CITIZENS FINANCIAL GROUP INC/RI
Form 424B4
July 29, 2015
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Filed Pursuant to Rule 424(b)(4)
Registration Statement Nos. 333-205765

86,000,000 SHARES

COMMON STOCK

The selling stockholder is offering 86,000,000 shares of common stock of Citizens Financial Group, Inc. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol CFG. On July 28, 2015, the closing sales price of our common stock as reported on the NYSE was $26.17 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 13.

PRICE $26.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Selling Stockholder
Per Share	$26.000	$0.312	$25.688

Total	$2,236,000,000	$26,832,000	$2,209,168,000

(1) The selling stockholder has also agreed to reimburse the underwriters for certain expenses related to review and qualification of this offering by the Financial Industry Regulatory Authority, Inc. See Underwriting.

The selling stockholder has granted the underwriters the right to purchase an additional 12,900,000 shares of common stock.

The underwriters expect to deliver the shares of common stock to purchasers on August 3, 2015.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Global Coordinators

Morgan Stanley Goldman, Sachs & Co.

Joint Book-Running Managers

J.P. Morgan Citigroup

BofA Merrill Lynch Credit Suisse Deutsche Bank Securities RBS UBS Investment Bank Wells Fargo Securities

Co-Managers

Barclays Keefe, Bruyette & Woods Sandler O Neill + Partners, L.P.

A Stifel Company

Prospectus dated July 28, 2015.

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CERTAIN IMPORTANT INFORMATION

In this prospectus, we, us, our and CFG refer to Citizens Financial Group, Inc. together with its consolidated subsidiaries, CBNA means Citizens Bank, N.A., CBPA means Citizens Bank of Pennsylvania, our banking subsidiaries means CBNA and CBPA, RBS means The Royal Bank of Scotland Group plc and the RBS Group means RBS together with its subsidiaries (other than CFG). Unless otherwise noted, when we refer to our peers or peer regional banks, we refer to BB&T, Comerica, Fifth Third Bancorp, KeyCorp, M&T Bank Corporation, The PNC Financial Services Group, Inc., Regions Financial, SunTrust Banks, Inc. and U.S. Bancorp. When we refer to our approximately 17,800 employees, we include the full-time equivalent of our approximately 17,130 full-time employees, 630 part-time employees, including employees on leave, and 580 positions filled by temporary employees.

We, the selling stockholder and the underwriters have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The selling stockholder and the underwriters are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where such offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

We have proprietary rights to trademarks, trade names and service marks appearing in this prospectus that are important to our business. This prospectus also contains additional trade names, trademarks and service marks belonging to the RBS Group. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus are without the ® and symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names. All trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners.

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Within this prospectus, we reference certain industry and sector information and statistics. We have obtained this information and statistics from various independent third-party sources, including independent industry publications, reports by market research firms and other independent sources. Nothing in the data used or derived from third-party sources should be construed as advice. The SNL Financial LC, or SNL Financial, data included in this prospectus excludes all non-retail bank holding companies. The scope of non-retail banks is subject to the discretion of SNL Financial, but typically includes: industrial bank and non-depository trust charters, institutions with over 20% brokered deposits (of total deposits), institutions with over 20% credit card loans (of total loans), institutions deemed not to broadly participate in the banking services market and other non-retail competitor banks. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. We believe these external sources and estimates are reliable, but have not independently verified them.

Percentage changes, per share amounts, and ratios presented in this prospectus are calculated using whole dollars.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. Therefore, you should read the entire prospectus carefully, including the section entitled Risk Factors in this prospectus and the documents incorporated by reference in this prospectus as well as the audited consolidated financial statements and unaudited interim consolidated financial statements and related notes included in the documents incorporated by reference in this prospectus, before making an investment decision to invest in our common stock.

Company Overview

We were the 13th largest retail bank holding company in the United States as of March 31, 2015, according to SNL Financial, with total assets of $136.5 billion. Headquartered in Providence, Rhode Island, we deliver a broad range of retail and commercial banking products and services to individuals, small businesses, middle-market companies, large corporations and institutions. Our approximately 17,800 employees strive to meet the financial needs of customers and prospects through approximately 1,200 branches and approximately 3,200 automated teller machines operated in an 11-state footprint across the New England, Mid-Atlantic and Midwest regions and through our online, telephone and mobile banking platforms. We also maintain over 100 retail and commercial non-branch offices located both in our banking footprint and in eleven other states and the District of Columbia. As of March 31, 2015, our 11-state branch banking footprint contained approximately 30 million households and 3.1 million businesses according to SNL Financial, and approximately 75% of our loans were to customers located in our footprint. We conduct our banking operations through our two wholly-owned banking subsidiaries, Citizens Bank, N.A. and Citizens Bank of Pennsylvania.

As of March 31, 2015, we had loans and leases and loans held for sale of $94.9 billion, deposits of $99.0 billion and stockholders equity of $19.6 billion, and we generated revenues of $1.2 billion for the three months ended March 31, 2015. We operate our business through two operating segments: Consumer Banking and Commercial Banking. As of March 31, 2015, the contributions of Consumer Banking and Commercial Banking to the loans and leases and loans held for sale in our operating segments were approximately 55% and 45%, respectively.

Consumer Banking serves retail customers and small businesses with annual revenues of up to $25 million. Consumer Banking products and services include deposit products, mortgage and home equity lending, student loans, auto financing, credit cards, business loans and wealth management and investment services. Commercial Banking primarily targets companies and institutions with annual revenues of $25 million to $2.5 billion and strives to be the lead bank for its clients. Commercial Banking offers a full range of wholesale banking products and services, including lending and deposits, capital markets, treasury services, foreign exchange and interest hedging, leasing and asset finance, specialty finance and trade finance.

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The following table presents certain financial information for our segments as of and for the three months ended March 31, 2015 and as of and for the year ended December 31, 2014:

	As of and for the Three Months Ended March 31, 2015				As of and for the Year Ended December 31, 2014			
	Consumer Banking	Commercial Banking	Other(1)	Consolidated	Consumer Banking	Commercial Banking	Other(1)	Consolidated
	(dollars in millions)							
Total loans and leases and loans held for sale (average)	$ 50,260	$ 40,241	$ 3,784	$ 94,285	$ 47,745	$ 37,683	$ 4,316	$ 89,744
Total deposits and deposits held for sale (average)	67,518	21,932	6,195	95,645	68,214	19,838	4,513	92,565
Net interest income	533	276	27	836	2,151	1,073	77	3,301
Noninterest income	219	100	28	347	899	429	350	1,678
Total revenue	$ 752	$ 376	$ 55	$ 1,183	$ 3,050	$ 1,502	$ 427	$ 4,979
Net income	$ 61	$ 147	$ 1	$ 209	$ 182	$ 561	$ 122	$ 865

(1) Includes the financial impact of non-core, liquidating loan portfolios and other non-core assets and liabilities, our treasury activities, wholesale funding activities, securities portfolio, community development assets and other unallocated assets, liabilities, equity, revenues, provision for credit losses and expenses not attributed to the Consumer Banking or Commercial Banking segments. For a description of non-core assets, see Management s Discussion and Analysis of Financial Condition and Results of Operations Analysis of Financial Condition in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the 2014 Form 10-K) and Quarterly Report on Form 10-Q for the three months ended March 31, 2015 (the Q1 2015 Form 10-Q), each incorporated by reference in this prospectus.

Repurchase Transaction

We have agreed to repurchase approximately $250 million of our common stock directly from the RBS Group at the price per share of common stock to the public sold by the selling stockholder in this offering (the Repurchase Transaction). The completion of the Repurchase Transaction will be subject to various conditions, including the completion of this offering and a public offering of $250 million aggregate principal amount of our subordinated notes. We expect the completion of the Repurchase Transaction to be concurrent with the closing of this offering.

Recent Developments (Preliminary and Unaudited)

On July 21, 2015, we announced our preliminary financial results for the quarter ended June 30, 2015. Such financial results were included in our Current Report on Form 8-K filed with the SEC on July 28, 2015 (Q2 Form 8-K) and are incorporated by reference in this prospectus. The financial results included in the Q2 Form 8-K are preliminary and may change as a result of the completion of our financial closing procedures or any adjustments that may result from the completion of the review of our consolidated financial statements. Accordingly, these unaudited results may materially differ from the actual results that will be reflected in our consolidated financial statements for the quarter ended June 30, 2015, when they are completed and publicly filed with the SEC on our Quarterly Report for the quarter ended June 30, 2015. The Q2 Form 8-K should be read in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our historical consolidated financial statements and the notes thereto in our 2014 Form 10-K and our Q1 2015 Form 10-Q each incorporated by reference in this prospectus.

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In connection with our preliminary results, we highlighted that:

- We continue to execute broadly well against our key strategic initiatives. This has resulted in positive operating leverage, excluding restructuring charges and special items, which is delivering improved financial performance.

- We have developed a series of new revenue and efficiency initiatives intended primarily to offset a slower build on select fee-based businesses, and the effect of net interest margin pressure.

- The current forward Fed Funds curve creates a revenue gap in 2016 given our asset-sensitive balance sheet. As a result, achievement of our target of a 10% return on average tangible common equity (ROTCE) run rate by the end of 2016 is likely pushed out.

Our Parent and Selling Stockholder

Prior to the completion of our initial public offering on September 29, 2014 (our IPO), we were a wholly-owned subsidiary of RBS. RBS is the holding company of a large banking and financial services group. Headquartered in Edinburgh, RBS operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc and National Westminster Bank Plc (NatWest), both of which are major U.K. clearing banks. Globally, the RBS Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. RBS acquired all of our outstanding common stock in 1988 and owns 218,977,166 shares of our outstanding common stock through its wholly-owned subsidiary, RBSG International Holdings Limited, a private limited company organized under the laws of Scotland, which is selling 86,000,000 shares of our common stock in this offering or 98,900,000 shares if the underwriters exercise their option to purchase additional shares in full. The selling stockholder acquired all shares to be sold in this offering in the ordinary course of business and, at the time of acquisition, did not have any agreement or understanding, directly or indirectly, with any person to distribute the shares of our common stock. RBS also holds approximately $2.0 billion of our outstanding subordinated indebtedness as of March 31, 2015. See Management s Discussion and Analysis of Financial Condition and Results of Operations Borrowed Funds in our Q1 2015 Form 10-Q incorporated by reference in this prospectus.

Following completion of this offering, we expect that RBS will indirectly own, through RBSG International Holdings Limited, approximately 24.8% of our common stock, assuming no exercise by the underwriters of their option to purchase additional shares, or approximately 22.4% of our common stock if the underwriters exercise their option to purchase additional shares in full (in either case without giving effect to the Repurchase Transaction). As part of its obligations under the European Commission s State Aid Amendment Decision of April 9, 2014, RBS has committed to dispose of its remaining ownership of our common stock by December 31, 2016, with an automatic 12-month extension depending on market conditions. RBS s current intention for disposal of its remaining ownership of our common stock is to sell, over time, such remaining shares in a series of tranches, subject to market conditions and the terms of the lock-up provisions discussed under Underwriting.

As a result of RBS s continued ownership of our common stock following completion of this offering, RBS will continue to have significant influence on our business. We and RBS have entered into certain agreements that provide a framework for our ongoing relationship with the RBS Group. For further information about risks relating to our separation from the RBS Group, including RBS s influence over us, see Risk Factors Risks Related to Our Relationship with and Separation from the RBS Group. For more information regarding the agreements setting out the framework for our ongoing relationship with the RBS Group, see Our Relationship with the RBS Group and Certain Other Related Party Transactions.

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Risks

An investment in shares of our common stock involves substantial risks and uncertainties that may adversely affect our business, financial condition and results of operations. Some of the more significant challenges and risks relating to an investment in our common stock include:

- We may not be able to successfully execute our strategic plan or achieve our performance targets;

- Supervisory requirements and expectations on us as a financial holding company and a bank holding company, our need to make improvements and devote resources to various aspects of our controls, processes, policies and procedures, and any regulator-imposed limits on our activities, could limit our ability to implement our strategic plan, expand our business, improve our financial performance and make capital distributions to our stockholders;

- A continuation of the current low interest rate environment or subsequent movements in interest rates may have an adverse effect on our profitability;

- 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 of directors (the Board), which could impair our ability to successfully execute our strategic plan and otherwise adversely affect our business;

- Following completion of this offering, RBS will remain a principal stockholder and its interests may conflict with ours or yours in the future;

- As of June 30, 2015, RBS was 78.4% owned by the UK government and the UK government s interests may conflict with ours or yours in the future;

- The RBS Group and its UK bank subsidiaries are subject to the provisions of the UK Banking Act 2009, as amended by the UK Financial Services (Banking Reform) Act 2013, which includes special resolution powers including nationalization and bail-in;

- Any deterioration in national economic conditions could have a material adverse effect on our business, financial condition and results of operations;

- 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;

Volatility in the global financial markets resulting from relapse of the Eurozone crisis, geopolitical developments in Eastern Europe or otherwise could have a material adverse effect on our business, financial condition and results of operations;

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;

We may be unable to disclose some restrictions or limitations on our operations imposed by our regulators;

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;

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale, and RBS has committed to sell its remaining beneficial ownership of our common stock by the end of 2016 with a possible 12 month extension in certain circumstances. The exact timing of such sale or sales remains uncertain; and

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If RBS sells a significant interest in our company to a third party in a private transaction, you may not realize any change-of-control premium on shares of our common stock and we may become subject to the influence of a presently unknown third party.

Other Information

We are subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (the Federal Reserve Board). We are distinct from and independent of the RBS Group s other businesses in the United States and have our own Board and executive management team. Our principal executive offices are located at One Citizens Plaza in Providence, Rhode Island, and our telephone number is (401) 456-7000.

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THE OFFERING

The offering	86,000,000 shares of common stock offered by the selling stockholder.
Common stock outstanding	537,149,717 shares.
Option to purchase additional shares of common stock	12,900,000 shares of common stock from the selling stockholder.
Use of proceeds	We will not receive any proceeds from the sale of common stock in the offering; the selling stockholder will receive all of the proceeds from the sale of shares of our common stock.
Dividend policy	On October 27, 2014, we announced the initiation of a quarterly cash dividend on our common stock and on November 20, 2014, February 19, 2015 and May 19, 2015, we paid dividends to each of our common stockholders of $0.10 per share, or $0.40 per share on an annualized basis. On July 21, 2015, we announced that our Board approved a quarterly cash dividend of $0.10 per share of common stock. The dividend is payable on August 17, 2015 to stockholders of record at the close of business on August 3, 2015. On March 11, 2015, we received a notice of non-objection from the Federal Reserve Board to our 2015 Capital Plan submitted to the Federal Reserve Board on January 5, 2015 (the Capital Plan), which includes a proposed quarterly dividend rate of $0.10 per share, or $0.40 per share on an annualized basis, for 2015. See Dividend Policy for more information and for information regarding limitations on our ability to pay dividends.
Risk factors	See Risk Factors for a discussion of risks you should carefully consider before deciding to invest in our common stock.
Principal stockholder	Prior to the completion of this offering, RBS beneficially owns approximately 40.8% of our outstanding shares of common stock. Upon completion of this offering, RBS will beneficially own approximately 24.8% of our outstanding shares of common stock, or approximately 22.4% if the underwriters option to purchase additional shares of common stock is exercised in full (in either case without giving effect to the Repurchase Transaction). For further information regarding our relationship with the RBS Group in the past and following the offering, see Our Relationship with the RBS Group and Certain Other Related

	Party Transactions.
Listing	Our common stock is listed on the NYSE under the symbol CFG.
Conflict of Interest	Because RBS Securities Inc., an underwriter for this offering, is under common control with us and the selling stockholder and because an affiliate of RBS Securities Inc. will receive at least 5% of the proceeds of this offering, a conflict of interest under

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Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121 is deemed to exist. Accordingly, this offering will be conducted in accordance with that rule. See Underwriting Conflict of Interest.

Unless we specifically state otherwise, all share information in this prospectus (i) is based on 537,149,717 shares outstanding as of June 30, 2015 and (ii) does not take into account:

- 3,441,718 shares of common stock underlying CFG equity awards outstanding as of June 30, 2015; or

- 60,918,226 shares of common stock that may be granted under our equity compensation plans (including our employee stock purchase plan) as of June 30, 2015.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

We derived the summary consolidated operating data for the years ended December 31, 2014, 2013 and 2012 and the summary consolidated balance sheet data as of December 31, 2014 and 2013 from our audited consolidated financial statements incorporated by reference in this prospectus. We derived the summary consolidated balance sheet data as of December 31, 2012 from our audited consolidated financial statements, which are not included or incorporated by reference in this prospectus. We derived the summary consolidated operating data for the three months ended March 31, 2015 and 2014 and the summary consolidated balance sheet data as of March 31, 2015 from our unaudited interim consolidated financial statements incorporated by reference in this prospectus. We have prepared our unaudited interim consolidated financial statements on the same basis as our audited consolidated financial statements and, in our opinion, have included all adjustments, which include only normal recurring adjustments, necessary to present fairly in all material respects our financial position and results of operations. The results for any interim period are not necessarily indicative of the results that may be expected for the full year or any other period. Additionally, our historical results are not necessarily indicative of the results expected for any future period.

You should read the following summary consolidated financial data in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our historical consolidated financial statements and the notes thereto in our 2014 Form 10-K and our Q1 2015 Form 10-Q each incorporated by reference in this prospectus.

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2015	2014	2014	2013	2012
	(dollars in millions, except per share amounts)				
Operating Data:					
Net interest income	$ 836	$ 808	$ 3,301	$ 3,058	$ 3,227
Noninterest income	347	358	1,678	1,632	1,667
Total revenue	1,183	1,166	4,979	4,690	4,894
Provision for credit losses	58	121	319	479	413
Noninterest expense	810	810	3,392	7,679	3,457
Noninterest expense, excluding goodwill impairment[1]	810	810	3,392	3,244	3,457
Income (loss) before income tax expense (benefit)	315	235	1,268	(3,468)	1,024
Income tax expense (benefit)	106	69	403	(42)	381
Net income (loss)	209	166	865	(3,426)	643
Net income, excluding goodwill impairment[1]	209	166	865	654	643
Net income (loss) per average common share basic[2]	0.38	0.30	1.55	(6.12)	1.15
Net income (loss) per average common share diluted[2]	0.38	0.30	1.55	(6.12)	1.15
Net income per average common share basic, excluding goodwill impairment[1][2]	0.38	0.30	1.55	1.17	1.15
Net income per average common share diluted, excluding goodwill impairment[1][2]	0.38	0.30	1.55	1.17	1.15

Other Operating Data:

Return on average common equity(3)(6)	4.36%	3.48%	4.46%	(15.69)%	2.69%
Return on average common equity, excluding goodwill impairment(1)(6)	4.36	3.48	4.46	3.00	2.69
Return on average tangible common equity(1)(6)	6.53	5.24	6.71	(25.91)	4.86

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	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2015	2014	2014	2013	2012
	(dollars in millions, except per share amounts)				
Return on average tangible common equity, excluding goodwill impairment(1)(6)	6.53	5.24	6.71	4.95	4.86
Return on average total assets(4)(6)	0.63	0.54	0.68	(2.83)	0.50
Return on average total assets, excluding goodwill impairment(1)(6)	0.63	0.54	0.68	0.54	0.50
Return on average total tangible assets(1)(6)	0.67	0.57	0.71	(3.05)	0.55
Return on average total tangible assets, excluding goodwill impairment(1)(6)	0.67	0.57	0.71	0.58	0.55
Efficiency ratio(1)	68.49	69.43	68.12	163.73	70.64
Efficiency ratio, excluding goodwill impairment(1)	68.49	69.43	68.12	69.17	70.64
Net interest margin(5)(6)	2.77	2.89	2.83	2.85	2.89

	As of March 31,	As of December 31,		
	2015	2014	2013	2012
	(dollars in millions)			
Balance Sheet Data:				
Total assets	$ 136,535	$ 132,857	$ 122,154	$ 127,053
Loans and leases(7)	94,494	93,410	85,859	87,248
Allowance for loan and lease losses	1,202	1,195	1,221	1,255
Total securities	25,086	24,676	21,245	19,417
Goodwill	6,876	6,876	6,876	11,311
Total liabilities	116,971	113,589	102,958	102,924
Deposits(8)	98,990	95,707	86,903	95,148
Federal funds purchased and securities sold under agreements to repurchase	4,421	4,276	4,791	3,601
Other short-term borrowed funds	7,004	6,253	2,251	501
Long-term borrowed funds	3,904	4,642	1,405	694
Total stockholders equity	19,564	19,268	19,196	24,129
Other Balance Sheet Data:				
Asset Quality Ratios:				
Allowance for loan and lease losses as a % of total loans and leases	1.27%	1.28%	1.42%	1.44%
Allowance for loan and lease losses as a % of nonperforming loans and leases	106	109	86	67
Nonperforming loans and leases as a % of total loans and leases	1.20	1.18	1.65	2.14
Capital ratios:(9)				
CET 1 capital ratio(10)	12.2	12.4	13.5	13.9
Tier 1 capital ratio(11)	12.2	12.4	13.5	14.2
Total capital ratio(12)	15.5	15.8	16.1	15.8
Tier 1 leverage ratio(13)	10.5	10.6	11.6	12.1

(1) These measures are non-GAAP financial measures. Please see Non-GAAP Financial Measures below for more information on the computation of these non-GAAP financial measures.

(2) EPS information reflects a 165,582-for-1 forward stock split effective on August 22, 2014.

(3) Return on average common equity is defined as net income (loss) divided by average common equity.

(4) Return on average total assets is defined as net income (loss) divided by average total assets.

(5) Net interest margin is defined as net interest income divided by average total interest-earning assets.

(6) Operating ratios for the periods ended March 31, 2015 and 2014 are presented on an annualized basis.

(7) Excludes loans held for sale of $376 million, $281 million, $1.3 billion and $646 million as of March 31, 2015 and December 31, 2014, 2013 and 2012, respectively.

(8) Excludes deposits held for sale of $5.3 billion as of December 31, 2013.

(9) Basel III transitional rules for institutions applying the standardized approach to calculating risk-weighted assets became effective January 1, 2015. The capital ratios and associated components as of March 31, 2015 are prepared using the Basel III standardized transitional approach. The capital ratios and associated components for periods December 31, 2014 and prior are prepared under the Basel I general risk-based capital rule.

(10) Common equity Tier 1 capital (CET1) under Basel III replaced the concept of Tier 1 common capital that existed under Basel I effective January 1, 2015. Common equity Tier 1 capital ratio as of March 31, 2015 represents CET1 divided by total risk-weighted assets as defined under Basel III standardized approach. The Tier 1 common capital ratio reported prior to January 1, 2015, represented Tier 1 common equity divided by total risk-weighted assets as defined under and Basel I general risk-based capital rule.

(11) Tier 1 capital ratio is Tier 1 capital, which includes CET1 capital plus non-cumulative perpetual preferred equity that qualifies as additional Tier 1 capital, divided by total risk-weighted assets as defined under Basel III standardized approach.

(12) Total capital ratio is total capital divided by total risk-weighted assets as defined under Basel III standardized approach.

(13) Tier 1 leverage ratio is Tier 1 capital divided by quarterly average total assets as defined under Basel III standardized approach.

Non-GAAP Financial Measures

Certain of the above financial measures, including return on average tangible common equity, return on average total tangible assets and the efficiency ratio are not recognized under accounting principles generally accepted in the United States (GAAP). We also present noninterest expense, net income (loss), return on average total tangible assets, return on average tangible common equity, return on average common equity, return on average total assets, efficiency ratio and net income per average common share (basic and diluted) excluding the 2013 $4.4 billion pre-tax ($4.1 billion after-tax) goodwill impairment charge. We believe these non-GAAP measures provide useful information to investors because these are among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions. In addition, we believe goodwill impairment, restructuring charges and special items in any period do not reflect the operational performance of the business in that period, and, accordingly, it is useful to consider these line items with and without goodwill impairment, restructuring charges and special items. We believe this presentation also increases comparability of period-to-period results.

We also consider pro forma capital ratios defined by banking regulators but not effective at each period end to be non-GAAP financial measures. Since analysts and banking regulators may assess our capital adequacy using these pro forma ratios, we believe they are useful to provide investors the ability to assess our capital adequacy on the same basis. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate such measures. Accordingly, our non-GAAP financial measures may not be comparable to similar measures used by other companies. We caution investors not to place undue reliance on such non-GAAP measures, but instead to consider them with the most directly comparable GAAP measure. Non-GAAP measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for our results reported under GAAP.

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The following table reconciles non-GAAP financial measures to GAAP:

	Ref	As of and for the Three Months Ended March 31, 2015	2014	As of and for the Year Ended December 31, 2014	2013	2012
		(dollars in millions, except per share amounts)				
Noninterest expense, excluding goodwill impairment:						
Noninterest expense (GAAP)	A	$ 810	$ 810	$ 3,392	$ 7,679	$ 3,457
Less: Goodwill impairment (GAAP)					4,435	
Noninterest expense, excluding goodwill impairment (non-GAAP)	B	$ 810	$ 810	$ 3,392	$ 3,244	$ 3,457
Net income (loss), excluding goodwill impairment:						
Net income (loss) (GAAP)	C	$ 209	$ 166	$ 865	$ (3,426)	$ 643
Add: Goodwill impairment, net of income tax benefit (GAAP)					4,080	
Net income, excluding goodwill impairment (non-GAAP)	D	$ 209	$ 166	$ 865	$ 654	$ 643
Return on average common equity, excluding goodwill impairment:						
Average common equity (GAAP)	E	$ 19,407	$ 19,370	$ 19,399	$ 21,834	$ 23,938
Return on average common equity, excluding goodwill impairment (non-GAAP)(1)	D/E	4.36%	3.48%	4.46%	3.00%	2.69%
Return on average tangible common equity, excluding goodwill impairment:						
Average common equity (GAAP)	E	$ 19,407	$ 19,370	$ 19,399	$ 21,834	$ 23,938
Less: Average goodwill (GAAP)		6,876	6,876	6,876	9,063	11,311
Less: Average other intangibles (GAAP)		5	7	7	9	12
Add: Average deferred tax liabilities related to goodwill (GAAP)		422	351	377	459	617

Average tangible common equity (non-GAAP)	F	$ 12,948	$ 12,838	$ 12,893	$ 13,221	$ 13,232
Return on average tangible common equity (non-GAAP)(1)	C/F	6.53%	5.24%	6.71%	(25.91%)	4.86%
Return on average tangible common equity, excluding goodwill impairment (non-GAAP)(1)	D/F	6.53%	5.24%	6.71%	4.95%	4.86%
Return on average total assets, excluding goodwill impairment:						
Average total assets (GAAP)	G	$ 133,325	$ 123,904	$ 127,624	$ 120,866	$ 127,666
Return on average total assets, excluding goodwill impairment (non-GAAP)(1)	D/G	0.63%	0.54%	0.68%	0.54%	0.50%
Return on average total tangible assets, excluding goodwill impairment:						
Average total assets (GAAP)	G	$ 133,325	$ 123,904	$ 127,624	$ 120,866	$ 127,666
Less: Average goodwill (GAAP)		6,876	6,876	6,876	9,063	11,311
Less: Average other intangibles (GAAP)		5	7	7	9	12
Add: Average deferred tax liabilities related to goodwill (GAAP)		422	351	377	459	617
Average tangible assets (non-GAAP)	H	$ 126,866	$ 117,372	$ 121,118	$ 112,253	$ 116,960
Return on average total tangible assets (non-GAAP)(1)	C/H	0.67%	0.57%	0.71%	(3.05%)	0.55%

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	Ref	As of and for the Three Months Ended March 31, 2015	2014	As of and for the Year Ended December 31, 2014	2013	2012
		(dollars in millions, except per share amounts)				
Return on average total tangible assets, excluding goodwill impairment (non-GAAP)[1]	D/H	0.67%	0.57%	0.71%	0.58%	0.55%
Efficiency ratio, excluding goodwill impairment:						
Net interest income (GAAP)		$ 836	$ 808	$ 3,301	$ 3,058	$ 3,227
Noninterest income (GAAP)		347	358	1,678	1,632	1,667
Total revenue (GAAP)	I	$ 1,183	$ 1,166	$ 4,979	$ 4,690	$ 4,894
Efficiency ratio (non-GAAP)	A/I	68.49%	69.43%	68.12%	163.73%	70.64%
Efficiency ratio, excluding goodwill impairment (non-GAAP)	B/I	68.49%	69.43%	68.12%	69.17%	70.64%
Net income per average common share-basic and diluted, excluding goodwill impairment:						
Average common shares outstanding basic (GAAP)	J	546,291,363	559,998,324	556,674,146	559,998,324	559,998,324
Average common shares outstanding diluted (GAAP)	K	549,798,717	559,998,324	557,724,936	559,998,324	559,998,324
Net income (loss) applicable to common stockholders (GAAP)	L	$ 209	$ 166	$ 865	$ (3,426)	$ 643
Add: Goodwill impairment, net of income tax benefit					4,080	

(GAAP)

Net income applicable to common stockholders, excluding goodwill impairment (non-GAAP)	M	$	209	$	166	$	865	$	654	$	643
Net income per average common share-basic, excluding goodwill impairment (non-GAAP)	M/J	$	0.38	$	0.30	$	1.55	$	1.17	$	1.15
Net income per average common share-diluted, excluding goodwill impairment (non-GAAP)	M/K	$	0.38	$	0.30	$	1.55	$	1.17	$	1.15

	Ref.		**As of March 31, 2015**
(dollars in millions)			
Pro forma Basel III fully phased-in common equity Tier 1 capital ratio:[2]			
Common equity tier 1 (regulatory)		$	13,360
Less: Change in DTA and other threshold deductions (GAAP)			(3)
Pro forma Basel III phased-in common equity Tier 1 (non-GAAP)	N	$	13,357
Risk-weighted assets (regulatory)		$	109,786
Add: Net change in credit and other risk-weighted assets (regulatory)			242
Basel III standardized approach risk-weighted assets (non-GAAP)	O	$	110,028
Pro forma Basel III fully phased-in common equity Tier 1 capital ratio (non-GAAP)[2]	N/O		12.1%

(1) Ratios for the three months ended March 31, 2015 and 2014 are presented on an annualized basis.

(2) Restricted core capital elements include other intangibles, intangible mortgage servicing assets, and disallowed mortgage servicing assets.

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RISK FACTORS

We are subject to a number of risks potentially impacting our business, financial condition, results of operations and cash flows. As 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, encounter risk as part of the normal course of our business and we design risk management processes to help manage these risks. 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 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 our principal risk management processes and, in appropriate places, related historical performance in the Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Governance section in our Q1 2015 Form 10-Q incorporated by reference in this prospectus.

You should carefully consider the following risk factors that may affect our business, financial condition and results of operations, as well as the other information set forth and incorporated by reference in this prospectus before making a decision to invest in our common stock. If any of the following risks actually occur, our business, financial condition or results of operations would likely be materially adversely affected. In such case, the trading price of our common stock would likely decline due to any of these risks, and you may lose all or part of your investment. The following risks are not the only risks we face. Additional risks that are not presently known or that we presently deem to be immaterial also could have a material adverse effect on our financial condition, results of operations and business.

Risks Related to Our Business

We may not be able to successfully execute our strategic plan or achieve our performance targets.

Our strategic plan, which we began to implement in the second half of 2013, involves four principal elements: (a) increasing revenue in both Consumer Banking and Commercial Banking; (b) enhancing cost reduction efforts across the company; (c) leveraging capital actions aimed at better aligning our capital structure with those of regional bank peers; and (d) the beneficial impact of a rising interest rate environment on our asset-sensitive balance sheet. Our future success and the value of our stock will depend, in part, on our ability to effectively implement our strategic plan. There are risks and uncertainties, many of which are not within our control, associated with each element of our plan discussed further below.

In addition, certain of our key initiatives require regulatory approval, which may not be obtained on a timely basis, if at all. Moreover, even if we do obtain required regulatory approval, it may be conditioned on certain organizational changes, such as those discussed below, that could reduce the profitability of those initiatives.

Revenue Generation Component of Strategic Plan, Assumptions and Associated Risks. Our plans to increase revenue involve reallocating resources toward businesses that will further increase and diversify our revenue base, including by prudently growing higher-return earning assets, identifying and capitalizing on more fee income opportunities and selectively expanding our balance sheet through increased loan origination volume principally in mortgage, small business and auto. Our revenue growth plans are based on a number of assumptions, many of which involve factors that are outside our control. Our key assumptions include:

- that we will be able to attract and retain the requisite number of skilled and qualified personnel required to increase our loan origination volume in mortgage, business banking, auto, wealth,

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mid-corporate and specialty verticals. The marketplace for skilled personnel is competitive, which means hiring, training and retaining skilled personnel is costly and challenging and we may not be able to increase the number of our loan professionals sufficiently to achieve our loan origination targets successfully;

that we will be able to grow higher-return earning assets with acceptable risk performance and increase fee income in part by means of increased management discipline, industry focus, expansion of target markets, focus on higher-return yielding assets and increased origination efforts;

that we will be able to successfully identify and purchase high-quality interest-earning assets that perform over time in accordance with our projected models;

that we will be able to fund asset growth by growing deposits with our cost of funds increasing at a rate consistent with our expectations;

that our expansion into specialized industries, as well as our efforts to expand nationally in the mid-corporate space, will not materially alter our risk profile from existing business operations in ways that our existing risk models cannot effectively or accurately model;

that there will be no material change in competitive dynamics, including as a result of our seeking to increase market share and enter into new markets (as discussed below, we operate in a highly competitive industry and any change in our ability to retain deposits or attract new customers in line with our current expectations would adversely affect our ability to grow our revenue);

that the foot traffic in our branches, on which certain sales and marketing efforts are focused, does not significantly decrease more than expected as a result of technological advances; and

that software we have recently licensed and implemented throughout our business, including an automated loan origination platform, will function consistent with our expectations.

If one or more of our assumptions prove incorrect, we may not be able to successfully execute our strategic plan, we may never achieve our indicative performance targets and any shortfall may be material.

Cost Savings and Efficiency Component of Strategic Plan and Associated Risks. In order for us to execute our strategic plan successfully, we must continue to pursue a number of cost reduction and efficiency improvement initiatives, including streamlining processes, reducing redundancy and improving cost structures, which we believe will allow us to reduce overall expenses. There may be unanticipated difficulties in implementing our efficiency initiatives, and while we achieved our targeted cost savings for 2014, there can be no assurance that we will fully realize our target expense reductions, or be able to sustain any annual cost savings achieved by our efficiency initiative. Reducing costs may prove difficult in light of our efforts to continue to establish and maintain our stand-alone operational and infrastructural capabilities as a banking institution fully separate from the RBS Group, including our rebranding efforts associated with our separation from the RBS Group. Reducing our structural costs also may be difficult as a result of our efforts to continue to invest in technology and people in order to make further organizational improvements in risk management and various other policies and procedures in order to comply with increased guidance and new regulations and requirements imposed by our regulators. In addition, any significant unanticipated or unusual charges, provisions or impairments, including as a result of any ongoing legal and regulatory proceedings or industry regulatory changes, would adversely affect our ability to reduce our cost structure in any particular period. If we are unable to reduce our cost structure as we anticipate, we may not be able to successfully execute our strategic plan, we may never achieve our indicative performance targets and any shortfall may be material.

Reduction of Our Common Equity Tier 1 Ratio. Our strategic plan requires us to complete capital initiatives that would result in a lower overall Basel III common equity Tier 1 (CET1) ratio. Because our capital structure is subject to extensive regulatory scrutiny, including under the Federal Reserve Board s CCAR process, and because CET1 is used in calculating risk-based capital ratios, we may not be able to consummate the capital initiatives required to bring our CET1 ratio in line with our expectations. This could prevent us from achieving our ROTCE targets. For more information about risks relating to our ability to obtain the requisite approval from the Federal Reserve Board, see Supervisory requirements and expectations on us as a financial holding company and a bank holding company, our need to make improvements and devote resources to various aspects of our controls, processes, policies and procedures, and any regulator-imposed limits on our activities, could limit our ability to implement our strategic plan, expand our business, improve our financial performance and make capital distributions to our stockholders.

Rising Interest Rate Environment. Our earnings are dependent to a large extent on our net interest income, which is interest income and fees earned on loans and investments, less interest paid on deposits and other borrowings. Net interest income growth has been challenged by the relatively persistent low interest rate environment, which continued through 2014 and is continuing into 2015. Our strategic plan includes assumptions about rising interest rates in the coming periods. However, interest rates are highly sensitive to numerous factors which are beyond the control of our management, and they have not, in recent periods, increased in line with our expectations. If the current low interest rate environment were to continue or if interest rates do not rise as much or as quickly as we expect, then we may not be able to achieve our ROTCE or other targets. For further information about our interest rate sensitivity, see Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Governance and Management s Discussion and Analysis of Financial Condition and Results of Operations Market Risk in our Q1 2015 Form 10-Q incorporated by reference in this prospectus.

In addition to the four principal elements of our strategic plan, we also anticipate that our ROTCE will be affected by a number of additional factors. We anticipate a benefit to our ROTCE from runoff of our non-core portfolio and existing pay-fixed interest rate swaps, which we expect will be offset by the negative impact on our ROTCE of some deterioration in the credit environment as they return to historical levels and a decline in gains on investments in securities. We do not control many aspects of these factors (or others) and actual results could differ from our expectations materially, which could impair our ability to achieve our strategic ROTCE goals.

Supervisory requirements and expectations on us as a financial holding company and a bank holding company, our need to make improvements and devote resources to various aspects of our controls, processes, policies and procedures, and any regulator-imposed limits on our activities, could limit our ability to implement our strategic plan, expand our business, improve our financial performance and make capital distributions to our stockholders.

As a result of and in addition to new legislation aimed at regulatory reform, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), and the increased capital and liquidity requirements introduced by the U.S. implementation of the Basel III framework (the capital components of which have become effective), the federal banking agencies (the Federal Reserve Board, the Office of the Comptroller of the Currency (the OCC) and the Federal Deposit Insurance Corporation (the FDIC)), as well as the Consumer Financial Protection Bureau (the CFPB), generally are taking a more stringent approach to supervising and regulating financial institutions and financial products and services over which they exercise their respective supervisory authorities. We, our two banking subsidiaries and our products and services are all subject to greater supervisory scrutiny and enhanced supervisory requirements and expectations and face significant challenges in meeting them. We expect to continue to face greater supervisory scrutiny and enhanced supervisory requirements in the foreseeable future.

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Our two banking subsidiaries are currently subject to consent orders issued by the OCC and the FDIC in connection with their findings of deceptive marketing and implementation of some of our checking account and funds transfer products and services. Among other things, the consent orders require us to remedy deficiencies and develop stronger compliance controls, policies and procedures. We have made progress and continue to make progress in addressing these requirements, but the consent orders remain in place and we are unable to predict when they may be terminated. CBNA is also making improvements to its compliance management systems, fair lending compliance, risk management, deposit reconciliation practices, add-on product practices and overdraft fees in order to address deficiencies in those areas. CBPA is making improvements to address deficiencies in its deposit reconciliation practices, overdraft fees, add-on product practices, third-party payment processor activities, oversight of third-party service providers, compliance program, policies, procedures and training, information security, consumer complaints process and anti-money laundering controls. These efforts require us to make investments in additional resources and systems and also require a significant commitment of managerial time and attention.

In March 2014, the OCC communicated its determination that CBNA does not meet the condition namely, that CBNA must be both well capitalized and well managed, as those terms are defined in applicable regulations, based on certain minimum capital ratios and supervisory ratings, respectively necessary to own a financial subsidiary. A financial subsidiary is permitted to engage in a range of activities, similar to those of a financial holding company, that is broader than those permissible for a national bank itself. CBNA has two financial subsidiaries, Citizens Securities, Inc., a registered broker-dealer, and RBS Citizens Insurance Agency, Inc., a dormant entity, although it continues to collect commissions on certain outstanding insurance policies. CBNA has entered into an agreement with the OCC (the OCC Agreement) pursuant to which it must develop a remediation plan, which must be submitted to the OCC, setting forth the specific actions it will take to bring itself back into compliance with the condition to own a financial subsidiary and the schedule for achieving that objective. Until CBNA addresses the deficiencies to the OCC s satisfaction, CBNA will be subject to restrictions on its ability to acquire control of or hold an interest in any new financial subsidiary and to commence new activities in any existing financial subsidiary, without the prior approval of the OCC. The OCC Agreement provides that if CBNA fails to remediate the deficiencies, it may have to divest itself of its financial subsidiaries and comply with any additional limitations or conditions on its conduct as the OCC may impose. CBNA has developed a plan and has implemented a comprehensive enterprise-wide program to address these deficiencies, through which, we believe, many have already been addressed.

We are also required to make improvements to our overall compliance and operational risk management programs and practices in order to comply with enhanced supervisory requirements and expectations and to address weaknesses in retail credit risk management, liquidity risk management, model risk management, outsourcing and vendor risk management and related oversight and monitoring practices and tools. Our and our banking subsidiaries consumer compliance program and controls also require improvement, particularly with respect to deposit reconciliation processes, fair lending and mortgage servicing. In addition to all of the foregoing, as part of our and our banking subsidiaries regular examination process, from time to time we and our banking subsidiaries may become, and currently are, subject to prudential restrictions on our activities. The restrictions that apply to CBNA are described above. Similarly, under the Bank Holding Company Act of 1956 (the Bank Holding Company Act), currently we may not be able to engage in certain categories of new activities or acquire shares or control of other companies other than in connection with internal reorganizations.

In order to remedy these weaknesses and meet these regulatory and supervisory challenges, we need to make substantial improvements to our compliance, risk management and other processes, systems and controls. We expect to continue to dedicate significant resources and managerial time and attention and to make significant investments in enhanced compliance, risk management and

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other processes, systems and controls. We also expect to make restitution payments to our banking subsidiaries customers, which could be significant, arising from certain of the consumer compliance deficiencies and products described above and to pay civil money penalties in connection with certain of these deficiencies and products. We have established reserves in respect of these future payments, but the amounts that we are ultimately obligated to pay could be in excess of our reserves.

The remediation efforts and other matters described above will increase our operational costs and may limit our ability to implement aspects of our strategic plan or otherwise pursue certain business opportunities. Moreover, if we are unsuccessful in remedying these weaknesses and meeting the enhanced supervisory requirements and expectations that apply to us and our banking subsidiaries, we could remain subject to existing restrictions or become subject to additional restrictions on our activities, informal (nonpublic) or formal (public) supervisory actions or public enforcement actions, including the payment of civil money penalties. Any such actions or restrictions, if and in whatever manner imposed, would likely increase our costs and could 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.

A continuation of the current low interest rate environment or subsequent movements in interest rates may have an adverse effect on our profitability.

Net interest income historically has been, and in the near-to-medium term 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. Our net interest income was $836 million for the three months ended March 31, 2015, $3.3 billion for the year ended December 31, 2014 and $3.1 billion for the year ended December 31, 2013. Changes in interest rates can have a material effect on many areas of our business, including the following:

Net Interest Income. In recent years, it has been the policy of the Federal Reserve Board and the U.S. Treasury to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of U.S. Treasury and mortgage-backed securities. As a result, yields on securities we have purchased, and market rates on the loans we have originated, have been at levels lower than were available prior to 2008. Consequently, the average yield on our interest-earning assets has decreased during the low interest rate environment. If a low interest rate environment persists, our net interest income may further decrease. This would be the case because our ability to lower our interest expense has been limited at these interest rate levels, while the average yield on our interest-earning assets has continued to decrease. Moreover, as interest rates begin to increase, if our floating rate interest-earning assets do not reprice faster than our interest-bearing liabilities in a rising rate environment, our net interest income could be adversely affected. If our net interest income decreases, this could have an adverse effect on our profitability.

Deposit Costs. As interest rates increase, our net interest margin would narrow if our cost of funding increases without a correlative increase in the interest we earn from loans and investments. Because we rely extensively on deposits to fund our operations, our cost of funding would increase if there is an increase in the interest rate we are required to pay our customers to retain their deposits. This could occur, for instance, if we are faced with competitive pressures to increase rates on deposits. In addition, if the interest rates we are required to pay for other sources of funding (for example, in the interbank or capital markets) increases, our cost of funding would increase. If any of the foregoing risks occurs, our net interest margin could narrow. Although our assets currently reprice faster than our liabilities (which would result in a benefit to net interest income as interest rates rise), the benefit from rising rates could be less than we assume, which may have an adverse effect on our profitability.

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Loan Volume and Delinquency. Increases in interest rates may decrease customer demand for loans as the higher cost of obtaining credit may deter customers from seeking new loans. Further, higher interest rates might also lead to an increased number of delinquent loans and defaults, which would affect the value of our loans.

Value of Our Mortgage Servicing Rights. As a residential mortgage servicer, we have a portfolio of mortgage servicing rights (MSRs). MSRs are subject to interest rate risk in that their fair value will fluctuate as a result of changes in the interest rate environment. When interest rates fall, borrowers are generally more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of MSRs can decrease. A decrease in the fair value below the carrying value of MSRs will reduce earnings in the period in which the decrease occurs.

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 Federal Reserve Board, affect interest income and interest expense. Although we have policies and procedures designed to manage the risks associated with changes in market interest rates, as further discussed under Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Governance in our Q1 2015 Form 10-Q incorporated by reference in this prospectus, changes in interest rates still may have an adverse effect on our profitability.

If our assumptions regarding borrower behavior are wrong 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.

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.

A key cornerstone of our strategic plan involves the hiring of a large number 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, competitively with our peers. The marketplace for skilled personnel is becoming more competitive, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to increase. The failure to attract or retain, including as a result of an untimely death or illness of key personnel, or replace a sufficient number of appropriately skilled and key 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, achieve our performance targets and otherwise have a material adverse effect on our business, financial condition and results of operations.

Governmental scrutiny with respect to matters relating to compensation and other business practices in the financial services industry has increased dramatically in the past several years and has resulted in more aggressive and intense regulatory supervision and the application and enforcement of more stringent standards. For example, in June 2010, the Federal Reserve Board and other federal banking regulators jointly issued comprehensive final guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging employees to take imprudent risks. The recent financial crisis and the current political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators and elected officials. Future legislation or regulation or government views on compensation may result in us altering compensation practices in ways that could adversely affect our ability to attract and retain talented employees.

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In addition to complying with U.S. laws relating to compensation, we are also required to comply with certain United Kingdom (UK) and European Union (EU) remuneration requirements for so long as the UK Prudential Regulation Authority (PRA) considers the RBS Group to control us. As a result of the implementation of the EU Capital Requirements Directive IV (CRD IV), certain of our most senior employees, including our CEO, may not receive variable compensation in excess of 100% of fixed compensation (up to 200% with shareholder approval). Because shareholder approval was not sought by RBS, a 100% limitation applied for 2014 and will continue to apply until CRD IV no longer applies to us. We intend to maintain competitive total compensation levels for affected employees, although it is possible that the structure of our compensation packages may not be considered in line with our peers.

Our ability to meet our obligations, and the cost of funds to do so, depend on our ability to access sources of liquidity and the particular sources available to us.

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, short-term and overnight funding), 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 a loss of confidence by customers in us or the banking sector generally, increasing competitive pressures for retail or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in a significant outflow of deposits within a short period of time. To the extent that there is heavy 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.

In addition, volatility in the interbank funding market can negatively affect our ability to fund our operations. For example, funding in the interbank markets, a traditional source of unsecured short-term funding, was severely disrupted throughout the global economic and financial crisis. If market disruption or significant volatility returns to the interbank or wholesale funding market, our ability to access liquidity in these funding markets could be materially impaired. Additionally, other factors outside our control, such as an operational problem that affects third parties, could impair our ability to access market liquidity or create an unforeseen outflow of cash or deposits. Our inability to access adequate funding, whether from bank deposits, the interbank funding market or the broader capital markets, would constrain our ability to make new loans, to meet our existing lending commitments and ultimately jeopardize our overall liquidity and capitalization.

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, reflected in 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.

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A reduction in our credit ratings, which are based on a number of factors, including the credit ratings of RBS or other members of the RBS Group, 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. Other factors considered by rating agencies include the financial strength of, and other factors relating to, RBS and the RBS Group, as well as conditions affecting the financial services industry generally. Any downgrade in our ratings would likely increase our borrowing costs, could limit our access to capital markets, and otherwise adversely affect our business. For example, a ratings downgrade could adversely affect our ability to sell or market in the capital markets certain of our securities, including long-term debt, engage in certain longer-term and derivatives transactions and retain our customers, particularly corporate customers who need 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 downgrade could increase our cost of funding, reduce our liquidity and have adverse effects on our business, financial condition and results of operations.

Any downgrade in the credit rating of RBS, which will beneficially own approximately 24.8% of our stock after completion of this offering, or approximately 22.4% if the underwriters option to purchase additional shares of common stock is exercised in full, in either case without giving effect to the Repurchase Transaction, or other members of the RBS Group may negatively impact the rating agencies evaluation of us and our business which could ultimately result in a downgrade of our credit ratings. The credit ratings of RBS and other members of the RBS Group, along with a number of other European financial institutions, were downgraded during the course of the last four years as part of the rating agencies rating methodology changes, review of systemic support assumptions incorporated into bank ratings and the likelihood, in the case of banks located in the United Kingdom, that the UK government is more likely in the future to make greater use of its regulatory tools to allow burden sharing among bank creditors. Rating agencies have continued to evaluate the rating methodologies applicable to European financial institutions and introduced certain changes to their methodologies in the first half of 2015, which led to downgrades to the long-term debt ratings of RBS. Although the ratings outlook for RBS is currently stable, there can be no assurance that RBS s ratings will not be further downgraded in the future. These or any other change in such methodologies could ultimately affect our credit ratings. Separately, adverse changes in the credit ratings of the United Kingdom could adversely affect the credit ratings of RBS or other members of the RBS Group which may ultimately have an adverse impact on our credit ratings.

On June 22, 2012, Moody s downgraded the long-term bank deposit rating of our banking subsidiaries to A3 following its downgrade of RBS on June 21, 2012. On November 11, 2013, Standard & Poor s lowered its ratings on 20 of CBNA s letter of credit-backed U.S. public finance issues. This action followed Standard & Poor s November 7, 2013 downgrade of the long-term debt of RBS to BBB+ and its simultaneous lowering of our long-term debt rating to BBB+. On November 3, 2013, Fitch downgraded our long-term debt rating to BBB+ following RBS s announcement of its intention to fully divest us by 2016. On August 21, 2014, Fitch affirmed our long-term debt rating of BBB+, and on December 3, 2014, Fitch rated CBNA s subordinated debt as BBB. On May 7, 2014, Standard & Poor s lowered our stand-alone credit profile to A- from A. On February 3, 2015, Standard & Poor s lowered its long-term debt rating of RBS from BBB+ to BBB- and lowered its short-term debt rating of RBS from A-2 to A-3. At the same time, Standard & Poor s affirmed its issuer ratings of both CFG (BBB+/A-2) and CBNA (A-/A-2), while its ratings outlook for both entities remained negative. On May 14, 2015, in connection with a change in its bank rating methodology, Moody s upgraded the long-term bank deposit rating of our banking subsidiaries to