Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

We are subject to a number of risks potentially impacting our business, financial condition, results of operations and cash flows. As ~~we are~~ a financial services organization, certain elements of risk are inherent in our transactions and operations and ~~are present in~~ the business decisions we make. ~~We, therefore~~ **Therefore** , **we** encounter risk as part of the normal course of our business and ~~we~~ design **a** risk management **framework and associated** processes to help manage these risks. **Citizens Financial Group, Inc. | 20** Our success is dependent on our ability to identify, understand and manage the risks presented by our business activities so that we can appropriately balance **risk taking with** revenue generation and profitability. ~~These risks include, but are not limited to, credit risk, market risk, liquidity risk, operational risk, model risk, technology, regulatory and legal risk and strategic and reputational risk.~~ We discuss **the primary risks we face and** our ~~principal~~ risk management **framework and associated** processes and **strategies** ~~, in appropriate places, related historical performance~~ in the " Risk Governance " section in Item 7. You should carefully consider the following risk factors that may affect our business, financial condition ~~and~~ **,** results of operations **or cash flows** . Other factors that could affect **us** ~~our business, financial condition and results of operation~~ are discussed in the " Forward- Looking Statements " section above. However, there may be additional risks that are not ~~presently~~ **currently** material or known, and factors besides those discussed below, or in this or other reports that we file or furnish with the SEC, that could ~~also~~ adversely affect us. **Therefore** ~~Citizens Financial Group~~ , ~~Inc~~ **the risks described in the risk factors below should not be considered a complete list of risks that we may encounter** . ~~| 20~~ Risks Related to Our Business We may not be able to successfully execute our business strategy. Our business strategy is designed to maximize the full potential of our business and drive sustainable growth and enhanced profitability, ~~and~~ **with** our success ~~rests~~ **resting** on our ability to **distinguish ourselves** ~~maintain a high- performing, customer- centric organization; develop differentiated value propositions to acquire, deepen, and retain core customer segments; build excellent capabilities designed to help us stand out from our competitors; operate with financial discipline and a mindset of continuous improvement to self- fund investments; prudently grow and optimize our balance sheet; modernize our technology and operational models to improve delivery, organizational agility and speed to market; and embed risk management within our culture and our operations~~ . Our future success and the value of our stock ~~will depend~~ **depends** , in part, on our ability to effectively implement our business strategy, including the cost savings and efficiency components, and achieve our financial performance goals, including ~~through~~ the ~~integration~~ **anticipated benefits** of **the Private Bank start- up investment and** Investors **acquisition** ~~and the HSBC branches~~ . There are risks and uncertainties, many of which are not within our control, associated with each element of our strategy. If we are not able to successfully execute our business strategy, we may ~~never~~ **not** achieve our financial performance goals and any shortfall may be material. See the " Business Strategy " section in Item 1 for further information. Supervisory requirements and expectations on us as a financial holding company and a bank holding company and any regulator- imposed limits on our activities could adversely affect our ability to implement our strategic plan, expand our business, continue to improve our financial performance and make capital distributions to our stockholders. Our operations are subject to extensive regulation, supervision and examination by the federal banking **regulators** ~~agencies (the FRB, the OCC and the FDIC)~~ , as well as the CFPB. As part of the supervisory and examination process, if we are unsuccessful in meeting the ~~supervisory~~ requirements and expectations that apply to us, regulatory agencies may from time to time take supervisory actions against us that may not be publicly disclosed. Such actions may include restrictions on our activities or the activities of our subsidiaries, informal (nonpublic) or formal (public) supervisory actions or public enforcement actions, including the payment of civil money penalties, which could increase our costs and limit our ability to implement our strategic plans and expand our business, and as a result could have a material adverse effect on our business, financial condition or results of operations. See the " Regulation and Supervision " section in Item 1 for further information. Difficult economic conditions, including inflationary pressures **,** ~~or volatility in the financial markets~~ would likely have an adverse effect on our business, financial position and results of operations. **From March 2022** ~~Robust demand, labor shortages and supply chain constraints have led~~ to ~~persistent~~ **July 2023, the FRB raised its benchmark interest rate eleven times in response to** inflationary pressures throughout the economy. ~~In response to~~ **Financial markets remain volatile amidst** ~~these~~ -- **the uncertainty of** ~~inflationary pressures, the FRB has raised benchmark interest rates in recent months and may continue to raise interest rates in response to~~ economic conditions ~~, particularly a continued high rate of inflation. Amidst these uncertainties~~ , including potential recessionary ~~economic~~ conditions ~~, financial markets have continued to experience volatility~~ . Changes in interest rates can affect numerous aspects of our business and may impact our future performance. **Also, see** ~~See risk factor headed~~ " Changes in interest rates may have an adverse effect on our profitability " below for more information on the risks associated with changes in interest rates. Prolonged periods of inflation may impact our profitability by negatively impacting our costs and expenses, including increasing funding costs and expense related to talent acquisition and retention, and negatively impacting consumer demand and client purchasing power for our products and services. If significant inflation continues, our business could be negatively affected by, among other things, increased default rates leading to credit losses which could adversely impact our earnings and capital. Any of the effects of these adverse economic conditions would likely have an adverse impact on our earnings, with the significance of the impact generally depending on the nature and severity of the ~~adverse~~ economic conditions. Citizens Financial Group, Inc. | 21 **Our ability to meet our obligations, and the cost of funds to do so, depend on our ability to access identified sources of liquidity at a reasonable cost. Liquidity risk is the risk arising from the inability to meet our obligations when they come due. We must maintain adequate funding to meet current and future obligations, including customer loan requests, customer**

deposit maturities and withdrawals, debt service, equipment and premises leases, and other cash commitments, under both normal operating conditions and under periods of company- specific and / or market stress. We primarily rely on customer deposits to be a relatively stable and low- cost source of funding. In addition to customer deposits, our funding sources also include our ability to securitize loans in secondary markets, raise funds in the debt and equity capital markets, pledge loans and / or securities for borrowing from the FHLB, pledge securities as collateral for borrowing under repurchase agreements, and sell AFS securities. Our ability to meet our obligations and support our operations could be materially affected by a variety of conditions, including market- wide illiquidity or disruption, a loss of market or customer confidence in the financial services industry generally or in the Company specifically, or reductions in one or more of our credit ratings. This could limit our ability to retain our deposits, securitize or sell assets, access the debt or equity capital markets, or otherwise borrow money at a reasonable cost. Additionally, these conditions, among others, if severe enough, could create unanticipated material outflows of cash due to, among other factors, draws on unfunded commitments or deposit attrition, which could have significant adverse impact on our liquidity. Further, changes to the FHLB' s or the FRB' s underwriting guidelines for wholesale borrowings or lending policies may limit or restrict our ability to borrow, and therefore could have a significant adverse impact on our liquidity. Changes in interest rates may have an adverse effect on our **liquidity and** profitability ~~. Net interest income historically has been, and we anticipate that it will remain, a significant component of our total revenue. This is due to the fact that a high percentage of our assets and liabilities have been and will likely continue to be in the form of interest- bearing or interest- related instruments~~ . Changes in interest rates can have a material ~~effect~~ **impact** on ~~many~~ **the value of our securities, a primary objective of which is to provide a ready source of contingent liquidity. An increase in rates could lower the collateral value of these securities, reducing the amount we could borrow, and lead to losses in the event of their sale. Since our earning assets** ~~areas~~ -- **are primarily in the form** of ~~our business~~ **loans and debt securities** , ~~including~~ **changes in interest rates can have a material impact our** net interest income, ~~deposit~~ **net interest margin, fee income, and credit** costs **. Changes in interest rates can affect our net interest income and margin as our asset yields and funding costs may not rise or fall in parallel** , **causing our net interest income to increase or decrease and our margin to expand or contract. If our funding costs rise faster than our asset yields, or if our asset yields fall faster than our funding costs, our net interest income could decrease, and our margin could contract. An increase in interest rates could cause lower demand for loans by customers, reducing our net interest income due to lower** loan **balances and origination- related fee income due to lower production** volume **, and could also have** ~~and~~ - **an** ~~delinquency~~ **adverse impact on our credit costs** , **as borrowers may have difficulty in making higher interest payments. Additionally,** ~~and~~ - **an** ~~the value~~ **increase in rates could cause recognition** of **losses on the debt securities in our AFS portfolio if the securities needed to be sold. Similarly, a decrease in interest rates could lower our net interest income, net interest margin and fee income. We may be adversely affected by a prolonged period of low interest rates as it may result in us holding lower yielding loans and securities should rates rise rapidly after the period of low interest rates. Changes in the spread between short- term and long- term interest rates (i. e., the yield curve) can also have a material impact on our net interest income and net interest margin. Typically, the yield curve is upward sloping, with short- term rates being lower than long- term rates. When the yield curve flattens** ~~our~~ - **or** ~~mortgage servicing rights~~ **inverts, our net interest income and net interest margin may decrease if the cost of our short- term funding increases relative to the yield we can earn on our long- term assets** . Interest rates **and the yield curve** are highly sensitive to many factors that are beyond our control, including general economic conditions and **the** policies of various governmental and regulatory agencies and, in particular, the Federal Open Market Committee. ~~Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect our ability to originate loans and obtain deposits and the fair value of our financial assets and liabilities. If the interest rates on our interest- bearing liabilities increase at a faster pace than the interest rates on our interest earning assets, our net interest income may decline and, with it, a decline in our earnings may occur. Our net interest income and our earnings would be similarly affected if the interest rates on our interest earning assets declined at a faster pace than the interest rates on our interest- bearing liabilities. We cannot control or predict with certainty changes in interest rates. Global, national, regional and local economic conditions, competitive pressures and the policies of regulatory authorities, including monetary policies of the FRB, affect interest income and interest expense.~~ Although we have policies and procedures designed to manage ~~the~~ **our interest rate** risks ~~associated with changes in market interest rates~~ , as further discussed ~~under~~ **in** the " Risk Governance " section in Item 7, **there** ~~changes in interest rates still may have an~~ **can be no assurance that these policies and procedures will be effective in avoiding material** adverse ~~effect~~ **effects** on our profitability ~~. If our ongoing assumptions regarding borrower or depositor behavior or overall economic conditions are significantly different than we anticipate, then our risk mitigation may be insufficient to protect against interest rate risk and our net income would be adversely affected. Changes in the method pursuant to which the LIBOR and other benchmark rates are calculated and their planned discontinuance could adversely impact our business operations and financial results. Many of our lending products, securities, derivatives, and other financial transactions utilize a benchmark rate, such as LIBOR, to determine the applicable interest rate or payment amount. The U. K. Financial Conduct Authority and the ICE Benchmark Administration have announced that the publication of the most commonly used U. S. Dollar LIBOR tenors will cease to be provided or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. The Adjustable Interest Rate (LIBOR) Act (LIBOR Act), enacted in March 2022, provides a statutory framework to replace U. S. Dollar LIBOR with a benchmark rate based on the Secured Overnight Financing Rate (SOFR) for contracts governed by U. S. law that have no fallbacks or fallbacks that would require the use of a poll or LIBOR- based rate, and in December 2022, the FRB adopted rules which identify different SOFR- based replacement rates for derivative contracts, for cash instruments such as floating- rate notes and preferred stock, for consumer loans, for certain government- sponsored~~

~~enterprise contracts and for certain asset- backed securities. We continue to monitor market developments and regulatory updates related to the cessation of LIBOR, as well as collaborate with regulators and industry groups on the transition. As the transition from LIBOR is ongoing, there continues to be uncertainty as to the ultimate effect of the transition on the financial markets for LIBOR- linked financial instruments. The discontinuation of a benchmark rate, changes in a benchmark rate, or changes in market perceptions of the acceptability of a benchmark rate, including LIBOR, could, among other things, adversely affect the value of and return on certain of our financial instruments or products, result in changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, increased compliance, legal and operational costs, and risks associated with customer disclosures and contract negotiations. Although the LIBOR Act includes safe harbors if the FRB- identified SOFR- based replacement rate is selected, these safe harbors are untested. As a result, and despite the enactment of the LIBOR Act, for the most commonly used U. S. Dollar LIBOR settings, the use or selection of a successor rate could also expose us to risks associated with disputes with customers and other market participants in connection with implementing LIBOR fallback provisions. For more information on our LIBOR transition, see the " Market Risk " section in Item 7~~ . Citizens Financial Group, Inc. | 22 We could fail to attract, retain or motivate highly **-** skilled and qualified personnel, including our senior management, other key employees or members of our Board, which could impair our ability to successfully execute our strategic plan and otherwise adversely affect our business. **Our** ~~A cornerstone of our strategic plan involves the hiring of highly skilled and qualified personnel. Accordingly, our~~ ability to implement our strategic plan and our future success depends on our ability to attract, retain and motivate highly **-** skilled and qualified personnel, including our senior management and other key employees and directors. The marketplace for skilled personnel ~~is becoming more~~ **continues to be** competitive, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to **rise** ~~increase. For example, the increase in remote and hybrid work arrangements has also increased competition for skilled personnel, and our current or future approach to in- office and remote- work arrangements may not meet the needs or expectations of current or prospective employees or may not be perceived as favorable as compared to the arrangements offered by other companies, which could adversely affect our ability to attract and retain skilled and qualified personnel~~ . The failure to attract ~~or~~ **and** retain **highly** ~~, including as a result of an untimely death or illness of key personnel, or replace a sufficient number of appropriately~~ skilled and ~~key~~ **qualified** personnel could place us at a significant competitive disadvantage and ~~prevent us from successfully implementing our strategy, which could~~ impair our ability to implement our strategic plan successfully ~~,~~ **and** achieve our performance targets ~~and otherwise~~ **, which could** have a material adverse effect on our business, financial condition and results of operations. Limitations on the manner in which regulated financial institutions, such as us, can compensate their officers and employees, including those contained in pending rule proposals implementing **the** requirements of Section 956 of the Dodd- Frank Act, may make it more difficult for such institutions to compete for talent with financial institutions and other companies not subject to these or similar limitations. If we are unable to compete effectively, our business, financial condition and results of operations could be adversely affected, perhaps materially. **A reduction** ~~Our ability to meet our obligations, and the cost of funds to do so, depend on our ability to access identified sources of liquidity at a reasonable cost. Liquidity risk is the risk that we will not be able to meet our obligations, including funding commitments, as they come due. This risk is inherent~~ in our ~~operations and can be heightened by a number of factors, including an over- reliance on a particular source of funding (including, for example, secured FHLB advances), changes in~~ credit ratings ~~or market- wide phenomena such as market dislocation and major disasters. Like many banking groups, our reliance on customer deposits to meet a considerable portion of our funding has grown over recent years, and we continue to seek to increase the proportion of our funding represented by customer deposits. However, these deposits are subject to fluctuation due to certain factors outside our control, such as increasing competitive pressures for retail or corporate customer deposits, changes in interest rates and returns on other investment classes, or a loss of confidence by customers in us or in the banking sector generally which could result in a significant outflow of deposits within a short period of time. To the extent there is heightened competition among U. S. banks for retail customer deposits, this competition may increase the cost of procuring new deposits and / or retaining existing deposits, and otherwise negatively affect our ability to grow our deposit base. An inability to grow, or any material decrease in, our deposits could have a material adverse effect on our ability to satisfy our liquidity needs. Maintaining a diverse and appropriate funding strategy for our assets consistent with our wider strategic risk appetite and plan remains challenging, and any tightening of credit markets could have a material adverse impact on us. In particular, there is a risk that corporate and financial institution counterparties may seek to reduce their credit exposures to banks and other financial institutions (for example, reductions in unsecured deposits supplied by these counterparties), which may cause funding from these sources to no longer be available. Under these circumstances, we may need to seek funds from alternative sources, potentially at higher costs than has previously been the case, or may be required to consider disposals of other assets not previously identified for disposal, in order to reduce our funding commitments. Citizens Financial Group, Inc. | 23 A reduction in our credit ratings, which are based on a number of factors,~~ could have a material adverse effect on our business, financial condition and results of operations. Credit ratings affect the cost and other terms upon which we are able to obtain funding. Rating agencies regularly evaluate us, and their ratings are based on a number of factors, including our financial strength **and** ~~. Other factors considered by rating agencies include~~ conditions affecting the financial services industry generally. Any downgrade in our ratings would likely increase our borrowing costs ~~,~~ **and** could limit our access to capital markets, ~~and otherwise~~ **which would** adversely affect our business. For example, a ratings downgrade could adversely affect our ability to sell or market ~~certain of~~ our securities, including long- term debt, engage in certain longer- term derivatives transactions and retain our customers, particularly corporate customers who may require a minimum rating threshold in order to place funds with us. In addition, under the terms of ~~certain of~~ our derivatives contracts, we may be required to maintain a minimum credit rating **,** ~~or have to~~ post additional collateral or terminate such contracts. Any of these results of a ~~rating~~ **ratings** downgrade could increase our cost of funding, reduce our liquidity and have adverse effects on our business, financial condition and results of operations **.**

For more information regarding our credit ratings, see the " Liquidity " section in Item 7 . Our financial performance may be adversely affected by deterioration in borrower credit quality ~~, particularly in the New England, Mid- Atlantic and Midwest regions, where our operations are predominately concentrated~~ . ~~We have exposure to many different industries and risks~~ **Risks** arising from actual or perceived changes in credit quality and uncertainty over the recoverability of amounts due from borrowers is inherent in our businesses. ~~Our exposure~~ **If the economic environment were to deteriorate, more of our borrowers** may ~~be exacerbated~~ **have difficulty in repaying their loans which could result in higher credit losses and increased loan loss provision expense. Further, our credit risk and credit losses may increase to the extent our loans are concentrated** by ~~the geographic concentration of~~ **loan type, industry segment, collateral type, borrower type,** ~~our~~ - **or** ~~operations~~ **location of the collateral or borrower. A significant portion of our earnings assets are in the form of loans to borrowers across the U. S., primarily for residential, commercial and industrial, commercial real estate, education, auto and other retail purposes. A deterioration in economic conditions or changes in consumer or business behavior that negatively impacts home property or commercial property values could, in event of the borrower' s default, result in materially higher credit losses. Similarly, higher unemployment levels and higher interest rates can adversely affect our customers' ability to repay their loans** , which **can negatively impact our credit performance** ~~are predominately located in the New England, Mid- Atlantic and Midwest regions~~ . The credit quality of our borrowers may deteriorate for a number of reasons that are outside our control, including ~~as a result of~~ prevailing economic and market conditions and ~~asset~~ **collateral** ~~valuation~~ **valuations** . The trends and risks affecting borrower credit quality ~~, particularly in the New England, Mid- Atlantic and Midwest regions,~~ have caused, and in the future may cause, us to experience **credit losses,** impairment charges, increased repurchase demands, higher **recovery** costs, ~~additional write- downs and losses~~ and an inability to engage in routine funding transactions, which could have a material adverse effect on our business, financial condition and results of operations. **Citizens Financial Group, Inc. | 23** Our framework for managing risks may not be effective in mitigating risk and loss. Our risk management framework is made up of various processes and strategies to manage our risk exposure. The framework to manage risk, including the framework' s underlying assumptions, may not be effective under all conditions and circumstances. If the risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected. One of the main types of risks inherent in our business is credit risk. An important feature of our credit risk management system is to employ an internal credit risk control system through which we identify, measure, monitor and mitigate **the** existing and emerging credit risk of our customers. ~~As this~~ **This** process involves **a** detailed ~~analyses~~ **analysis** of the customer or credit risk, taking into account both quantitative and qualitative factors, ~~it~~ **and** is **inherently** subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system. In addition, we have undertaken certain actions to enhance our credit policies and guidelines to address potential risks associated with particular industries or types of customers ~~, as discussed in more detail under the " Risk Governance " and " Market Risk " sections in Item 7~~ . However, we may not be able to effectively implement these initiatives, or consistently follow and refine our credit risk management system. If any of the foregoing were to occur, it may result in an increase in the level of nonaccrual loans and a higher risk exposure for us, which could have a material adverse effect on us. ~~Citizens Financial Group, Inc. | 24~~ Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition. **The** ~~From time to time, the~~ FASB and SEC **periodically** change the financial accounting and reporting standards that govern the accounting for our financial results and the preparation of our **consolidated** financial statements. These changes can be **hard** ~~operationally complex~~ to ~~implement~~ **predict** and can materially impact how we record and report our financial condition and results of operations. **In some cases, we could be required to apply a new** ~~For~~ - **or revised** ~~example, in June 2016, the FASB issued Accounting Standards~~ - **standard retroactively** ~~Update 2016- 13~~ , **which would result in** ~~Measurement of Credit Losses on Financial Instruments (" CECL "), that substantially changed the accounting for credit losses on loans and other~~ -- **the recasting of our prior period** financial **statements** ~~assets held by banks, financial institutions and other organizations. Upon adoption of CECL on January 1, 2020, we recognize credit losses on these assets equal to management' s estimate of credit losses over the full remaining expected life. We consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. As evidenced in the first half of 2020 due to the impact of COVID- 19, the standard introduces heightened volatility in provision for credit losses, given uncertainty in the accuracy of macroeconomic forecasts over longer time horizons, variances in the rate and composition of loan growth, and changes in overall loan portfolio size and mix. As a result, it is possible that our ongoing reported earnings and lending activity could be negatively impacted. For more information regarding CECL, see Note 6 in Item 8~~ . Our financial and accounting estimates and risk management framework rely on analytical forecasting and models. The processes we use to estimate ~~our inherent~~ loan losses **,** ~~and to~~ measure the fair value of financial instruments **and** ~~, as well as the processes used to~~ estimate the effects of changing interest rates and other market measures on our financial condition and results of operations ~~, depends~~ **are reliant** upon the use of analytical and forecasting models. Some of our tools and metrics for managing risk are based **on** ~~upon our use of~~ observed historical market behavior ~~. We~~ **, and we** rely on quantitative models to measure risks and to estimate certain financial values. Models may be used in **processes** such ~~processes~~ as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy and calculating regulatory capital levels, as well as estimating the value of financial instruments and balance sheet items. Poorly designed or implemented models **could adversely affect** ~~present the risk that~~ our business decisions ~~based on~~ **if the** information **is** ~~incorporating such models will be adversely affected due to the inadequacy~~ **inadequate** ~~of that information~~ . ~~Moreover~~ **In addition** , our models may fail to predict future risk exposures if the information used ~~in the model~~ is ~~incorrect~~ **inaccurate** , obsolete or not sufficiently comparable to actual events as they occur. We seek to incorporate appropriate historical data in our models, but the range of market values and behaviors reflected in any period of historical data is not **always** ~~at all times~~ predictive of future developments in any particular period and the period of data we incorporate into our models may turn out to be inappropriate for the future period being modeled. In ~~such case~~ **these instances** , our ability to manage risk would be limited and our risk exposure and losses could be significantly greater than our models indicated ~~. In addition~~ , **which** ~~if existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This~~ could harm our reputation ~~as well as~~ **and adversely affect** our revenues and profits. Finally, information ~~we provide~~ **provided** to our regulators based on poorly designed or implemented models could ~~also~~ be inaccurate or insufficient. Some of the decisions that our regulators make, including those related to capital distributions to our stockholders, could be adversely affected due to their perception that the quality of the models used to generate the relevant information is insufficient. **Citizens Financial Group, Inc. | 24** The preparation of our financial statements requires ~~the~~ **us to make subjective determinations and** use ~~of~~ estimates that may vary from actual results **and materially impact** ~~. Particularly, various factors may cause~~ our ~~Allowance for Credit Losses to increase~~ **financial condition and results of operations** . The preparation of ~~audited Consolidated~~ **consolidated** ~~Financial~~ **financial** ~~Statements~~ **statements** in conformity with GAAP requires management to make significant estimates that affect the financial statements. Our **accounting policies and methods are fundamental to how we record and report our financial condition and results of operations and, at times, require management to exercise judgment in their application so as to report our financial condition and results of operations in the** most **appropriate manner. Certain accounting policies are critical because they require management to make difficult, subjective or complex judgments about matters that are inherently uncertain and the likelihood that materially different estimates would result under different conditions or through the utilization of different assumptions. Our** critical accounting ~~estimate~~ **estimates** ~~is~~ **include** the ACL **, estimations of fair value and review of goodwill** ~~. The ACL is a reserve established through a provision~~ for **impairment. If** ~~credit losses charged to expense and represents~~ our ~~estimate~~ **estimates** ~~of expected credit losses within the existing loan and lease portfolio and unfunded lending commitments. The level of the ACL is based on periodic evaluation of the loan and lease portfolios and unfunded lending commitments that~~ are **inaccurate** ~~not unconditionally cancellable considering a number of relevant underlying factors, including key assumptions and evaluation of quantitative and qualitative information. Citizens Financial Group, Inc. | 25 The determination of the appropriate level of the ACL inherently involves a degree of subjectivity and requires that we make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, the stagnation of certain economic indicators that we are more susceptible to, such as unemployment and real estate values, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside our~~ - **or need to be adjusted** ~~control, may require an increase in the ACL. In addition, bank regulatory agencies~~ periodically **,** ~~review our ACL and may require an increase in the ACL or~~ **our** ~~the~~ **financial** ~~recognition~~ --- **condition and** ~~of further loan charge- offs, based on judgments that can differ from those of our own management. In addition, if charge- offs in future periods exceed the ACL — that is, if the ACL is inadequate — we will need to recognize additional provision for credit losses. Should such additional provision expense become necessary, it would result~~ **results of operations could be** ~~in a decrease in net income and capital and may have a material~~ **materially impacted** ~~adverse effect on us~~. For more information regarding our use of estimates in **the** preparation of **our consolidated** financial statements, see Note 1 in Item 8 and the “ Critical Accounting Estimates ” section in Item 7. Operational risks are inherent in our businesses. Our operations depend on our ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations. Operational risk and losses can result from internal and external fraud; improper conduct or errors by employees or third parties; failure to document transactions properly or to obtain proper authorization; failure to comply with applicable **legal and** regulatory requirements and **business** conduct ~~of business~~ rules; equipment failures, including those caused by natural disasters or by electrical, telecommunications or other essential utility outages; business continuity and data security system failures, including those caused by computer viruses, cyber- attacks against us or our vendors, or unforeseen problems encountered while implementing ~~major~~ new computer systems or upgrades to existing systems; or the inadequacy or failure of systems and controls, including those of our suppliers or counterparties. Although we ~~have implemented~~ -- **implement** risk controls and loss mitigation actions ~~,~~ and **devote** substantial resources ~~are devoted~~ to developing efficient procedures, identifying and rectifying weaknesses in existing procedures and training staff, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks **we** ~~faced~~ - **face** ~~by us~~. Any weakness in these systems or controls, or any breaches or alleged breaches of such laws or regulations, could result in increased regulatory supervision, enforcement actions and other disciplinary action, and have an adverse impact on our business, applicable authorizations and licenses, reputation and results of operations. The financial services industry, including the banking sector, ~~is undergoing rapid~~ **continues to make** technological ~~change~~ **enhancements to meet customer preferences,** as **well as meet** ~~a result of changes in customer behavior, competition and changes in the~~ legal and regulatory ~~framework~~ **requirements** , and we may not be able to compete effectively as a result of these changes. ~~The~~ **Technology within the** financial services industry **continues to evolve** ~~, including the banking sector, is continually undergoing rapid technological change with frequent introductions of new technology- driven products~~ and ~~services. In addition,~~ new, unexpected technological changes could have a ~~disruptive~~ **transformative** effect on the way banks offer products and services. We believe our success depends, to a great extent, on our ability to **utilize** ~~address customer needs by using~~ technology to offer products and services that ~~provide convenience to~~ **address the needs of our** customers and to create ~~additional~~ efficiencies in our operations. However, we may not be able to, among other things, keep up with the rapid pace of technological changes, effectively implement new technology- driven products and services **,** or be successful in marketing these products and services to our customers. As a result, our ability to compete effectively to attract or retain ~~new~~ business may be impaired, and our business, financial condition or results of operations may be adversely affected. In addition, changes in the legal and regulatory framework under which we operate require us to update our information systems to ensure compliance. Our need to review and evaluate the impact of ongoing rule proposals, final rules and implementation guidance from regulators further complicates the development and implementation of new information systems for our business. ~~Also, recent regulatory~~ **Regulatory** guidance ~~has~~ **continues to be** focused on the need for financial institutions to perform ~~increased~~ **appropriate** due diligence and ongoing monitoring of third- party vendor relationships, thus increasing the scope of management involvement and decreasing the efficiency otherwise resulting from our relationships with third- party technology providers. Given the significant number of ongoing regulatory reform initiatives, it is possible that we incur higher than expected information technology costs in order to comply with current and impending regulations. ~~See~~ **Also, see** " ~~—~~ Supervisory requirements and expectations on us as a ~~FHC~~ **financial holding company** and a ~~BHC~~ **bank holding company** and any regulator- imposed limits on our activities could adversely affect our ability to implement our strategic plan, expand our business, continue to improve our financial performance and make capital distributions to our stockholders. " Citizens Financial Group, Inc. | ~~26~~ **25** We are subject to a variety of cybersecurity risks that, if realized, could adversely affect how we conduct our business. **Evolving technologies and the increased sophistication and activities of organized crime, hackers, terrorists, nation- states, activists and other external parties present a significant** ~~Information~~ **information** security ~~risks~~ - **risk** ~~for~~ **to** large financial institutions such as us ~~have increased significantly in recent years in part because of the proliferation of new technologies, such as the internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation- states, activists and other external parties~~ . Third parties with whom we or our customers do business also present operational and information security risks to us, including security breaches or failures of their own systems. Risks ~~relating~~ **related** to cyber- attacks on our vendors and other third parties, including supply chain attacks affecting our software and information technology service providers, ~~have been rising~~ **are on the rise** as such attacks become ~~increasingly~~ **more** frequent and severe. ~~The possibility of employee~~ **Employee** error, failure to follow security procedures, or malfeasance also ~~presents~~ **present** these risks ~~, particularly given the recent trend towards remote work arrangements~~ . Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks as well as in the third- party computer systems and networks used to provide products and services on our behalf ~~. In addition, to access our products and services, our customers may use personal computers, smartphones, tablets, and other mobile devices that are beyond our control environment~~ . Although we believe that we have appropriate information security procedures and controls based on our adherence to applicable laws and regulations ~~,~~ **and** industry standards ~~and best practices~~ , our technologies, systems, **and** networks ~~and our customers' devices~~ may be the target of cyber- attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, theft, sale or loss or destruction of the confidential ~~,~~ and / or proprietary information of CFG, **and** our customers, ~~our~~ vendors, ~~our~~ counterparties, or ~~our~~ employees. We **and our third- party vendors** are under continuous threat of loss or network degradation due to cyber- attacks, such as computer viruses, malicious or destructive code, phishing attacks, ransomware, and Distributed Denial of Service (" DDoS ") attacks **(collectively, " fraudulent schemes "). Also, our customers are routinely the target of fraudulent schemes** . This is especially true as we continue to expand customer capabilities to utilize the Internet and other remote channels to transact business. Two of the most significant cyber- attack risks that we face **as a result of these fraudulent schemes** are **potential** ~~e- fraud and~~ loss of **funds resulting from customers falling victim to cybercriminal communications directed to them or unauthorized access to** sensitive customer data. ~~Loss from e- fraud occurs when cybercriminals~~ **Cybercriminals can use fraudulent schemes directly targeting our customers or our own systems to compromise and directly** extract funds ~~directly~~ from **a** ~~customers~~ - **customer** ' **s** ~~or our accounts~~ - **account or access** ~~using fraudulent schemes that may include Internet- based funds transfers. We have been subject to a number of e- fraud incidents historically. We have also been subject to attempts to steal~~ sensitive customer data ~~, such as account numbers and social security numbers, through unauthorized access to our computer systems including computer hacking~~ . ~~Such attacks are less frequent but could present significant reputational, legal and regulatory costs to us if successful. We have implemented certain~~ **Certain** technology protections such as Customer Profiling and ~~Set~~ **Step** - Up ~~Authentication~~ **Authentications** ~~to be in~~ **are implemented so that we are** ~~compliance~~ **compliant** with the FFIEC Authentication and Access to Financial Institution Services and Systems guidelines. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our layers of defense ~~or~~ **,** to investigate and remediate any information security vulnerabilities **internally, to assess and mitigate issues associated with customers that have fallen victim to fraudulent schemes, and perform additional due diligence with respect to our third- party vendors** . System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones. Due to the complexity and interconnectedness of information technology systems, the process of enhancing our layers of defense can itself create a risk of ~~systems~~ - **system** disruptions and security issues. In addition, addressing certain information security vulnerabilities, such as hardware- based vulnerabilities, may affect the performance of our information technology systems. The ability of our hardware and software providers to deliver patches and updates to mitigate vulnerabilities in a timely manner can introduce additional risks, particularly when a vulnerability is being actively exploited by threat actors. Cyber- attacks against the patches themselves have also proven to be a significant risk that companies will have to address going forward. Despite our efforts to prevent a cyber- attack, a successful cyber- attack could persist for an extended period of time before being detected, and, following detection, ~~it~~ could take considerable time for us to obtain full and reliable information about the cybersecurity incident and the extent, amount and type of information compromised. During the course of an investigation, we may not necessarily know the full effects of the incident or how to remediate it, and actions and decisions that are taken or made in an effort to mitigate risk may further increase the costs and other negative consequences of the incident. Moreover, ~~potential~~ new regulations may require us to disclose information about a cybersecurity event before it has been resolved or fully investigated. ~~Citizens Financial Group, Inc. | 27~~ The techniques used by cyber criminals change frequently, may not be recognized until launched and can be initiated from a variety of sources, including terrorist organizations and hostile foreign governments. These actors may attempt to fraudulently induce employees, customers or other **third- party** users of our systems to disclose sensitive information in order to gain access to data or our systems. In the event that a cyber- attack is successful, our business, financial condition or results of operations may be adversely affected. For a discussion of the guidance that ~~federal banking~~ regulators have released regarding cybersecurity and cyber risk management standards, see the " Regulation and Supervision " section of Item 1. **Citizens Financial Group, Inc. | 26** We rely heavily on communications and information systems to conduct our business. ~~We rely heavily on~~ **Any failure, interruption or breach in the security of our** ~~communications~~ - **communication** and information systems ~~to conduct our business. Any failure, interruption or breach in security of these systems~~ , including due to ~~hacking~~ **cyber- attacks or** ~~or~~ **our failure** ~~other similar attempts~~ to ~~breach information technology security protocols~~ **adequately maintain and manage our systems or implement system changes and upgrades** , could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. Although **our** ~~we have established~~ policies and procedures **are** designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that these policies and procedures will be successful and that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could require us to devote substantial resources ~~(including management time and attention)~~ to recovery and response efforts, damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny ~~,~~ or expose us to civil litigation and possible financial liability. Although we maintain insurance coverage for information security events, we may incur losses as a result of such events that are not insured against or not fully covered by our insurance. We rely on third parties for the performance of a significant portion of our information technology. We rely on third parties for the performance of a significant portion of our information technology functions and the provision of information technology and business process services **including** ~~. For example~~ , ~~(i) unaffiliated third parties~~ **but not limited to, the** ~~operate~~ **operation of our** data communications networks **, hosted** ~~on which certain components and~~ services ~~relating to our online banking system rely~~ , ~~(ii) third parties host or maintain many of our applications, including a commercial loan system, which is hosted~~ and ~~maintained by Automated Financial Systems, Inc., and our Mobile Digital Banking Application, which is hosted and maintained by Amazon Web Services, Inc., (iii) Fidelity Information Services, LLC maintains our core deposits system, (iv) Infosys Limited provides us with~~ a wide range of **other** ~~information technology~~ support services ~~, including service desk, end user support, production application support, and private cloud support, and (v) Kyndryl, Inc. provides us with mainframe support services~~ . The success of our business depends in part on the continuing ability of ~~these (and other)~~ third parties to perform these functions and services in a timely and satisfactory manner, which performance could be disrupted or otherwise adversely affected due to failures or other information security events originating at the third parties or at the third parties' suppliers or vendors (so- called " fourth party risk "). ~~For example, during 2021, there were a number of widely publicized cases of outages in connection with access to cloud service providers.~~ We may not be able to effectively monitor or mitigate **third or** fourth- party risk, in particular as it relates to the use of common suppliers or vendors by the third parties that perform functions and services for us. If we experience a disruption in the provision of any functions or services performed by third parties, we may have difficulty in finding alternate providers on terms favorable to us and in reasonable time frames. If these services are not performed in a satisfactory manner, we would not be able to **adequately** serve our customers ~~well~~ . In either situation, our business could incur significant costs and be adversely affected. We are exposed to reputational risk and the risk of damage to our brands and the brands of our affiliates. Our success and results depend ~~, in part,~~ on our reputation and the strength of our brands. We are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust and confidence are paramount. We are exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory or other investigations or actions, press speculation and negative publicity, perception of our environmental, social and governance practices and disclosures, among other factors, could damage our brands or reputation. Our brands and reputation could also be harmed if we sell products or services that do not perform as expected or customers' expectations for the product are not satisfied. ~~Citizens Financial Group, Inc. | 28~~ Unpredictable catastrophic events, including pandemics, terrorist attacks, extreme weather events and other large- scale catastrophes, could have an adverse effect on our business, financial position and results of operations. The occurrence of catastrophic events, including pandemics, ~~such as COVID- 19,~~ terrorists attacks, extreme weather events, such as hurricanes, tropical storms, or tornadoes, and other large- scale catastrophes could adversely affect our business, financial condition or results of operations ~~, including by~~ **. Such events could** ~~affecting~~ --- **affect** the stability of our deposit base, ~~impairing~~ --- **impair** the ability of our borrowers to repay outstanding loans, ~~impairing~~ --- **impair** the value of collateral securing loans, ~~causing~~ **and cause** significant property damage or operational disruptions, resulting in loss of revenue or causing us to incur additional expenses ~~. For example, the COVID- 19 pandemic has in the past negatively affected, and could in the future negatively affect, the global and U. S. economies, including by increasing unemployment levels, disrupting supply chains and businesses in many industries, lowering equity market valuations, decreasing liquidity in fixed income markets, and creating significant volatility and disruption in financial markets. This has in the past resulted in, and could in the future result in, higher and more volatile provisions for credit losses and has in the past adversely affected, and could in the future adversely affect, our noninterest income. The extent to which the COVID- 19 pandemic could adversely affect our business, financial condition and results of operations, as well as our liquidity and capital profile, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, any resurgence of COVID- 19 cases and the emergence of new variants, the widespread availability, use and effectiveness of vaccines, actions taken by governmental authorities and other third parties in response to the pandemic and the direct and indirect impact of the pandemic on us, our clients and customers, our service providers and other market participants. As the COVID- 19 pandemic adversely affects us, it may also have the effect of heightening many of the other risks described herein~~ . Furthermore, although we maintain both business continuity and disaster recovery plans, if a terrorist attack, extreme weather event, or other catastrophe rendered ~~both~~ our production ~~data center in Rhode Island~~ and ~~our~~ recovery data ~~center in North Carolina~~ unusable, there can be no assurance that these plans and related capabilities will adequately protect us from such events, and our business, financial condition or results of operations could be adversely affected. **While the U. S. economy has generally recovered since the onset of the COVID disruption, a resurgence of pandemic conditions could reintroduce, or intensify, these impacts and adversely affect our business, financial condition and results of operations, as well as our liquidity and capital profile. Citizens Financial Group, Inc. | 27** The effects of geopolitical instability ~~, such as Russia' s invasion of Ukraine,~~ may adversely affect us and create significant risks and uncertainties for our business, with the ultimate impact dependent on future developments, which are highly uncertain and unpredictable. Ongoing geopolitical instability, such as **the wars in** ~~Russia' s invasion of~~ Ukraine **and the Middle East** , has negatively impacted, and could in the future negatively impact, the global and U. S. economies, including by causing supply chain disruptions, rising prices for oil and other commodities, volatility in capital markets and foreign currency exchange rates, rising interest rates and heightened cybersecurity risks. The extent to which such geopolitical instability ~~, such as Russia' s invasion of Ukraine,~~ adversely affects our business, financial condition and results of operations, as well as our liquidity and capital profile, will depend on future developments, which are highly uncertain and unpredictable, including ~~with respect to Russia' s invasion,~~ the extent and duration of the ~~invasion~~ **wars** and ~~economic sanctions imposed on Russia, and~~ the **associated** immeasurable humanitarian toll inflicted ~~on Ukraine~~ **as a result** . If geopolitical instability adversely affects us, it may also have the effect of heightening other risks related to our business. Risks Related to Our Industry Any deterioration in national economic conditions could have a material adverse effect on our business, financial condition and results of operations. Our business is affected by national economic conditions, as well as perceptions of those conditions and future economic prospects. Changes in such economic conditions are not predictable and cannot be controlled. Adverse economic conditions, such as ~~challenges in the global supply chain and~~ recent inflationary ~~trends~~ **pressures** , could require us to charge off a higher percentage of loans and increase the provision for credit losses, which would reduce our net income and otherwise have a material adverse effect on our business, financial condition and results of operations. ~~Citizens Financial Group, Inc. | 29~~ We operate in an industry that is highly competitive, which could result in losing business or margin declines and have a material adverse effect on our business, financial condition and results of operations. We operate in a highly competitive industry **, which** ~~. The industry~~ could become even more competitive as a result of ~~reform of the financial services industry resulting from the Dodd- Frank Act and other~~ legislative, regulatory and technological changes, as well as continued consolidation. We face aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services, including non- banking financial institutions that are not subject to the same regulatory restrictions as banks and BHCs, securities firms and insurance companies, and competitors that may have greater financial resources. With respect to non- banking financial institutions, technology and other changes have lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks. For example, consumers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and / or transferring funds directly without the assistance of banks. In addition, the emergence, adoption and evolution of new technologies that do not require intermediation, including distributed ledgers such as digital assets and blockchain, as well as advances in robotic process automation, could significantly affect the competition for financial services. The process of eliminating banks as intermediaries, known as " disintermediation, " could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Some of our non- bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. As a result of these and other sources of competition, we could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect our profitability. Climate change manifesting as physical or transition risks could adversely affect our operations, businesses and customers. There is increasing global concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding and wildfires, and longer- term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our clients, customers, or service providers, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility. **Citizens Financial Group, Inc. | 28** We are also exposed to risks associated with the transition to a lower- carbon economy in response to concerns around climate change. Such risks may result from changes in policies, laws and regulations, technologies, or market preferences that are intended to address climate change. These changes could materially and negatively impact our or our customers' business, results of operations, financial condition and ~~our~~ reputation ~~, including~~ **. This could occur** as a result of our or our customers' involvement in, or decision not to participate in, certain industries or projects associated with exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations ~~relating~~ **related** to climate change. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit and reputational risks and costs. The conditions of other financial institutions or of the financial services industry could adversely affect our operations and financial condition. Financial services institutions are typically interconnected as a result of trading, investment, liquidity management, clearing, counterparty and other relationships. Within the financial services industry, the default by any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant **market and customer perception of the risk of similar problems at other institutions. This perception of risk could, in and of itself, lead to adverse impacts on** liquidity **. Liquidity** problems and losses or defaults by other institutions, as the ~~commercial and~~ financial soundness of ~~many~~ financial institutions ~~are~~ **is** closely related as a result of these credit, trading, clearing and other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market- wide liquidity problems and losses or defaults by various institutions. This systemic risk may adversely affect financial intermediaries, such as clearing agencies, banks and exchanges with which we interact on a daily basis, or key funding providers such as the FHLBs, any of which could have a material adverse effect on our access to liquidity or otherwise have a material adverse effect on our business, financial condition and results of operations.

~~Citizens Financial Group, Inc. | 30~~ Risks Related to Regulations Governing Our Industry As a financial holding company and a bank holding company, we are subject to comprehensive regulation that could have a material adverse effect on our business and results of operations. As a FHC and a BHC, we are subject to comprehensive regulation, supervision and examination by the FRB. In addition, CBNA is subject to comprehensive regulation, supervision and examination by the OCC. Our regulators supervise us through regular examinations and other means that allow ~~the~~ **them** ~~regulators~~ to gauge management' s ability to identify, assess and control risk in all areas of operations in a safe and sound manner and to ensure compliance with laws and regulations. In the course of their supervision and examinations, our regulators may require improvements in various areas **. We may be required to devote substantial resources to meet supervisory expectations or remediate supervisory findings. In addition, the failure to meet supervisory expectations can result in practical limitations on the ability of a bank, BHC or FHC to engage in new activities, pursue growth opportunities, engage in acquisitions, return capital to shareholders through repurchases or dividends, or continue to conduct existing activities** . If we are unable to implement and maintain any required actions in a timely and effective manner, we could become subject to informal (nonpublic) or formal (public) supervisory actions and public enforcement orders that could lead to significant restrictions on our existing business or on our ability to engage in any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such actions through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory or enforcement action could have a material adverse effect on our business, financial condition and results of operations. We are a BHC that has elected to become a FHC pursuant to the Bank Holding Company Act. FHCs are allowed to engage in certain financial activities in which a BHC is not otherwise permitted to engage. However, to maintain FHC status, a BHC ~~(~~and all of its depository institution subsidiaries ~~)~~ must be " well capitalized " and " well managed. " If a BHC ceases to meet these capital and management requirements, there are many penalties it would be faced with, including the **imposition of** ~~FRB may impose~~ limitations or conditions on the conduct of its activities **by the FRB** , ~~and it may not~~ **as well as the inability to** undertake any of the broader financial activities permissible for FHCs or **to** acquire a company engaged in such financial activities without prior approval of the FRB. If a company does not return to compliance within 180 days, which period may be extended, the FRB may require divestiture of ~~that~~ **the** company' s depository institutions. **If** ~~To the extent~~ we ~~do not~~ **fail to** meet ~~the~~ **FHC** requirements **and remediate deficiencies** ~~to be a FHC~~ in ~~the future~~ **a timely manner** , there could be a material adverse effect on our business, financial condition and results of operations. ~~We~~ **Citizens Financial Group, Inc. | 29 Our regulators** may **impose** ~~be unable to disclose some~~ restrictions or limitations on our operations ~~imposed by our regulators~~ . From time to time, bank regulatory agencies take supervisory actions that restrict or limit a financial institution' s activities and lead it to raise capital or subject it to other requirements. ~~Directives issued to enforce such actions may be confidential and thus, in some instances, we are not permitted to publicly disclose these actions.~~ In addition, as part of our regular examination process, our regulators may advise us to **conduct significant remediation activities or** operate under various restrictions as a prudential matter. Any such actions or restrictions, if and in whatever manner imposed, could adversely affect our costs and revenues. Moreover, efforts to comply with any such nonpublic supervisory actions or restrictions may require material investments in additional resources and systems, as well as a significant commitment of managerial time and attention. As a result, such supervisory actions or restrictions, if and in whatever manner imposed, could have a material adverse effect on our business and results of operations ~~; and, in certain instances, we may not be able to publicly disclose these matters~~ . ~~Citizens Financial Group, Inc. | 31~~ The regulatory environment in which we operate continues to be subject to significant and evolving regulatory requirements that could have a material adverse effect on our business and earnings. We are heavily regulated by multiple banking, consumer protection, securities and other regulatory authorities at the federal and state levels. This regulatory oversight is primarily established to protect depositors, the DIF, consumers of financial products, and the financial system as a whole, not **for the protection of shareholders** ~~our~~ - **or** ~~security holders~~ **other investors** . Changes to statutes, regulations, rules or policies, including ~~the~~ **their** interpretation, implementation or enforcement ~~of statutes, regulations, rules or policies~~ , could affect us in substantial and unpredictable ways, including by, for example, subjecting us to additional costs, limiting the types of financial services and other products we may offer, limiting our ability to pursue acquisitions and increasing the ability of third parties, including non- banks, to offer competing financial services and products. In recent years, we, together with the rest of the financial services industry, have faced particularly intense scrutiny, with many new regulatory initiatives and vigorous oversight and enforcement on the part of numerous regulatory and governmental authorities. Legislatures and regulators have pursued a broad array of initiatives intended to promote the safety and soundness of financial institutions, financial market stability, the transparency and liquidity of financial markets, and consumer and investor protection. Certain regulators and law enforcement authorities have also recently required admissions of wrongdoing and, in some cases, criminal pleas as part of the resolutions of matters brought by them against financial institutions. Any such resolution of a matter involving us could lead to increased exposure to civil litigation, could adversely affect our reputation, could result in penalties or limitations on our ability to do business or engage in certain activities and could have other negative effects. In addition, a single event or issue may give rise to numerous and overlapping investigations and proceedings, including by multiple federal and state regulators and other governmental authorities. We are also subject to laws and regulations relating to the privacy of the information of our customers, employees, counterparties and others, and any failure to comply with these laws and regulations could expose us to liability and / or reputational damage. As new privacy- related laws and regulations are implemented, the time and resources needed for us to comply with those laws and regulations, as well as our potential liability for non- compliance and our reporting obligations in the case of data breaches, may significantly increase. While there have been significant revisions to the laws and regulations applicable to us that have been finalized in recent years, there are other rules to implement changes that have yet to be proposed or enacted by our regulators. The final timing, scope and impact of these changes to the regulatory framework applicable to financial institutions remains uncertain. For more information on regulations to which we are subject and recent initiatives to reform financial institution regulation, see the " Regulation and Supervision " section in Item 1. We are subject to capital adequacy and liquidity standards, and if we fail to meet these standards our financial condition and operations would be adversely affected. We are subject to several capital adequacy and liquidity standards. To the extent that we are unable to meet these standards, our ability to make distributions of capital will be limited and we may be subject to additional supervisory actions and limitations on our activities. See " Regulation and Supervision " in Item 1 and the " Capital and Regulatory Requirements " and " Liquidity " sections in Item 7, for further discussion of the regulations to which we are subject. **Citizens Financial Group, Inc. | 30** The Parent Company could be required to act as a " source of strength " to CBNA, which would have a material adverse effect on our business, financial condition and results of operations. FRB policy historically required BHCs to act as a source of financial and managerial strength to their subsidiary banks. The Dodd- Frank Act codified this policy as a statutory requirement. This support may be required by the FRB at times when we might otherwise determine not to provide it or when doing so is not otherwise in the interests of CFG or our stockholders or creditors, and may include one or more of the following: • The Parent Company may be compelled to contribute capital to CBNA, including by engaging in a public offering to raise such capital. Furthermore, any extensions of credit from the Parent Company to CBNA that are included in CBNA' s capital would be subordinate in right of payment to depositors and certain other indebtedness of CBNA. • In the event of a BHC' s bankruptcy, any commitment that the BHC had been required to make to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment. • In the event of impairment of the capital stock of CBNA, the Parent Company, as CBNA' s stockholder, could be required to pay such deficiency. ~~Citizens Financial Group, Inc. | 32~~ The Parent Company depends on CBNA for substantially all of its revenue, and restrictions on dividends and other distributions by CBNA could affect its liquidity and ability to fulfill our obligations. As a BHC, the Parent Company is a separate and distinct legal entity from CBNA, our banking subsidiary. The Parent Company typically receives substantially all of ~~our~~ **its** revenue from dividends from CBNA. These dividends are the principal source of funds to pay dividends on our equity and interest and principal on our debt. Various federal and / or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that CBNA may pay to the Parent Company. Also, our right to participate in a distribution of assets upon a subsidiary' s liquidation or reorganization is subject to the prior claims of the subsidiary' s creditors. In the event CBNA is unable to pay dividends to the Parent Company, it may not be able to service debt, pay obligations or pay dividends on its common stock. The inability to receive dividends from CBNA could have a material adverse effect on our business, financial condition and results of operations. See the " **Regulation and** Supervision ~~and Regulation~~ " section in Item 1 and the " Capital and Regulatory Matters " section in Item 7. From time- to- time, we may become or are subject to regulatory actions that may have a material impact on our business. We may become or are involved, from time to time, in reviews, investigations and proceedings (both formal and informal) by governmental and self- regulatory agencies regarding our business. These regulatory actions involve ~~, among other matters,~~ accounting, compliance and operational matters, ~~certain~~ **among others, some** of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief that may require changes to our business or otherwise materially impact our business. In regulatory actions, such as those referred to above, it is inherently difficult to determine whether any loss is probable or whether it is possible to reasonably estimate the amount of any loss. We cannot predict with certainty if, how or when such proceedings will be resolved or what the eventual fine, penalty or other relief, conditions or restrictions, if any, may be, particularly for actions that are in their early stages of investigation. **We** ~~The Parent Company~~ may be required to make significant restitution payments to CBNA customers arising from certain compliance issues and also may be required to pay civil money penalties in connection with certain of these issues. This uncertainty makes it difficult to estimate probable losses ~~,~~ which, in turn, can lead to substantial disparities between the reserves we may establish for such proceedings and the eventual settlements, fines, or penalties. Adverse regulatory actions could have a material adverse effect on our business, financial condition and results of operations. **Citizens Financial Group, Inc. | 31** We are and may be subject to litigation that may have a material impact on our business. Our operations are diverse and complex and we operate in legal and regulatory environments that expose us to potentially significant litigation risk. In the normal course of business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a financial services institution, including with respect to alleged unfair or deceptive business practices ~~and~~ **,** mis- selling of certain products **, violations of contract or intellectual property rights, and other compliance or operational failures** . Certain of the actual or threatened legal actions include claims for substantial compensatory and / or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or in financial distress. Moreover, a number of recent judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed " lender liability. " Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. This could increase the amount of private litigation to which we are subject. For more information regarding ongoing significant legal proceedings in which we may be involved, see Note 19 in Item 8. ~~Citizens Financial Group, Inc. | 33~~ Compliance with anti- money laundering and anti- terrorism financing rules involves significant cost and effort. We are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti- money laundering and anti- terrorism financing rules can put a significant financial burden on banks and other financial institutions and poses significant technical challenges. Although we believe our current policies and procedures are sufficient to comply with applicable rules and regulations, we cannot guarantee that our anti- money laundering and anti- terrorism financing policies and procedures completely prevent situations of money laundering or terrorism financing. Any such failure events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on our business, financial condition or results of operations. Risks Related to our Common Stock Our stock price may be volatile, and you could lose all or part of your investment as a result. You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuation in the market value of your investment. The market price of our common stock could be subject to wide fluctuations in response to, among other things, the factors described in this " Risk Factors " section, and other factors, some of which are beyond our control. These factors include: • quarterly variations in our results of operations or the quarterly financial results of companies perceived to be similar to us; • changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors; • our announcements or our competitors' announcements regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments; • fluctuations in the market valuations of companies perceived by investors to be comparable to us; • **failures of financial institutions perceived to be similar to us; •** future sales of our common stock; • additions or departures of members of our senior management or other key personnel; • changes in industry conditions or perceptions; and • changes in applicable laws, rules or regulations and other dynamics. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market price of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as recessions, loss of investor confidence, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to securities class action litigation that, even if unsuccessful, could be costly to defend and a distraction to management. **Citizens Financial Group, Inc. | 32** We may not repurchase shares or pay cash dividends on our common stock. Holders of our common stock are only entitled to receive such dividends as our Board ~~of Directors~~ may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future ~~. This~~ **, which** could adversely affect the market price of our common stock. Also, as a BHC, our ability to repurchase shares and declare and pay dividends is dependent on certain federal regulatory considerations, including the rules of the FRB regarding capital adequacy and dividends. Additionally, we are also generally required to receive the FRB' s approval for any dividends, share repurchases, or redemption of capital securities if we are required to resubmit our capital plan. Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may be limited in our ability to repurchase shares and declare and pay dividends on our capital stock. See the " Regulation and Supervision " section in Item 1 ~~,~~ **and the " Capital and Regulatory Matters " section in Item 7** for further discussion of the regulations to which we are subject. ~~Citizens Financial Group, Inc. | 34~~ " Anti- takeover " provisions and the regulations to which we are subject may make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. We are a BHC incorporated in the state of Delaware. Anti- takeover provisions in Delaware law and our restated certificate of incorporation and amended and restated bylaws, as well as regulatory approvals that would be required under federal law, could make it more difficult for a third party to take control of us and may prevent stockholders from receiving a premium for their shares of our common stock. These provisions could adversely affect the market price of our common stock and could reduce the amount that stockholders might get if we are sold. Furthermore, banking laws impose notice, approval and ongoing regulatory requirements on any stockholder or other party that seeks to acquire direct or indirect " control " of an FDIC- insured depository institution. These laws include the Bank Holding Company Act and the Change in Bank Control Act.