31, 2015 |
| --- | --- | --- |
| Commitment amount: | | |
| Undrawn commitments to extend credit | $56,989 | $56,524 |
| Financial standby letters of credit | 1,921 | 2,010 |
| Performance letters of credit | 41 | 42 |
| Commercial letters of credit | 63 | 87 |
| Marketing rights | 47 | 47 |
| Risk participation agreements | 53 | 26 |
| Residential mortgage loans sold with recourse | 10 | 10 |
| Total | $59,124 | $58,746 |

Commitments to Extend Credit

Commitments to extend credit are agreements to lend to customers in accordance with conditions contractually agreed upon in advance. Generally, the commitments have fixed expiration dates or termination clauses and may require payment of a fee. Since many of these commitments are expected to expire without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements.

Letters of Credit

Standby letters of credit, both financial and performance, are issued by the Company for its customers. They are used as conditional guarantees of payment to a third party in the event the customer either fails to make specific payments (financial) or fails to complete a specific project (performance). Commercial letters of credit are used to facilitate the import of goods. The commercial letter of credit is used as the method of payment to the Company’s customers’ suppliers. The Company’s exposure to credit loss in the event of counterparty nonperformance in connection with the above instruments is represented by the contractual amount of those instruments, net of the value of collateral held. Standby letters of credit and commercial letters of credit are issued for terms of up to ten years and one year, respectively.

Generally, letters of credit are collateralized by cash, accounts receivable, inventory or investment securities. Credit risk associated with letters of credit is considered in determining the appropriate amounts of reserves for unfunded commitments.

The Company recognizes a liability on the Consolidated Balance Sheets representing its obligation to stand ready to perform over the term of the standby letters of credit in the event that the specified triggering events occur. The liability for these guarantees was $3 million at March 31, 2016 and December 31, 2015.

Marketing Rights

During 2003, the Company entered into a 25-year agreement to acquire the naming and marketing rights of a baseball stadium in Pennsylvania. The Company did not make any payment for the three months ended March 31, 2016, paid $3 million for the year ended December 31, 2015, and is obligated to pay $47 million over the remainder of the contract, including $3 million later in the year.

Risk Participation Agreements

RPAs are guarantees issued by the Company to other parties for a fee, whereby the Company agrees to participate in the credit risk of a derivative customer of the other party. Under the terms of these agreements, the “participating bank” receives a fee from the “lead bank” in exchange for the guarantee of reimbursement if the customer defaults on an interest rate swap. The interest rate swap is transacted such that any and all exchanges of interest payments (favorable and unfavorable) are made between the lead bank and the customer. In the event that an early termination of the swap occurs and the customer is unable to make a required close out payment, the participating bank assumes that obligation and is required to make this payment.

RPAs where the Company acts as the lead bank are referred to as “participations-out,” in reference to the credit risk associated with the customer derivatives being transferred out of the Company. Participations-out generally occur concurrently with the sale of new customer derivatives. RPAs where the Company acts as the participating bank are referred to as “participations-in,” in reference to the credit risk associated with the counterparty’s derivatives being assumed by the Company. The Company’s maximum credit exposure is based on its proportionate share of the settlement amount of the referenced interest rate swap. Settlement amounts are generally calculated based on the fair value of the swap plus outstanding accrued interest receivables from the customer.

The Company’s estimate of the credit exposure associated with its risk participations-in as of March 31, 2016 and December 31, 2015 is $53 million and $26 million, respectively. The current amount of credit exposure is spread out over 89 counterparties. RPAs generally have terms ranging from 1-5 years; however, certain outstanding agreements have terms as long as 10 years.

Other Commitments

In November 2015, the Company entered into an agreement with RBS to purchase $500 million of its subordinated notes held by RBS by July 30, 2016, subject to regulatory approval and rating agency considerations. See Note 13 “Related party transactions and significant transactions with RBS” for more information.

On January 7, 2016, the Company entered into an agreement to purchase student loans on a quarterly basis beginning with the first calendar quarter in 2016 and ending with the fourth calendar quarter in 2016. Under the terms of the agreement, the Company committed to purchase a minimum of $125 million of loans per quarter. The minimum and maximum amount of the aggregate purchase principal balance of loans under the terms of the agreement are $500 million and $1 billion, respectively. The agreement will terminate immediately if at any time during its term the aggregate purchase principal balance of loans equals the maximum amount. The agreement may be extended by written agreement of the parties for an additional four quarters. The Company may terminate the agreement at will with payment of a termination fee equal to the product of $1 million times the number of calendar quarters remaining in the term.

The Company’s agreement to purchase automobile loans, originally entered into in May 2014, was most recently amended on January 15, 2016. For quarterly periods on or after August 1, 2015, the minimum and maximum purchases are $50 million and $200 million, respectively. The agreement automatically renews until terminated by either party. The Company may cancel the agreement at will with payment of a variable termination fee. There is no termination fee after May 2017.

The Company’s commercial loan trading desk provides ongoing secondary market support and liquidity to its clients. Unsettled loan trades (i.e., loan purchase contracts) represent firm commitments to purchase loans from a third party at an agreed-upon price. Principal amounts associated with unsettled commercial loan trades are off-balance sheet commitments until delivery of the loans has taken place. Fair value adjustments associated with each unsettled loan trade are recognized on the Consolidated Balance Sheets and classified within other assets or other liabilities, depending on whether the fair value of the unsettled trade represents an unrealized gain or unrealized loss. The principal balance of unsettled commercial loan trade purchases and sales were $98 million and $125 million, respectively, at March 31, 2016. Settled loans purchased by the trading desk are classified as loans held for sale, at fair value on the Consolidated Balance Sheets. Refer to Note 14 “Fair Value Measurements” for further information.

Contingencies

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

In these disputes and proceedings, the Company contests liability and the amount of damages as appropriate. Given their complex nature, it may be years before some of these matters are finally resolved. Moreover, before liability can be reasonably estimated for a claim, numerous legal and factual issues may need to be examined, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal issues relevant to the proceedings in question.

The Company cannot predict with certainty if, how, or when such claims will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for claims that are at an early stage in their development or where claimants seek substantial or indeterminate damages. The Company recognizes a provision for a claim when, in the opinion of management after seeking legal advice, it is probable that a liability exists and the amount of loss can be reasonably estimated. In many proceedings, however, it is not possible to determine whether any loss is probable or to estimate the amount of any loss. In each of the matters described below, the Company is unable to estimate the liability in excess of any provision accrued, if any, that might arise or its effects on the Company’s Consolidated Statements of Operations or Consolidated Statements of Cash Flows in any particular period. Set out below is a description of significant legal matters involving the Company and its banking subsidiaries. Based on information currently available, the advice of legal counsel and other advisers, and established reserves, management believes that

the aggregate liabilities, if any, potentially arising from these proceedings will not have a materially adverse effect on the Company's unaudited interim Consolidated Financial Statements.

Consumer Products Matters

The activities of the Company's banking subsidiaries are subject to extensive laws and regulations concerning unfair or deceptive acts or practices in connection with customer products. Certain of the banking subsidiaries' past practices have not met applicable standards, and they have implemented and are continuing to implement changes to improve and bring their practices in accordance with regulatory guidance. The Company and its banking subsidiaries have actively pursued resolution of the legacy regulatory enforcement matters set forth below.

As previously reported, CBNA is currently subject to a consent order issued in 2013 by the OCC in connection with its findings of deceptive marketing and implementation of some of our checking account and funds transfer products and services. Among other things, the consent order requires us to remedy deficiencies and develop stronger compliance controls, policies and procedures. The Company and its banking subsidiaries are also currently subject to consent orders issued in August 2015 by the CFPB, the OCC and the FDIC in connection with past deposit reconciliation practices, and CBNA is subject to a consent order issued in November 2015 by the OCC in connection with past billing and sales practices pertaining to identity theft and debt cancellation products, under which the applicable regulators have provided non-objections to, among other things, restitution plans for affected customers. Accordingly, all financial penalties associated with these legacy regulatory enforcement matters have been paid, and substantially all remediation related to such legacy matters is expected to be resolved by the end of 2016.

NOTE 13 - RELATED PARTY TRANSACTIONS AND SIGNIFICANT TRANSACTIONS WITH RBS

On November 3, 2015, RBS completed the sale of all of its remaining shares of CFG's common stock. The parenthetical disclosures related to long-term borrowed funds on the Consolidated Balance Sheets, Consolidated Statements of Operations, and Consolidated Statements of Cash Flows as well as the tables and discussions below include significant related party transactions with RBS prior to the Company's separation from RBS and significant transactions subsequent to the separation.

In September 2014, the Company entered into certain agreements that established a framework for its ongoing relationship with RBS. Specifically, the Company entered into the following agreements with RBS: Separation and Shareholder Agreement, Registration Rights Agreement, Trade Mark License Agreement, Amended and Restated Master Services Agreement, and Transitional Services Agreements. In connection with RBS's exit of its ownership in our common stock in 2015, the Separation and Shareholder Agreement and the Registration Rights Agreement were terminated and the Trademark License Agreement was partially terminated.

The following is a summary of borrowed funds from RBS:

| (dollars in millions) | Interest Rate | Maturity Date | March 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| Subordinated debt | 5.158% | June 2023 | $333 | $333 |
| | 3.750% (1) | July 2024 | 250 | 250 |
| | 4.023% (2) | October 2024 | 208 | 333 |
| | 4.082% | January 2025 | 334 | 334 |

(1) Prior to January 1, 2016, interest was payable at a fixed rate per annum of 4.153%.

(2) On March 7, 2016, the Company repurchased $125 million of these securities from RBS.

The following table presents total interest expense recorded on subordinated debt with RBS:

| | Three Months Ended |
|---|---|

| | March 31, | |
|---|---|---|
| (in millions) | 2016 | 2015 |
| Interest expense on subordinated debt | $11 | $20 |

40

On March 7, 2016, the Company repurchased $125 million of its subordinated notes held by RBS. On December 3, 2015, the Company repurchased $750 million of outstanding subordinated debt instruments held by RBS. The $3 million difference between the reacquisition price and the net carrying amount of the repurchased debt was recognized as a gain on extinguishment of the debt and is presented in other income in the Consolidated Statement of Operations. In November 2015, the Company entered into an agreement with RBS to purchase an additional $500 million of its subordinated notes held by RBS by July 30, 2016, subject to regulatory approval and ratings agency considerations.

The Company paid no dividends to RBS for the three months ended March 31, 2016. For the three months ended March 31, 2015, the Company paid $39 million in regular common stock dividends to RBS.

Additionally, during 2015 the Company engaged in repurchases of its common stock directly from RBS. Refer to Note 8 "Stockholders' Equity" for further information.

The Company, as a matter of policy and during the ordinary course of business with underwriting terms similar to those offered to the public, has entered into credit facilities with directors and executive officers and their immediate families, as well as their affiliated companies. Extensions of credit amounted to $126 million and $136 million at March 31, 2016 and December 31, 2015, respectively.

## NOTE 14 - FAIR VALUE MEASUREMENTS

As discussed in Note 1 "Significant Accounting Policies," to the Company's audited Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2015, the Company measures or monitors many of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for assets and liabilities for which fair value is the required or elected measurement basis of accounting. Additionally, fair value is used on a nonrecurring basis to evaluate assets for impairment or for disclosure purposes. Nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write-downs of individual assets. The Company also applies the fair value measurement guidance to determine amounts reported for certain disclosures in this Note for assets and liabilities not required to be reported at fair value in the financial statements.

The Company elected to account for residential mortgage loans held for sale and certain commercial and commercial real estate loans held for sale at fair value. Applying fair value accounting to the residential mortgage loans held for sale better aligns the reported results of the economic changes in the value of these loans and their related hedge instruments. Certain commercial and commercial real estate held for sale loans are managed by a commercial secondary loan desk that provides liquidity to banks, finance companies and institutional investors. Applying fair value accounting to this portfolio is appropriate because the Company holds these loans with the intent to sell within short term periods.

### Fair Value Option

#### Residential Mortgage Loans Held for Sale

The fair value of residential mortgage loans held for sale is derived from observable mortgage security prices and includes adjustments for loan servicing value, agency guarantee fees, and other loan level attributes which are mostly observable in the marketplace. Credit risk does not significantly impact the valuation since these loans are sold shortly after origination. Therefore, the Company classifies the residential mortgage loans held for sale in Level 2 of the fair value hierarchy.

The election of the fair value option for financial assets and financial liabilities is optional and irrevocable. The loans accounted for under the fair value option are initially measured at fair value (i.e., acquisition cost) when the financial asset is acquired. Subsequent changes in fair value are recognized in mortgage banking fees on the Consolidated Statements of Operations. The Company recognized mortgage banking income of $6 million and $1 million for the three months ended March 31, 2016 and 2015, respectively.

Interest income on residential mortgage loans held for sale is calculated based on the contractual interest rate of the loan and is recorded in interest income.

#### Commercial and Commercial Real Estate Loans Held for Sale

The fair value of commercial and commercial real estate loans held for sale is estimated using observable prices of identical or similar loans that transact in the marketplace. In addition, the Company uses external pricing services that

provide estimates of fair values based on quotes from various dealers transacting in the market, sector curves or benchmarking techniques. Therefore, the Company classifies the commercial and commercial real estate loans managed by the commercial secondary loan desk in Level 2 of the fair value hierarchy given the observable market inputs.

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There were no loans in this portfolio that were 90 days or more past due or nonaccruing as of March 31, 2016. The loans accounted for under the fair value option are initially measured at fair value when the financial asset is recognized. Subsequent changes in fair value are recognized in current earnings. Since all loans in the Company's commercial trading portfolio consist of floating rate obligations, all changes in fair value are due to changes in credit risk. Such credit-related fair value changes may include observed changes in overall credit spreads and/or changes to the creditworthiness of an individual borrower. Unsettled trades within the commercial trading portfolio are not recognized on the Consolidated Balance Sheets and represent off-balance sheet commitments. Refer to Note 12 "Commitments and Contingencies" for further information.

Interest income on commercial and commercial real estate loans held for sale is calculated based on the contractual interest rate of the loan and is recorded in interest income. Additionally, the Company did not recognize income for the three months ended March 31, 2016, and recognized $1 million for the three months ended March 31, 2015, in other noninterest income related to its commercial trading portfolio.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance loans held for sale measured at fair value:

| | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| (in millions) | Aggregate Fair Value | Aggregate Unpaid Principal | Aggregate Fair Value Less Aggregate Unpaid Principal | Aggregate Fair Value | Aggregate Unpaid Principal | Aggregate Fair Value Less Aggregate Unpaid Principal |
| Residential mortgage loans held for sale, at fair value | $292 | $281 | $11 | $268 | $263 | $5 |
| Commercial and commercial real estate loans held for sale, at fair value | 73 | 73 | — | 57 | 57 | — |

Recurring Fair Value Measurements

The Company utilizes a variety of valuation techniques to measure its assets and liabilities at fair value. Following is a description of valuation methodologies used for significant assets and liabilities carried on the balance sheet at fair value on a recurring basis:

Securities available for sale

The fair value of securities classified as AFS is based upon quoted prices, if available. Where observable quoted prices are available in an active market, securities are classified as Level 1 in the fair value hierarchy. Classes of instruments that are valued using this market approach include debt securities issued by the U.S. Treasury. If quoted market prices are not available, the fair value for the security is estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. These instruments are classified as Level 2 because they currently trade in active markets and the inputs to the valuations are observable. The pricing models used to value securities generally begin with market prices (or rates) for similar instruments and make adjustments based on the unique characteristics of the instrument being valued. These adjustments reflect assumptions made regarding the sensitivity of each security's value to changes in interest rates and prepayment speeds. Classes of instruments that are valued using this market approach include residential and commercial CMOs, specified pool mortgage "pass-through" securities and other debt securities issued by U.S. government-sponsored entities and state and political subdivisions.

A significant majority of the Company's Level 1 and 2 securities are priced using an external pricing service. The Company verifies the accuracy of the pricing provided by its primary outside pricing service on a quarterly basis. This process involves using a secondary external vendor to provide valuations for the Company's securities portfolio for comparison purposes. Any securities with discrepancies beyond a certain threshold are researched and, if necessary,

valued by an independent outside broker.
In certain cases where there is limited activity or less transparency around inputs to the valuation model, securities are classified as Level 3.
Residential loans held for sale
See the “Fair Value Option, Residential Mortgage Loans Held for Sale” discussion above.

Commercial loans held for sale

See the “Fair Value Option, Commercial and Commercial Real Estate Loans Held for Sale” discussion above.

Derivatives

The vast majority of the Company’s derivatives portfolio is composed of “plain vanilla” interest rate swaps, which are traded in over-the-counter markets where quoted market prices are not readily available. For these interest rate derivatives, fair value is determined utilizing models that use primarily market observable inputs, such as swap rates and yield curves. The pricing models used to value interest rate swaps calculate the sum of each instrument’s fixed and variable cash flows, which are then discounted using an appropriate yield curve (i.e., LIBOR or OIS curve) to arrive at the fair value of each swap. The pricing models do not contain a high level of subjectivity as the methodologies used do not require significant judgment. The Company also considers certain adjustments to the modeled price which market participants would make when pricing each instrument, including a credit valuation adjustment that reflects the credit quality of the swap counterparty. The Company incorporates the effect of exposure to a particular counterparty’s credit by netting its derivative contracts with the collateral available and calculating a credit valuation adjustment on the basis of the net position with the counterparty where permitted. The determination of this adjustment requires judgment on behalf of Company management; however, the total amount of this portfolio-level adjustment is not material to the total fair value of the interest rate swaps in their entirety. Therefore, interest rate swaps are classified as Level 2 in the valuation hierarchy.

The Company’s other derivatives include foreign exchange contracts. Fair value of foreign exchange derivatives uses the mid-point of daily quoted currency spot prices. A valuation model estimates fair value based on the quoted spot rates together with interest rate yield curves and forward currency rates. Since all of these inputs are observable in the market, foreign exchange derivatives are classified as Level 2 in the fair value hierarchy.

Money Market Mutual Fund

Fair value is determined based upon unadjusted quoted market prices and is considered a Level 1 fair value measurement.

Other investments

The fair values of the Company’s other investments are based on security prices in the market that are not active; therefore, these investments are classified as Level 2 in the fair value hierarchy.

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The following table presents assets and liabilities measured at fair value, including gross derivative assets and liabilities on a recurring basis at March 31, 2016:

| (in millions) | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Securities available for sale: | | | | |
| Mortgage-backed securities | $17,922 | $— | $17,922 | $— |
| State and political subdivisions | 9 | — | 9 | — |
| Equity securities | 17 | — | 17 | — |
| U.S. Treasury and other | 16 | 15 | 1 | — |
| Total securities available for sale | 17,964 | 15 | 17,949 | — |
| Loans held for sale, at fair value: | | | | |
| Residential loans held for sale | 292 | — | 292 | — |
| Commercial loans held for sale | 73 | — | 73 | — |
| Total loans held for sale, at fair value | 365 | — | 365 | — |
| Derivative assets: | | | | |
| Interest rate swaps | 1,035 | — | 1,035 | — |
| Foreign exchange contracts | 146 | — | 146 | — |
| Other contracts | 11 | — | 11 | — |
| Total derivative assets | 1,192 | — | 1,192 | — |
| Other investment securities, at fair value: | | | | |
| Money market mutual fund | 63 | 63 | — | — |
| Other investments | 5 | — | | |