

CITIZENS FINANCIAL GROUP INC/RI
Form 10-Q
August 07, 2015

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

For the Quarterly Period Ended
June 30, 2015

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

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

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
One Citizens Plaza, Providence, RI 02903
(Address of principal executive offices, including zip code)

05-0412693
(I.R.S. Employer
Identification Number)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

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

There were 527,534,073 shares of Registrant's common stock (\$0.01 par value) outstanding on August 3, 2015.

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CITIZENS FINANCIAL GROUP, INC.

GLOSSARY OF ACRONYMS AND TERMS

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

AFS	Available for Sale
ALLL	Allowance for Loan and Lease Losses
AOCI	Accumulated Other Comprehensive Income
ASU	Accounting Standards Update
ATM	Automatic Teller Machine
BHC	Bank Holding Company
bps	Basis Points
C&I	Commercial and Industrial
Capital Plan Rule	Federal Reserve's Regulation Y Capital Plan Rule
CBNA	Citizens Bank, N.A.
CBPA	Citizens Bank of Pennsylvania
CCAR	Comprehensive Capital Analysis and Review
CCO	Chief Credit Officer
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Citizens or CFG or the Company	Citizens Financial Group, Inc. and its Subsidiaries
CLTV	Combined Loan-to-Value
CMO	Collateralized Mortgage Obligation
CRE	Commercial Real Estate
CRO	Chief Risk Officer
DFAST	Dodd-Frank Act Stress Test
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EPS	Earnings Per Share
ESPP	Employee Stock Purchase Program
ERISA	Employee Retirement Income Security Act of 1974
Fannie Mae (FNMA)	Federal National Mortgage Association
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation (credit rating)
FRB	Federal Reserve Bank
FRBG	Federal Reserve Board of Governors
Freddie Mac (FHLMC)	Federal Home Loan Mortgage Corporation
FTP	Funds Transfer Pricing
GAAP	Accounting Principles Generally Accepted in the United States of America
GDP	Gross Domestic Product
Ginnie Mae (GNMA)	Government National Mortgage Association
HELOC	Home Equity Line of Credit
HTM	Held To Maturity
IPO	Initial Public Offering
LCR	Liquidity Coverage Ratio

CITIZENS FINANCIAL GROUP, INC.

LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LIHTC	Low Income Housing Tax Credit
LTV	Loan-to-Value
MBS	Mortgage-Backed Securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MSR	Mortgage Servicing Right
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income
OIS	Overnight Index Swap
OTC	Over the Counter
PD	Probability of Default
peers or peer banks or peer regional banks	BB&T, Comerica, Fifth Third, KeyCorp, M&T, PNC, Regions, SunTrust and U.S. Bancorp
RBS	The Royal Bank of Scotland Group plc or any of its subsidiaries
ROTCE	Return on Average Tangible Common Equity
RPA	Risk Participation Agreement
RWA	Risk-weighted Assets
SBO	Serviced by Others loan portfolio
SVaR	Stress Value-at-Risk
TDR	Troubled Debt Restructuring
VaR	Value-at-Risk

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data)	June 30, 2015	December 31, 2014
ASSETS:		
Cash and due from banks	\$961	\$1,171
Interest-bearing cash and due from banks	1,908	2,105
Interest-bearing deposits in banks	186	370
Securities available for sale, at fair value	18,662	18,656
Securities held to maturity (fair value of \$5,611 and \$5,193, respectively)	5,567	5,148
Other investment securities	866	872
Loans held for sale, at fair value	397	256
Other loans held for sale	300	25
Loans and leases	96,538	93,410
Less: Allowance for loan and lease losses	1,201	1,195
Net loans and leases	95,337	92,215
Derivative assets (related party balances of \$36 and \$1, respectively)	665	629
Premises and equipment, net	580	595
Bank-owned life insurance	1,543	1,527
Goodwill	6,876	6,876
Due from broker	939	—
Other assets (related party balances of \$5 and \$7, respectively)	2,464	2,412
TOTAL ASSETS	\$137,251	\$132,857
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$26,678	\$26,086
Interest-bearing (related party balances of \$5 and \$5, respectively)	73,937	69,621
Total deposits	100,615	95,707
Federal funds purchased and securities sold under agreements to repurchase	3,784	4,276
Other short-term borrowed funds	6,762	6,253
Derivative liabilities (related party balances of \$300 and \$387, respectively)	556	612
Deferred taxes, net	558	493
Long-term borrowed funds (related party balances of \$2,000 and \$2,000, respectively)	3,890	4,642
Other liabilities (related party balances of \$29 and \$30, respectively)	1,500	1,606
TOTAL LIABILITIES	\$117,665	\$113,589
Contingencies (refer to Note 13)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$25.00 par value, authorized 100,000,000 shares:		
Series A, non-cumulative perpetual, \$25.00 par value (liquidation preference \$1,000), 250,000 shares authorized and issued net of issuance costs and related premium at June 30, 2015, and no shares outstanding at December 31, 2014	\$247	\$—
Common stock:		
\$0.01 par value, 1,000,000,000 shares authorized, 562,838,179 shares issued and 537,149,717 shares outstanding at June 30, 2015 and 1,000,000,000 shares authorized, 6 560,262,638 shares issued and 545,884,519 shares outstanding at December 31, 2014		6
Additional paid-in capital	18,714	18,676
Retained earnings	1,585	1,294

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Treasury Stock, at cost, 25,688,462 and 14,378,119 shares at June 30, 2015 and December 31, 2014, respectively	(607)	(336)
Accumulated other comprehensive loss	(359	)	(372)
TOTAL STOCKHOLDERS' EQUITY	\$19,586		\$19,268	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$137,251		\$132,857	

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except share and per-share data)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
INTEREST INCOME:				
Interest and fees on loans and leases (related party balances of \$17, \$18, \$35 and \$36, respectively)	\$790	\$751	\$1,569	\$1,481
Interest and fees on loans held for sale, at fair value	2	1	3	2
Interest and fees on other loans held for sale	4	10	6	22
Investment securities	155	154	314	303
Interest-bearing deposits in banks	1	1	2	2
Total interest income	952	917	1,894	1,810
INTEREST EXPENSE:				
Deposits	60	34	112	67
Deposits held for sale	—	2	—	4
Federal funds purchased and securities sold under agreements to repurchase (related party balances of (\$1), \$0, \$4 and \$13, respectively)	2	1	9	16
Other short-term borrowed funds (related party balances of \$15, \$28, \$25 and \$44, respectively)	19	30	34	49
Long-term borrowed funds (related party balances of \$20, \$13, \$40 and \$25, respectively)	31	17	63	33
Total interest expense	112	84	218	169
Net interest income	840	833	1,676	1,641
Provision for credit losses	77	49	135	170
Net interest income after provision for credit losses	763	784	1,541	1,471
NONINTEREST INCOME:				
Service charges and fees (related party balances of \$1, \$1, \$2 and \$3, respectively)	139	147	274	286
Card fees	60	61	112	117
Trust and investment services fees	41	42	77	81
Mortgage banking fees	30	14	63	34
Capital markets fees (related party balances of \$3, \$2, \$6 and \$5, respectively)	30	26	52	44
Foreign exchange and trade finance fees (related party balances of (\$19), (\$1), \$16 and (\$7), respectively)	22	22	45	44
Bank-owned life insurance income	14	12	26	23
Securities gains, net	9	—	17	25
Net impairment losses recognized in earnings	(2)	(2)	(3)	(6)
Other income (related party balances of \$18, (\$82), (\$50) and (\$135), respectively)	17	318	44	350
Total noninterest income	360	640	707	998
NONINTEREST EXPENSE:				
Salaries and employee benefits	411	467	830	872
Outside services (related party balances of \$3, \$8, \$5 and \$16, respectively)	99	125	178	208
Occupancy (related party balances of \$1, \$0, \$1 and \$0, respectively)	90	87	170	168

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Equipment expense	65	65	128	129
Amortization of software	37	33	73	64
Other operating expense	139	171	272	317
Total noninterest expense	841	948	1,651	1,758
Income before income tax expense	282	476	597	711
Income tax expense	92	163	198	232
NET INCOME	\$190	\$313	\$399	\$479
Net income available to common stockholders	\$190	\$313	\$399	\$479
Weighted-average common shares outstanding:				
Basic	537,729,248	59,998,324	541,986,653	59,998,324
Diluted	539,909,366	59,998,324	544,804,268	59,998,324
Per common share information:				
Basic earnings	\$0.35	\$0.56	\$0.74	\$0.86
Diluted earnings	0.35	0.56	0.73	0.86
Dividends declared and paid	0.10	0.61	0.20	0.66

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)	Three Months Ended		Six Months Ended		
	June 30,	June 30,	June 30,	June 30,	
	2015	2014	2015	2014	
Net income	\$190	\$313	\$399	\$479	
Other comprehensive income (loss):					
Net unrealized derivative instrument gains (losses) arising during the periods, net of income taxes of (\$3), \$36, \$36 and \$70, respectively	(5	)61	60	120
Reclassification adjustment for net derivative (losses) gains included in net income, net of income taxes of (\$1), \$3, (\$2) and \$7, respectively	(2	)6	(4	)13
Net unrealized securities available for sale (losses) gains arising during the periods, net of income taxes of (\$66), \$68, (\$12) and \$109, respectively	(110	)117	(20	)188
Other-than-temporary impairment not recognized in earnings on securities, net of income taxes of \$0, (\$1), (\$11) and (\$12), respectively	1	(2) (18) (21)
Reclassification of net securities gains to net income, net of income taxes of (\$2), \$0, (\$5) and (\$7), respectively	(5)2	(9) (12)
Defined benefit pension plans:					
Amortization of actuarial loss, net of income taxes \$2, \$0, \$3 and \$1, respectively	2	1	4	2	
Total other comprehensive income (loss), net of income taxes	(119	)185	13	290
Total comprehensive income	\$71	\$498	\$412	\$769	

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(in millions)	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
Balance at January 1, 2014	—	\$—	560	\$6	\$18,603	\$1,235	\$—	(\$648)	\$19,196
Dividends to RBS	—	—	—	—	—	(35)	—	—	(35)
Dividends to RBS — exchange transactions	—	—	—	—	—	(333)	—	—	(333)
Total comprehensive income:									
Net income	—	—	—	—	—	479	—	—	479
Other comprehensive income	—	—	—	—	—	—	—	290	290
Total comprehensive income	—	—	—	—	—	479	—	290	769
Balance at June 30, 2014	—	\$—	560	\$6	\$18,603	\$1,346	\$—	(\$358)	\$19,597
Balance at January 1, 2015	—	\$—	546	\$6	\$18,676	\$1,294	(\$336)	(\$372)	\$19,268
Dividends to common stockholders	—	—	—	—	—	(48)	—	—	(48)
Dividends to RBS	—	—	—	—	—	(60)	—	—	(60)
Issuance of preferred stock	—	247	—	—	—	—	—	—	247
Treasury stock purchased	—	—	(10)	—	—	—	(250)	—	(250)
Share-based compensation plans	—	—	1	—	34	—	(21)	—	13
Employee stock purchase plan shares issued	—	—	—	—	4	—	—	—	4
Total comprehensive income:									
Net income	—	—	—	—	—	399	—	—	399
Other comprehensive income	—	—	—	—	—	—	—	13	13
Total comprehensive income	—	—	—	—	—	399	—	13	412
Balance at June 30, 2015	—	\$247	537	\$6	\$18,714	\$1,585	(\$607)	(\$359)	\$19,586

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

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Six Months Ended June 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income	\$399	\$479
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	135	170
Originations of mortgage loans held for sale	(1,182)	(684)
Proceeds from sales of mortgage loans held for sale	1,111	688
Purchases of commercial loans held for sale	(632)	—
Proceeds from sales of commercial loans held for sale	594	—
Amortization of terminated cash flow hedges (related party balances of \$9 and \$12, respectively)	9	24
Depreciation, amortization and accretion	234	196
Mortgage servicing rights valuation recovery	(7)	(3)
Securities impairment	3	6
Deferred income taxes	56	36
Share-based compensation	15	19
Loss on disposal/impairment of premises and equipment	—	11
Loss on sale of other branch assets held for sale	—	9
Gain on sales of:		
Debt securities available for sale	(17)	(25)
Marketable equity securities available for sale	(3)	—
Other loans held for sale	—	(11)
Deposits held for sale	—	(286)
(Increase) decrease in other assets (related party balances of (\$34) and \$47, respectively)	(138)	57
(Decrease) increase in other liabilities (related party balances of (\$88) and (\$147), respectively)	(62)	335
Net cash provided by operating activities	515	1,021
INVESTING ACTIVITIES		
Investment securities:		
Purchases of securities available for sale	(4,089)	(4,318)
Proceeds from maturities and paydowns of securities available for sale	1,804	1,421
Proceeds from sales of securities available for sale	1,251	711
Purchases of other investment securities	(14)	(68)
Proceeds from sales of other investment securities	20	55
Purchases of securities held to maturity	(811)	(1,174)
Proceeds from maturities and paydowns of securities held to maturity	394	120
Net decrease (increase) in interest-bearing deposits in banks	184	(76)
Net increase in loans and leases	(3,573)	(2,171)
Net increase in bank-owned life insurance	(16)	(22)
Premises and equipment:		
Purchases	(43)	(37)
Proceeds from sales	15	29
Capitalization of software	(92)	(80)
Net cash used in investing activities	(4,970)	(5,610)
FINANCING ACTIVITIES		

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Net increase (decrease) in deposits	4,908	(238)
Net (decrease) increase in federal funds purchased and securities sold under agreements to repurchase	(492)	2,016
Net (decrease) increase in other short-term borrowed funds	(251	)	5,450
Proceeds from issuance of long-term borrowed funds (related party balances of \$0 and \$333, respectively)	—		333
Repayments of long-term borrowed funds	(6	)	(5
Treasury stock purchased	(250)	—
Net proceeds from issuance of preferred stock	247		—
Dividends declared and paid to common stockholders	(48)	—
Dividends declared and paid to RBS	(60	)	(368
Net cash provided by financing activities	4,048		7,188
(Decrease) increase in cash and cash equivalents	(407	)	2,599
Cash and cash equivalents at beginning of period	3,276		2,757
Cash and cash equivalents at end of period	\$2,869		\$5,356

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

CITIZENS FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

Basis of Presentation

The unaudited interim Consolidated Financial Statements, including the Notes thereto of Citizens Financial Group, Inc., have been prepared in accordance with GAAP interim reporting requirements, and therefore do not include all information and Notes included in the audited Consolidated Financial Statements in conformity with GAAP. These unaudited interim Consolidated Financial Statements and Notes thereto should be read in conjunction with the Company's audited Consolidated Financial Statements and accompanying Notes included in the Company's Form 10-K for the year ended December 31, 2014. The Company is an indirect subsidiary of The Royal Bank of Scotland Group plc. The Company's principal business activity is banking, conducted through its subsidiaries, Citizens Bank, N.A. and Citizens Bank of Pennsylvania.

The unaudited interim Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results for interim periods are not necessarily indicative of results for a full year.

On August 22, 2014, the Company's Board of Directors declared a 165,582-for-1 stock split. Except for the amount of authorized shares and par value, all references to share and per share amounts in the unaudited interim Consolidated Financial Statements and accompanying Notes have been restated to reflect the stock split.

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on net income, total comprehensive income, total assets or total stockholders' equity as previously reported.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-05 "Intangibles - Goodwill and Other - Internal Use Software" which will assist entities in evaluating the accounting for fees paid by a customer in a cloud computing arrangement. The ASU, which allows for early adoption, is effective for the Company beginning on January 1, 2016. Adoption of this guidance is not expected to have a material impact on the Company's unaudited interim Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03 "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs". This standard requires debt issuance costs to be presented in the consolidated balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The ASU, which allows for early adoption, is effective for the Company beginning on January 1, 2016. Adoption of this guidance is not expected to have a material impact on the Company's unaudited interim Consolidated Financial Statements.

In February 2015, the FASB issued ASU No. 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis". This standard focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (e.g., collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). This new standard simplifies consolidation accounting by reducing the number of consolidation models. The ASU will be effective for the Company beginning on January 1, 2016. Early

adoption is permitted, including adoption in an interim period. The potential impact the adoption of this guidance will have to the Company's unaudited interim Consolidated Financial Statements is under review.

In January 2015, the FASB issued ASU No. 2015-01 "Income Statement: Extraordinary and Unusual Items." This ASU eliminates from GAAP the concept of extraordinary items. Accounting Standards Codification Subtopic 225-20 required that an entity separately classify, present, and disclose extraordinary events and transactions that were unusual in nature and infrequent in occurrence. This ASU, which allows for early adoption, is effective for the Company beginning on January 1, 2016. The adoption of this guidance is not expected to have a material impact on the Company's unaudited interim Consolidated Financial Statements.

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SECURITIES

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

(in millions)	June 30, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale								
U.S. Treasury	\$30	\$—	\$—	\$30	\$15	\$—	\$—	\$15
State and political subdivisions	9	—	—	9	10	—	—	10
Mortgage-backed securities:								
Federal agencies and U.S. government sponsored entities	17,830	227	(56)	18,001	17,683	301	(50)	17,934
Other/non-agency	631	4	(30)	605	703	4	(35)	672
Total mortgage-backed securities	18,461	231	(86)	18,606	18,386	305	(85)	18,606
Total debt securities available for sale	18,500	231	(86)	18,645	18,411	305	(85)	18,631
Marketable equity securities	5	—	—	5	10	3	—	13
Other equity securities	12	—	—	12	12	—	—	12
Total equity securities available for sale	17	—	—	17	22	3	—	25
Total securities available for sale	\$18,517	\$231	(\$86)	\$18,662	\$18,433	\$308	(\$85)	\$18,656
Securities Held to Maturity								
Mortgage-backed securities:								
Federal agencies and U.S. government sponsored entities	\$4,253	\$28	(\$12)	\$4,269	\$3,728	\$22	(\$31)	\$3,719
Other/non-agency	1,314	28	—	1,342	1,420	54	—	1,474
Total securities held to maturity	\$5,567	\$56	(\$12)	\$5,611	\$5,148	\$76	(\$31)	\$5,193
Other Investment Securities								
Federal Reserve Bank stock	\$468	\$—	\$—	\$468	\$477	\$—	\$—	\$477
Federal Home Loan Bank stock	393	—	—	393	390	—	—	390
Venture capital and other investments	5	—	—	5	5	—	—	5
Total other investment securities	\$866	\$—	\$—	\$866	\$872	\$—	\$—	\$872

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Other-than-temporary impairment:				
Total other-than-temporary impairment losses	(\$1)	(\$5)	(\$32)	(\$39)
Portions of loss (gains) recognized in other comprehensive income (before taxes)	(1)	3	29	33
Net impairment losses recognized in earnings	(\$2)	(\$2)	(\$3)	(\$6)

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

(dollars in millions)	June 30, 2015								
	Less than 12 Months			12 Months or Longer			Total		
	Number of Issues	Fair Value	Gross Unrealized Losses	Number of Issues	Fair Value	Gross Unrealized Losses	Number of Issues	Fair Value	Gross Unrealized Losses
State and political subdivisions	1	\$9	\$—	—	\$—	\$—	1	\$9	\$—
Mortgage-backed securities:									
Federal agencies and U.S. government sponsored entities	109	5,222	(40)	37	970	(28)	146	6,192	(68)
Other/non-agency	3	37	(1)	19	398	(29)	22	435	(30)
Total mortgage-backed securities	112	5,259	(41)	56	1,368	(57)	168	6,627	(98)
Total	113	\$5,268	(\$41)	56	\$1,368	(\$57)			