FRB Order No. 2022-11
March 22, 2022

FEDERAL RESERVE SYSTEM

Citizens Financial Group, Inc.
Providence, Rhode Island

Order Approving the Merger of Bank Holding Companies

Citizens Financial Group, Inc. ("CFG"), Providence, Rhode Island, a financial holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to merge with Investors Bancorp, Inc. ("Investors"), a bank holding company, and thereby indirectly acquire its state nonmember bank subsidiary, Investors Bank, both of Short Hills, New Jersey. Following the proposed merger, Investors Bank would be merged with and into CFG's subsidiary bank, Citizens Bank, National Association ("Citizens Bank"), Providence, Rhode Island.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (86 Federal Register 52470 (September 21, 2021)).[4] The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] The merger of Investors Bank into Citizens Bank is subject to the approval of the Office of the Comptroller of the Currency ("OCC") pursuant to section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c).

[4] 12 CFR 262.3(b).

CFG, with consolidated assets of approximately $187.5 billion, is the 22nd largest insured depository organization in the United States.[5] CFG controls approximately $152.8 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[6] CFG controls Citizens Bank, which operates in Connecticut, Delaware, the District of Columbia, Florida, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Vermont.[7]

Investors, with consolidated assets of approximately $27.4 billion, is the 80th largest insured depository organization in the United States. Investors controls approximately $20.6 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Investors controls Investors Bank, which operates in New Jersey, New York, and Pennsylvania.[8]

On consummation of the proposal, CFG would become the 17th largest insured depository organization in the United States, with consolidated assets of approximately $214.9 billion, which would represent less than 1 percent of the total amount of assets of insured depository organizations in the United States. CFG would

[5] Consolidated asset and national deposit, ranking, and market share data are as of September 30, 2021. This data does not include the recent acquisition by Citizens Bank of 80 branches and the national online deposit business of HSBC Bank U.S.A., N.A., Tysons, Virginia (the "HSBC Branch Acquisition"), which was consummated in February 2022. As a result of the HSBC Branch Acquisition, Citizens Bank acquired approximately $8.6 billion in deposits and approximately $1.9 billion in loans.

[6] In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

[7] Citizens Bank also operates a non-depository loan production office in Kentucky and a branch in the Cayman Islands. As a result of the HSBC Branch Acquisition, Citizens Bank's branch footprint expanded to include the District of Columbia, Florida, and Maryland.

[8] Investors Bank also operates non-depository loan production offices in Connecticut and North Carolina.

control total consolidated deposits of approximately $173.4 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[9]

***Interstate Analysis***

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.[10] The Board (1) may not approve an application that would permit an out-of-state bank holding company or bank to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years;[11] (2) must take into account the record of the applicant bank under the Community Reinvestment Act of 1977 ("CRA")[12] and the applicant's record of compliance with applicable state community reinvestment laws;[13] and (3) may not approve an interstate application if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in the target bank's

[9] See Appendix I for deposit ranking and deposit data by state, for states in which CFG and Investors both have banking operations.

[10] 12 U.S.C. § 1842(d)(1)(A). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. See 12 U.S.C. § 1841(o)(4)(C).

[11] 12 U.S.C. § 1842(d)(1)(B).

[12] 12 U.S.C. § 2901 et seq.

[13] 12 U.S.C. § 1842(d)(3).

home state or in any state in which the acquirer and target have overlapping banking operations.[14]

For purposes of the BHC Act, the home state of CFG is Rhode Island. The home state of Investors Bank is New Jersey, and Investors Bank also is located in New York and Pennsylvania. CFG is well capitalized and well managed under applicable law. Citizens Bank has an "Outstanding" rating under the CRA.[15] Investors Bank has been in existence for more than five years.

On consummation of the proposed transaction, CFG would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Of the states in which CFG and Investors have overlapping banking operations, New Jersey imposes a 30-percent limit on the total amount of in-state deposits that a single banking organization may control, and New York and Pennsylvania do not impose a limit.[16] The combined organization would control approximately 3.9 percent of the total amount of deposits of insured depository institutions in New Jersey, less than 1 percent in New York, and 6.1 percent in Pennsylvania. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

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[14] 12 U.S.C. § 1842(d)(2)(A) and (B). For purposes of section 3(d) of the BHC Act, the acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or branch. The Board considers a bank to be located in any state in which the bank is chartered, headquartered, or operates a branch. See 12 U.S.C. § 1841(o)(4)-(7).

[15] Five of the jurisdictions in which Citizens Bank operates—Connecticut, the District of Columbia, Massachusetts, New York, and Rhode Island—have state community reinvestment laws. CGS § 36a-30 et seq.; D.C. Code § 26-431.01 et seq.; Mass. Gen. Laws. ch. 167, § 14; NY CLS Bank § 28-b; 3 NYCRR Part 76; 19 R.I. Gen. Laws § 19-9-4. These state community reinvestment laws do not apply to the proposal.

[16] See N.J. Rev. Stat. § 17:9A-133.1(b).

***Competitive Considerations***

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[17] The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.[18]

CFG and Investors have subsidiary banks that compete directly in the Metro New York City, NY-NJ-CT-PA ("Metro New York City") banking market[19] and the Philadelphia, Pennsylvania ("Philadelphia"), banking market.[20] The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered the relative share of total deposits in insured

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[17] 12 U.S.C. § 1842(c)(1)(A).

[18] 12 U.S.C. § 1842(c)(1)(B).

[19] The Metro New York City banking market is defined as Fairfield County, Connecticut; portions of Litchfield County, Connecticut; portions of New Haven County, Connecticut; Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester counties, New York; portions of Columbia County, New York; portions of Greene County, New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union counties, New Jersey; portions of Burlington County, New Jersey; portions of Mercer County, New Jersey; portions of Warren County, New Jersey; portions of Monroe County, Pennsylvania; and portions of Wayne County, Pennsylvania.

[20] The Philadelphia banking market is defined as Camden, Cumberland, Gloucester and Salem counties, New Jersey; Beverly, Bordentown, and Burlington cities, Fieldsboro, Palmyra, and Riverton boroughs, and Bordentown, Burlington, Chesterfield, Cinnaminson, Delanco, Delran, Eastampton, Edgewater Park, Evesham, Florence, Hainesport, Lumberton, Mansfield, Maple Shade, Medford, Moorestown, Mount Holly, Mount Laurel, Riverside, Springfield, and Willingboro townships in Burlington County, New Jersey; Trenton city and Hamilton township in Mercer County, New Jersey; and Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Pennsylvania.

depository institutions in the market ("market deposits") that CFG would control;[21] the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice ("DOJ") Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[22] the number of competitors that would remain in the market; and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Metro New York City and Philadelphia markets.[23] On consummation, the Metro New York City market

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[21] Local deposit and market share data are as of June 30, 2021, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); and National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[22] In applying the DOJ Bank Merger Guidelines issued in 1995 (see https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995), the Board looks to the DOJ's Horizontal Merger Guidelines issued in 1992 and amended in 1997, for the characterization of a market's concentration. See https://www.justice.gov/atr/horizontal-merger-guidelines-0. Under these Horizontal Merger Guidelines, which were in effect prior to 2010, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The DOJ has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010 (see https://www.justice.gov/atr/horizontal-merger-guidelines-08192010), the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[23] This analysis does not account for the HSBC Branch Acquisition, which was consummated in February 2022. See supra note 5. However, taking into account the combined effect of the HSBC Branch Acquisition and the proposed merger with

would remain moderately concentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines. There would be a one-point change in the HHI in the Metro New York City market, and numerous competitors would remain in the market.[24] The Philadelphia market would remain unconcentrated, as measured by the HHI, according to the DOJ Bank Merger Guidelines. The change in the HHI in the Philadelphia market would be small, and numerous competitors would remain in the market.[25]

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Investors, consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in all relevant banking markets.

[24] CFG is the 34th largest depository organization in the Metro New York City market, controlling approximately \$5.4 billion in deposits, which represent less than 1 percent of market deposits. Investors is the 19th largest depository organization in the market, controlling deposits of approximately \$18.1 billion, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, CFG would become the 19th largest depository organization in the market, controlling deposits of approximately \$23.5 billion, which would represent less than 1 percent of market deposits. The HHI for the Metro New York City market would increase by 1 point to 1475, and 203 competitors would remain in the market. Taking into account the combined effect of CFG's recently completed HSBC Branch Acquisition and the proposed merger with Investors, based on data provided by CFG, the HHI for the Metro New York City market would undergo an overall decrease by 1 point to 1473 and the combined pro forma institution would control approximately 1.2 percent of market deposits.

[25] CFG is the 5th largest depository organization in the Philadelphia market, controlling approximately \$19.4 billion in deposits, which represent approximately 9 percent of market deposits. Investors is the 15th largest depository organization in the market, controlling deposits of approximately \$2.3 billion, which represent approximately 1.1 percent of market deposits. On consummation of the proposed transaction, CFG would remain the 5th largest depository organization in the market, controlling deposits of approximately \$21.7 billion, which would represent approximately 9.6 percent of market deposits. The HHI for the Philadelphia market would increase by 19 points to 987, and 85 competitors would remain in the market. Taking into account the combined effect of CFG's recently completed HSBC Branch Acquisition and the proposed merger with Investors, based on data provided by CFG, the HHI for the Philadelphia market would undergo an overall increase by 20 points to 988, and the combined pro forma institution would control approximately 10.1 percent of market deposits.

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition, or on the concentration of resources, in the Metro New York City market, the Philadelphia market, or any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

***Financial, Managerial, and Other Supervisory Considerations***

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.[26] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to effectively complete the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future

[26] 12 U.S.C. § 1842(c)(2), (5), and (6).

prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

CFG, Investors, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share and cash exchange, with a subsequent merger of the subsidiary depository institutions.[27] The capital, asset quality, earnings, and liquidity of CFG, Investors, and their subsidiary depository institutions are consistent with approval, and CFG appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of CFG, Investors, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by CFG; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comment received on the proposal.

CFG, Investors, and their subsidiary depository institutions are considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and the proposed risk management program appears consistent with approval of this expansionary proposal.

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[27] To effect the transaction, each share of Investors common stock would be converted into a right to receive shares of CFG common stock and cash, based on an exchange ratio. CFG has the financial resources to effect the proposed transaction.

The Board also has considered CFG's plans for implementing the proposal. CFG has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, CFG's management has the experience and resources to operate the combined organization in a safe and sound manner.

Based on all the facts of record, including CFG's supervisory record, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of CFG and Investors in combatting money-laundering activities, are consistent with approval.

***Convenience and Needs Considerations***

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[28] In its evaluation, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of these communities. The Board considers and places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation,[29] and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[30]

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[28] 12 U.S.C. § 1842(c)(2).

[29] 12 U.S.C. § 2901(b).

[30] 12 U.S.C. § 2903.

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and any public comments on the proposal. The Board also may consider the acquiring institution's business model and marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Citizens Bank and Investors Bank; the fair lending and compliance records of these banks; the supervisory views of the OCC, the Federal Deposit Insurance Corporation ("FDIC"), and the Consumer Financial Protection Bureau ("CFPB"); confidential supervisory information; other information provided by CFG; and the public comment received on the proposal.

*Public Comment on the Proposal*

The Board received one adverse comment on the proposal.[31] The commenter objected to the proposal, alleging that, as a result of disparate marketing, CFG made disproportionately fewer home loans in the state of New York to African American individuals as compared to white individuals based on 2020 data reported by Citizens

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[31] The Board also received one comment after the close of the comment period from a commenter involved in litigation with Investors Bank alleging that the bank violated certain state lien laws and that the bank's employees engaged in misconduct during the litigation. Comments relating to disputes arising under statutes administered or enforced by another authority generally are not considered to be substantive comments and, thus, are not taken into consideration by the Board in its evaluation of the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act.

Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA").[32] The commenter also alleged that, as a result of disparate marketing, Investors Bank made disproportionately fewer home loans in the states of New Jersey and New York to African American individuals as compared to white individuals based on 2020 HMDA data. In addition, the commenter noted that the FDIC had imposed a condition in connection with a previous branch acquisition that Investors Bank develop an action plan to ensure that its home mortgage lending adequately addresses the credit needs of all segments of its market areas. The commenter asserted that Investors Bank has yet to meaningfully implement the required improvements and that the proposal should not be approved at this time.

*Businesses of the Involved Institutions*

Citizens Bank offers a range of retail and commercial banking products and services to individuals, small businesses, middle-market companies, large corporations, and institutions. These products and services include deposit products, mortgage and home equity lending, credit cards, business loans, wealth management, investment services, auto and education loans, commercial lending and leasing, treasury management, foreign exchange, interest rate and commodity risk management, syndicated loans, corporate finance, merger and acquisition, and debt and equity markets. Investors Bank also offers a range of retail and commercial banking products, including checking, saving, and money market fund accounts and certificates of deposit, as well as credit products such as multi-family, commercial real estate, commercial and industrial, construction, personal, and home equity loans.

CFG asserts that following consummation of the proposal, the combined organization will continue CFG's and Investors' strong commitment to serving the needs of the communities in which they operate and, in particular, the needs of LMI communities. CFG represents that the combined organization would be a more effective competitor and expects there would be greater competition for pricing, service quality,

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[32] 12 U.S.C. § 2801 et seq.

and new product development, which would benefit customers across its footprint, including in LMI communities. CFG also represents it will continue to support the charitable activities in the communities currently served by Investors' existing charitable foundation and will provide increased community development investment in Investors' footprint. In addition, CFG expects that its expanded footprint and increased resources following consummation of the proposal would enable CFG to offer a more comprehensive suite of products and services to middle market and small businesses and consumers.

*Records of Performance under the CRA*

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal financial supervisors, which in this case are the OCC, with respect to Citizens Bank, and the FDIC, with respect to Investors Bank.[33] In addition, the Board considers information provided by the applicant and by public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.[34] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as Citizens Bank and Investors Bank, in helping to meet the credit needs of the communities they serve. The Lending Test

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[33] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016).

[34] 12 U.S.C. § 2906.

specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[35] (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.[36] The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.[37]

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[35] Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of $1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

[36] See 12 CFR 228.22(b).

[37] See 12 CFR 228.21 et seq.

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.[38] Consequently, the Board evaluates such disparities in the context of other information regarding the lending record of an institution.

*CRA Performance of Citizens Bank*

Citizens Bank was assigned an overall rating of "Outstanding" at its most recent CRA performance evaluation by the OCC, as of September 30, 2019 ("Citizens Bank Evaluation").[39] The bank received "Outstanding" ratings for the Lending, Investment, and Service Tests.[40]

*Lending Test*

With respect to the Lending Test, examiners found that an adequate percentage of Citizens Bank's loans were originated in the bank's AAs. Examiners found that lending levels reflected excellent responsiveness to the credit needs of the bank's AAs in the Boston MMSA, New York MMSA, Delaware, Massachusetts, Michigan,

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[38] Other information relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

[39] The Citizens Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed loan data and community development activities from January 1, 2016, through December 31, 2018.

[40] The Citizens Bank Evaluation covered Citizens Bank's 25 AAs located in eight states and two multistate metropolitan statistical areas ("MMSAs"): Connecticut, Delaware, Massachusetts, Michigan, New Hampshire, New York, Ohio, Vermont, Boston MMSA, and New York MMSA. The Citizens Bank Evaluation included a full-scope review of 11 of these AAs, including both MMSAs and one or more AAs in each of the eight states. A limited scope review was conducted of the remaining 14 AAs.

New Hampshire, and Vermont, and reflected good responsiveness to the credit needs of the bank's AAs in Connecticut, New York, and Ohio.

*Areas of Concern to Commenter* – In the state of New York, Citizens Bank received an "Outstanding" rating for the Lending Test. Examiners noted that the bank's lending levels reflected a good responsiveness to AA credit needs. Examiners noted that the bank had an excellent distribution of loans among individuals of different income levels and businesses of different sizes. Examiners observed that the bank exhibited a good geographic distribution of loans in its AAs. Examiners also found that the bank was a leader in making community development loans and made extensive use of innovative and/or flexible lending practices to serve credit needs in its AAs.

In the New York MMSA, Citizens Bank received an "Outstanding" rating for the Lending Test. Examiners observed that the bank's lending levels reflected excellent responsiveness to AA credit needs. Examiners found that the bank had a good distribution of loans among individuals of different income levels and businesses of different sizes. Examiners noted that the bank exhibited an adequate geographic distribution of loans throughout the AA. Examiners also found that Citizens Bank was a leader in making community development loans.

*Investment Test*

Examiners found that Citizens Bank made an excellent level of qualified community development investments and grants and exhibited excellent responsiveness to credit and community economic development needs. Examiners noted that the bank made extensive use of innovative and complex investments to support community development initiatives in many of its AAs, and that that the bank's performance on the Investment Test was "Outstanding" in all its rating areas. Furthermore, examiners found that, in all the bank's full-scope AAs, the bank's investments were often made in a leadership position.

*Areas of Concern to Commenter* – In the state of New York, Citizens Bank received an "Outstanding" rating for the Investment Test. Examiners found that the bank provided an excellent level of qualified community development investments and grants.

Examiners noted that the bank often was in a leadership position with respect to such investments, particularly those that were not routinely provided by private investors. Examiners observed that the bank made extensive use of innovative and/or complex investments to support community development initiatives and exhibited excellent responsiveness to credit and community development needs.

In the New York MMSA, Citizens Bank received an “Outstanding” rating for the Investment Test. Examiners found that the bank provided an excellent level of qualified community development investments, often in a leadership position. Examiners also noted that the bank exhibited excellent responsiveness to credit and community economic development needs, including by making extensive use of innovative and/or complex investments to support community development initiatives.

*Service Test*

Examiners concluded that Citizens Bank is a leader in providing community development services, and that the bank’s delivery systems are readily accessible to geographies and individuals of different income levels. Examiners also found that Citizens Bank’s delivery systems were readily accessible to the bank’s geographies and individuals of different income levels in the Boston MMSA and AAs in Delaware, Massachusetts, New Hampshire, and Vermont, and accessible in the New York MMSA and AAs in Connecticut, Michigan, New York, and Ohio.

*Areas of Concern to Commenter* – In New York, Citizens Bank received a “High Satisfactory” rating for the Service Test. Examiners determined that Citizens Bank’s delivery systems were accessible to geographies and individuals of different income levels and that Citizens Bank provided a significant level of community services. Examiners noted that the bank’s opening and closing of branches had not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals.

In the New York MMSA, Citizens Bank received a “High Satisfactory” rating for the Service Test. Examiners determined that Citizens Bank’s delivery systems were accessible to geographies and individuals of different income levels and that

Citizens Bank provided a significant level of community development services. In particular, examiners noted that the bank's distribution of branches in moderate-income geographies was excellent and that the bank provided additional access to retail banking services through alternative delivery systems. Examiners also found that Citizens Bank's business hours and other services did not vary in a way that inconveniences various portions of the New York MMSA, particularly LMI geographies and individuals.

*Citizens Bank's Efforts Since the Citizens Bank Evaluation*

CFG represents that, since the Citizens Bank Evaluation, Citizens Bank has engaged in several initiatives to further serve the needs of its communities, including LMI communities. CFG notes, as an example, that Citizens Bank developed a new home equity line of credit available for individuals residing in LMI census tracts or with incomes below certain thresholds. CFG also represents that Citizens Bank developed a loan product for nonprofit organizations to enable the nonprofits to compete more aggressively with market rate developers in acquiring existing developments and preserving affordable housing opportunities in the community. Citizens Bank also has committed to provide funding to community development financial institutions for lending to minority-owned businesses and has committed to invest in low-income housing tax credit developments in predominantly minority census tracts.

*CRA Performance of Investors Bank*

Investors Bank received an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of December 1, 2020 ("Investors Bank Evaluation").[41] Investors Bank received a "High Satisfactory" rating for the

[41] The Investors Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loan data and community development activities from October 30, 2017, through December 1, 2020.

Lending Test, an "Outstanding" rating for the Investment Test, and a "Low Satisfactory" rating for the Service Test.[42]

*Lending Test*

With respect to the Lending Test, examiners found that Investors Bank's lending levels reflected good responsiveness to the credit needs in the bank's AAs. Examiners found that the bank made a substantial majority of loans in its AAs. Examiners noted that Investors Bank's geographic distribution of loans reflected good penetration throughout the bank's AAs. Examiners further noted that Investors Bank's distribution of borrowers reflected good penetration among individuals of different income levels and businesses of different revenue sizes. Examiners found that Investors Bank was a leader in making community development loans. Examiners also found that the bank used innovative and/or flexible lending practices to serve the credit needs of its AAs.

*Areas of Concern to Commenter* – In the NY-NJ-PA MMSA, Investors Bank received a "High Satisfactory" rating for the Lending Test. Examiners found that the bank's lending levels reflected good responsiveness to AA credit needs, the geographic distribution of loans reflected good penetration throughout the AA, and the distribution of loans by borrower profile reflected good penetration among customers of different income levels and businesses of different revenue sizes. Examiners noted that the bank was a leader in making community development loans in this AA.

In New Jersey, Investors Bank received a "High Satisfactory" rating for the Lending Test. Examiners found that the bank's lending levels reflected good responsiveness to AA credit needs, the geographic distribution of loans reflected good penetration throughout the AAs, and the distribution of loans by borrower profile

[42] The Investors Bank Evaluation involved a full scope review of the bank's activities in the New York-Newark-Jersey City, New York-New Jersey-Pennsylvania MMSA ("NY-NJ-PA MMSA"), the Philadelphia-Camden-Wilmington, Pennsylvania-New Jersey-Delaware-Maryland Metropolitan Statistical Area ("MSA"), and the Allentown-Bethlehem-Easton, Pennsylvania-New Jersey MSA.

reflected excellent penetration among retail customers of different income levels. Examiners noted that the bank made an adequate level of community development loans.

*Investment Test*

With respect to the Investment Test, examiners found that Investors Bank made an excellent level of qualified community development investments and donations and was often in a leadership position. Examiners also found that the bank exhibited excellent responsiveness to credit and community economic development needs. Examiners found that the bank rarely used innovative and/or complex investments to support community development initiatives.

*Areas of Concern to Commenter* – In the NY-NJ-PA MMSA, Investors Bank received an "Outstanding" rating for the Investment Test. Examiners found that the bank made an excellent level of qualified community development investments and grants. Examiners also noted that Investors Bank exhibited excellent responsiveness to credit and community economic development needs.

In New Jersey, Investors Bank received a "Low Satisfactory" rating for the Investment Test. Examiners found that the bank made an adequate level of qualified community development investments and grants. Examiners also noted that Investors Bank exhibited adequate responsiveness to credit and community economic development needs.

*Service Test*

With respect to the Service Test, examiners found that Investors Bank's delivery systems were reasonably accessible. Examiners noted that the bank's opening and closing of branches had not adversely affected the accessibility of its delivery systems in LMI geographies or to LMI individuals. Examiners found that the services provided by Investors Bank did not vary in a way that inconvenienced certain portions of the bank's AAs, including LMI geographies or individuals. In addition, examiners found that the bank provided a relatively high level of community development services.

*Areas of Concern to Commenter* – In the NY-NJ-PA MMSA, Investors Bank received a "Low Satisfactory" rating for the Service Test. Examiners found that the bank's service delivery systems were reasonably accessible in the AA. Examiners concluded that, to the extent changes were made, the opening and closing of Investors Bank branches had not adversely affected the accessibility of the bank's delivery systems, particularly in LMI geographies and to LMI individuals. Examiners noted that services and business hours did not vary in a way that inconvenienced certain portions of the AA, particularly in LMI geographies and to LMI individuals. Examiners also noted that the bank provided a relatively high level of community development services.

In New Jersey, Investors Bank received a "Low Satisfactory" rating for the Service Test. Examiners found that the bank's service delivery systems were reasonably accessible in the bank's AAs. Examiners noted that the bank's hours and services did not vary in a way that inconvenienced certain portions of the bank's AAs, including LMI geographies or individuals. Examiners also noted that Investors Bank provided an adequate level of community development services.

*Branch Closures*

The Board considers the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. Particular attention is paid to the effect of any closures, consolidations, or relocations on LMI; distressed or underserved nonmetropolitan middle-income; and majority-minority communities. Federal banking law also provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.[43] In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing

[43] See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.[44]

CFG expects to close 14 branches and consolidate nine branches of the resulting bank in connection with the proposal, which would represent less than 2 percent of the resulting bank's branches.[45] CFG represents that only one of the branches that would be consolidated after consummation of the proposal is located in an LMI census tract, and the branch is located only 0.14 miles from the receiving branch on the same street. In addition, only five of the branches that would be consolidated or closed are located in majority-minority census tracts ("MM branch"), and CFG asserts that the receiving branches for each MM branch maintain similar hours and provide similar services as the consolidating or closing branch. In addition, the majority of the 23 branches CFG anticipates would be closed or consolidated are within 1.25 miles of the receiving branch.[46] CFG also represents that Investors Bank would provide prior notice of branch closures to the applicable regulators and customers in accordance with applicable law, regulations, and regulatory guidance.

The Board has considered all the facts of record relating to branch closures, consolidations, or relocations, including the records of the relevant depository institutions under the CRA and fair lending laws in relation to branch closures; the institutions' policies and procedures on and records of compliance with federal banking law regarding branch closures; the views of the OCC; confidential supervisory information; and

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[44] See, e.g., 12 CFR 228.24(d)(2). In addition, the Board notes that the OCC, as the primary federal supervisor of Citizens Bank, would review branch closures in evaluating the CRA performance of the combined organization.

[45] The 14 branches expected to be closed include four Citizens Bank branches in New York and ten Investors Bank branches, of which three are located in New Jersey, six in New York, and one in Pennsylvania. The nine branches expected to be consolidated include one Citizens Bank branch in New York and eight Investors Bank branches, of which five are located in New Jersey and three in New York.

[46] Only five of the branches expected to be consolidated or closed are located more than 1.25 miles from a receiving branch, with the farthest distance being approximately 8.22 miles.

information provided by CFG. Based on that review, the Board concludes that the anticipated impact of the proposed branch closures and consolidations in connection with the proposal on the relevant communities would be consistent with approval.

*Additional Supervisory Views*

In its review of the proposal, the Board consulted with and considered the views of the OCC, as the primary federal supervisor of Citizens Bank; the FDIC, as the primary federal supervisor of Investors Bank; and the CFPB, with respect to both banks, regarding the CRA, consumer compliance, and fair lending records of Citizens Bank and Investors Bank. The Board also considered the results of the most recent consumer compliance examinations of Citizens Bank and Investors Bank, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations.

In acting on the bank merger application, the OCC must consider similar statutory factors under the Bank Merger Act, including those regarding convenience and needs, that the Board must consider under the BHC Act. The OCC has received and considered the same comment that the Board received on the BHC Act application in its review of the Bank Merger Act application.

The Board has taken the foregoing consultations and examinations into account in evaluating the proposal, including in considering whether CFG has the experience and resources to ensure that the combined bank would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

*Additional Convenience and Needs Considerations*

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. CFG represents that, following consummation of the proposal, customers of Investors Bank would benefit from access to additional branch and ATM locations and a broader suite of products and services. CFG represents that the combined organization would be able to provide more digitally innovative products to customers of Investors and Investors Bank. CFG also represents that it does not anticipate discontinuing any community development lending, investment, or service programs or products offered by Investors or Investors Bank and that CFG intends to implement its community development initiatives in the markets currently served by Investors and Investors Bank.

*Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by CFG, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs considerations are consistent with approval.

***Financial Stability***

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[47]

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[48] These categories are not exhaustive, and additional

[47] 12 U.S.C. § 1842(c)(7).

[48] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[49]

In this case, the Board has considered information relevant to the risks to the stability of the U.S. banking or financial system. The Board reviewed publicly available data, data compiled through the supervisory process, and data obtained through information requests to the institutions involved in the proposal, as well as qualitative information.

The resulting firm scores low on nearly all systemic importance indicators. CFG primarily engages in retail and commercial banking, and Investors primarily engages in retail banking. The proposed acquisition would increase CFG's size by approximately 15, 13, and 15 percent as measured by total assets, deposits, or total leverage exposures, respectively, but the resulting firm would still hold less than 1 percent of total U.S. financial system assets, and the resulting firm's share of national deposits and liabilities would remain well below the 10 percent limitations imposed by Congress.[50]

Other measures of financial stability risks point to de minimis increases as a result of the acquisition. The resulting firm would not be a critical services provider or so interconnected with other firms or markets that it would pose significant risk to the

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[49] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

[50] Congress has imposed a 10 percent nationwide deposit limit and a 10 percent nationwide liabilities limit on potential combinations by banking organizations. See 12 U.S.C. §§ 1842(d)(2)(A) and 1852. This analysis does not account for the HSBC Branch Acquisition, which was consummated in February 2022. See supra note 5. However, considering the proposal in conjunction with CFG's consummation of the HSBC Branch Acquisition, the resulting firm would still hold less than 1 percent of total U.S. financial system assets, and its share of national deposits and liabilities would remain well below the 10 percent limitations imposed by Congress.

financial system in the event of financial distress. In addition, the resulting firm would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

***Conclusion***

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.[51] In reaching its conclusion, the

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[51] The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b). See also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public meeting if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

In addition, the commenter requested an extension of the comment period for the proposal. The Board's rules contemplate that the public comment period will not be extended absent a clear demonstration of hardship or other meritorious reason for seeking additional time. The commenter's request for additional time to comment do not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by CFG with all the conditions imposed in this order and on any commitments made to the Board in connection with the application. The Board's approval also is conditioned on receipt by CFG of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Boston, acting under delegated authority.

By order of the Board of Governors,[52] effective March 22, 2022.

*Michele Taylor Fennell (signed)*

Michele Taylor Fennell
Deputy Associate Secretary of the Board

[52] Voting for this action: Chair Pro Tempore Powell and Governors Bowman, Brainard, and Waller.

## Appendix I

| *Deposit Data in States where CFG and Investors Both Operate*[53] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| State | CFG | | | Investors | | | Merged Entity | | |
| | Rank of Insured Depository Organization by Deposits[54] | Deposits Controlled (in billions) | Percent of Total Deposits | Rank of Insured Depository Organization by Deposits | Deposits Controlled (in billions) | Percent of Total Deposits | Rank of Insured Depository Organization by Deposits | Deposits Controlled (in billions) | Percent of Total Deposits |
| New Jersey | 42nd | $0.9 | <1 | 7th | $16.6 | 3.7 | 7th | $17.5 | 3.9 |
| New York | 23rd | $12.2 | <1 | 49th | $3.1 | <1 | 20th | $15.3 | <1 |
| Pennsylvania | 4th | $34.4 | 6.1 | N/A | $0 | 0 | 4th | $34.4 | 6.1 |

53 State deposit ranking and deposit data are as of June 30, 2021, unless otherwise noted. This data does not include the effect of the HSBC Branch Acquisition.

54 In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.