



**Conditional Approval #1114
December 2014**

November 24, 2014

Mr. Edward Phillips
Managing Director, Capital Methodologies & Strategy
Citizens Bank, National Association
One Citizens Plaza
Providence, Rhode Island 02903

Re: Applications by Citizens Bank, National Association, Providence, Rhode Island for the reduction of \$220 Million in Tier 1 Capital and Issuance of \$220 Million of Subordinated Debt

Control #s: 2014-NE-Capital&Div-140365
2014-NE-Capital&Div-140373

Charter #: 24571

Dear Mr. Phillips:

The Office of the Comptroller of the Currency (“OCC”) hereby conditionally approves the applications filed by Citizens Bank, National Association (“Bank”) on November 4, 2014, pursuant to 12 U.S.C. § 59 and 12 C.F.R. §§ 5.46(h) and 5.47 to exchange \$220 million in tier one capital for tier two capital (“Applications”). As outlined in the Applications, the capital exchange transaction will be completed simultaneously through two steps. The Bank will issue \$220 million of qualifying tier two subordinated debt to its parent, Citizens Financial Group (“CFG”). This issuance will be paired with a return of permanent capital to CFG via a \$220 million reduction in the Bank’s capital surplus. This conditional approval is granted based on a thorough review of all information available, including the representations and commitments made in the Applications and by the Bank’s representatives.

This approval is subject to the following condition:

- The pricing of the subordinated note must be consistent with the eligibility criteria for a tier 2 capital instrument. Specifically, the conversion of the subordinated note from a fixed-rate instrument to a floating-rate instrument on January 2, 2020 must not result in any increase in the credit spread paid by the Bank.

This condition of approval is a condition “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 U.S.C. § 1818. As such, this condition is enforceable under 12 U.S.C. § 1818.

Prior to the issuance of the subordinated debt, you must comply with any applicable securities offering disclosure requirements under 12 C.F.R. Part 16.

Please provide written notice to the OCC Northeastern District Office within 10 days following issuance of the subordinated debt that you have completed the increase and complied with all requirements of 12 C.F.R. § 5.47. In this notification, please include the final pricing of the subordinated debt and an analysis that demonstrates satisfaction of the above condition. The issuance of subordinated debt should be completed within one year of the date of this letter.

The Bank provided the OCC with a Secretary's Certificate evidencing receipt of sole shareholder approval for the reduction in permanent capital. Within five days following the completion of the reduction in capital, the Bank must advise the OCC Northeastern District Licensing of the effective date of the decrease.

This conditional approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our conditional approval is based on the Bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions, please contact Senior Licensing Analyst Wai-Fan Chang at (212) 790-4055. All correspondence regarding this letter should reference the control number.

Yours truly,

signed

Erica W. Onsager
Acting Director for District Licensing