



# CIT Corporate Governance Update

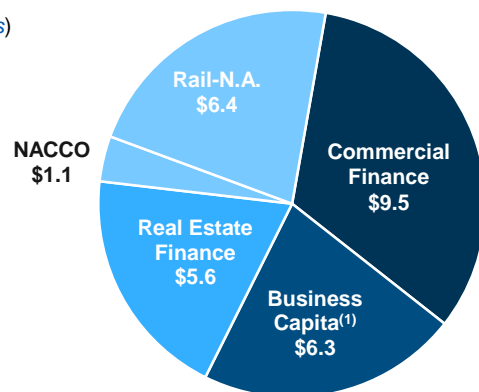
December 2017

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# A Leading National Bank for Lending and Leasing to the Middle Market and Small Businesses

## Commercial Banking

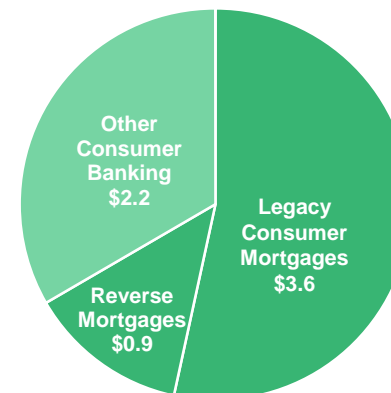
(\$ in billions)



Average Loans and Leases: \$28.8

- **Commercial Finance:** Middle-market lender with expertise in targeted industries and products. Emphasis on asset growth and lead-managed transactions.
- **Rail:** Leading railcar lessor providing financial solutions to customers in the U.S. Focus on maintaining utilization rate; market demand pressuring renewal pricing. European Rail business (NACCO) expected to be sold in the first quarter of 2018.
- **Real Estate Finance:** Leading lender to commercial real estate investors and developers; deep industry relationships, underwriting experience and market expertise.
- **Business Capital:** Leading equipment lessor and lender; among the nations largest providers of factoring services. Strong momentum and opportunity to take advantage of market disruption.

## Consumer Banking



Average Loans and Leases: \$6.7

- **Legacy Consumer Mortgages:** Run-off legacy consumer mortgage portfolio. High margins and loss share agreement. Reverse Mortgage portfolio expected to be sold in the second quarter of 2018.
- **Other Consumer Banking:**
  - Full-suite of consumer deposit products, residential mortgage and SBA products offered through OneWest retail branches.
  - Online banking: Direct Banking channel offers online savings accounts & CDs nationally.

Certain balances may not sum due to rounding.

(1) Net of credit balances of factoring clients of \$1.5 billion.

## Strategies

1

**Maximize  
Potential of Core  
Businesses**

- Grow revenues – grow core businesses, enhance fee revenue, leverage connectivity among businesses
- Optimize cash / investment portfolio build out

2

**Enhance  
Operational  
Efficiency**

- Reduce / manage operating expenses
- Invest in and enhance technology

3

**Reduce Funding  
Costs**

- Increase deposits as a percent of total funding
- Reduce deposit costs

4

**Optimize Capital  
Structure**

- Manage, deploy, and align capital
- Target CET1 ratio of upper end of 10-11% range

5

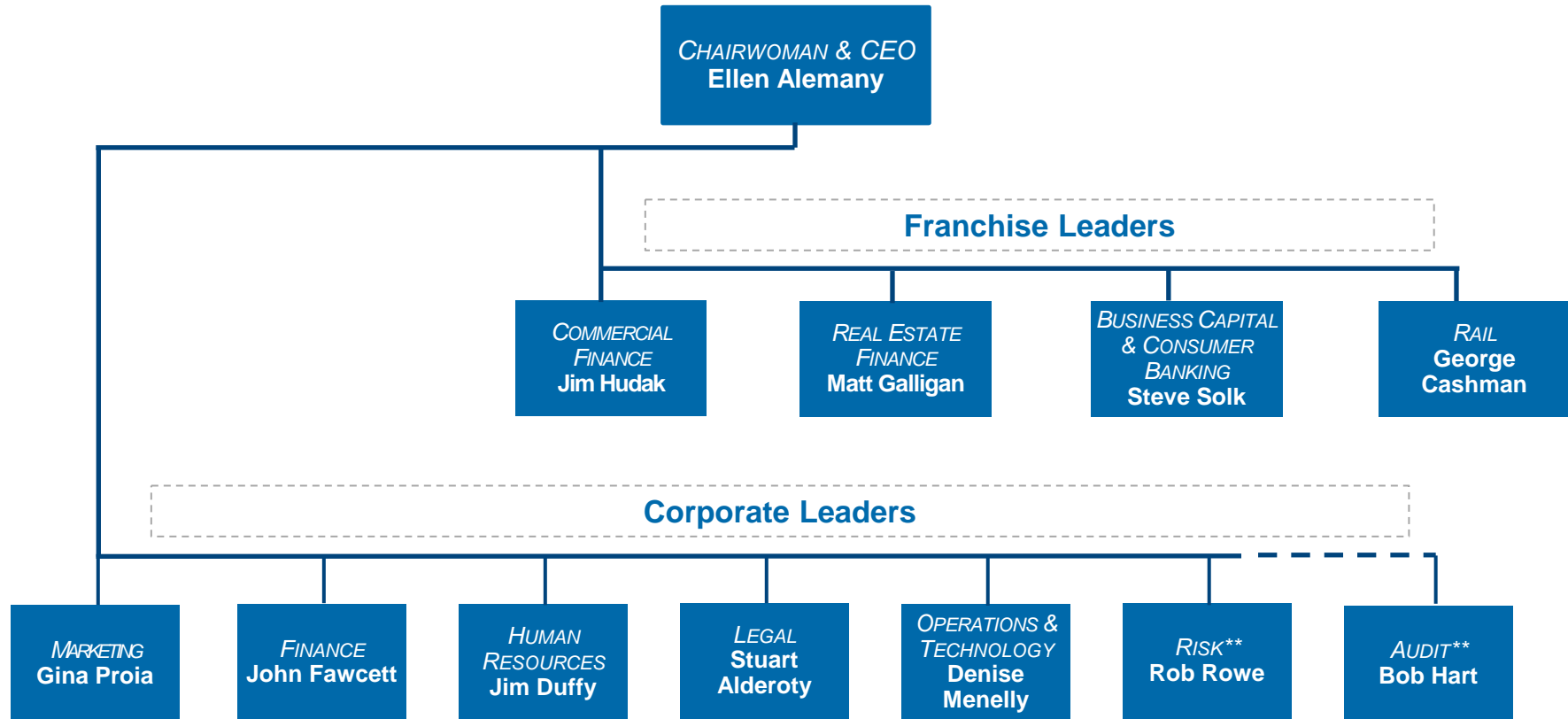
**Maintain Strong  
Risk Management**

- Maintain credit and operating risk discipline / process
- Regulatory / horizontal capital review

## We Have Made Significant Progress Over the Past Year

Area of Focus	Completed / Work-in-progress
<b>Maximize Potential of Core Businesses</b>	<ul style="list-style-type: none"> <li>▪ Simplification and Transformation                             <ul style="list-style-type: none"> <li>▪ Closed Commercial Air Transaction</li> <li>▪ Announced definitive agreements to sell NACCO and Financial Freedom</li> </ul> </li> <li>▪ Business Units executing on a number of strategic initiatives</li> <li>▪ Investing in talent – expanding market presence in core areas</li> <li>▪ Grew investment portfolio by \$2.2 billion in the past four quarters</li> </ul>
<b>Enhance Operational Efficiency</b>	<ul style="list-style-type: none"> <li>▪ Realignment of operating model</li> <li>▪ Lowering professional fees</li> <li>▪ Enhancing technology to further improve operational efficiency with a focus on process automation and application rationalization</li> </ul>
<b>Reduce Funding Costs</b>	<ul style="list-style-type: none"> <li>▪ Repaid a large portion of our unsecured debt – \$6.9 billion (average coupon &gt;5%)</li> <li>▪ Terminated Canadian total return swap and reduced size of revolver as we shrink the bank holding company</li> <li>▪ Progress towards investment grade rating</li> <li>▪ Executing on deposit strategy, shifting mix to lower cost and non-maturity deposits</li> </ul>
<b>Optimize Capital Structure</b>	<ul style="list-style-type: none"> <li>▪ Fed approved and we executed...                             <ul style="list-style-type: none"> <li>▪ Repurchase of \$3.4 billion of Common Equity</li> <li>▪ Issued \$325 million of Preferred Stock</li> </ul> </li> <li>▪ Continued focus on deploying excess capital</li> </ul>
<b>Maintain Strong Risk Management</b>	<ul style="list-style-type: none"> <li>▪ Robust credit and underwriting processes ensure sustainable portfolios through the cycle</li> <li>▪ Strong capital and liquidity; CET1 ratio of 14.0% and Liquidity Coverage Ratio &gt;100%</li> </ul>

# CIT Organizational Chart – Strengthening Management Team



Updated 10/23/2017

\*\*Report to Committees of Board of Directors

## A Defined Culture is the Cornerstone to Success

- CIT's culture is grounded in six Core Behaviors.
- These behaviors are factored in when measuring performance.
- Employees are recognized with a Chairwoman's Award when they have exhibited exemplary performance and demonstrated adoption of the Core Behaviors.
- Employees who "live the behaviors" are celebrated and recognized.
- In process of modifying our Leadership Development Program to further reinforce the importance of the right culture.



# CIT's 2017 Corporate Social Responsibility

We take great pride in the work we are doing to strengthen our communities and the environment through investment and the volunteer efforts of our employees.

## Supporting the Environment

New power plant construction financed by CIT



**3,098** Megawatts

Natural Gas Power Plants

**264** Megawatts

Residential Rooftop Solar

**791** Megawatts

Solar Power Plants

**202** Megawatts

Wind Power

## Investing in Communities



**\$82.5 million** of equity was invested in **affordable housing** and **community development activities**



**160+ nonprofits** supported annually

## Focusing on Our Employees and Customers

Forbes

**America's Best Midsize Employers**



**Best Bank – California**

Awarded to OneWest Bank by MONEY Magazine, 2016-2017



**Recognized by the Women's Forum** for gender diversity on our Board of Directors

## Creating Strategic Programs and Partnerships

**CIT CARES MONTH**

**1,690** employee volunteers

**7,625** hours

**160** community projects



**\$200,000+**

donated to American Red Cross for Hurricane Relief through CIT fundraising

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# Corporate Governance

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# Experienced Board of Directors

## A Strong Board with the Experience, Diversity and Fresh Perspectives to Guide CIT

### ■ Critical Expertise

- Financial institutions leadership
- Turnaround expertise
- Significant investing experience
- Sophisticated capital markets understanding
- Regulatory insight and government experience
- Risk management expertise

### ■ Diverse Backgrounds

- Financial services and commercial banking
- Investing / asset management
- Operations
- Tech, telecomm, industrials
- Capital markets and M&A
- Government / regulatory
- Entrepreneurship
- Military leadership

### ■ Fresh Perspectives

- Four new directors added in past 18 months bringing new and valuable insight to the board
- CIT is constantly evaluating potential director candidates to enhance skills and experience mix

#### Ellen R. Alemany (2014)

- ✓ Experience running large commercial bank

#### Michael L. Brosnan (2016)

- ✓ Bank regulatory experience (OCC)

#### Michael A. Carpenter (2016)

- ✓ Turnaround experience at major financial institution

#### Dorene Dominguez (2017)

- ✓ CEO experience

#### Alan Frank (2015)

- ✓ 40 years of Deloitte accounting experience

#### William M. Freeman (2003)

- ✓ CEO experience, tech experience

#### R. Brad Oates (2009)

- ✓ Significant operational experience and turnaround expertise

#### Marianne Parrs (2003)

- ✓ CFO Experience

#### Gerald Rosenfeld (2010)

- ✓ Risk management, capital markets and M&A expertise

#### Vice Admiral John Ryan USN (Ret.) (2003)

- ✓ Leadership experience in the U.S. Navy and as CEO and college president

#### Sheila A. Stamps (2014)

- ✓ Operational, regulatory and risk management experience

#### Khanh Tran (2017)

- ✓ CEO experience and investment expertise

#### Laura S. Unger (2010)

- ✓ Financial regulatory Experience (SEC)

# Independent and Highly Qualified Board

## Director Skills and Experience Summary

Director	Leadership / Business Management	Accounting / Finance & Capital Allocation	Banking Expertise	Corporate Governance	Government / Regulatory	Investor / Shareholder Perspective	Marketing	Regional Expertise in Relevant Geographic Markets	Risk Management	Technology Services
Ellen R. Alemany	✓	✓	✓	✓	✓				✓	
Michael L. Brosnan	✓	✓	✓		✓			✓	✓	
Michael A. Carpenter	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Dorene Dominguez	✓	✓		✓				✓	✓	
Alan Frank	✓	✓	✓	✓				✓	✓	
William M. Freeman	✓			✓			✓			✓
R. Brad Oates	✓	✓	✓	✓		✓			✓	✓
Marianne Miller Parrs	✓	✓		✓					✓	✓
Gerald Rosenfeld	✓	✓		✓		✓		✓	✓	
John Ryan	✓			✓	✓					
Sheila A. Stamps	✓	✓	✓	✓	✓	✓	✓		✓	
Khanh Tran	✓	✓		✓		✓		✓		
Laura S. Unger	✓			✓	✓					

Four Independent Directors added in last 18 months

# Governance Practices

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## Our Objectives

- Independent oversight
- Compensation policies and practices aligned with shareholder interests
- Highly-qualified Board of Directors
- Emphasis on shareholder rights
- Active shareholder engagement

## Board Independence

- 12 of 13 Directors are independent
  - Added four independent Directors in past 18 months
  - Lead Independent Director
- No over-boarded Directors

## Board Tenure

- Average tenure of 5.8 years (vs S&P average of 8.3), ensuring fresh perspective
- Directors may not stand for election at age 74 or older

## Best Practices

- No classified board – all Directors elected annually
- Directors may be removed with or without cause with a simple majority vote
- Actively engaged with shareholders on corporate governance matters
- Track record of proactive, ongoing shareholder dialogue
- Proxy Access
- Directors must own a minimum of 5x compensation in stock within five years of joining Board
- Board self-evaluation performed annually

# Compensation Practices and Policies

## Compensation Highlights

- ✓ Executive Compensation aligned with shareholder interests:
  - 85% of CEO's 2017 target compensation is performance based—3/4 in stock-based long-term incentive ("LTI")
  - 2017 LTI awarded 50% in performance-based RSUs and 50% in PSUs tied to 3-year ROATCE with a TSR modifier relative to KBW Bank Index
  - Short-Term Incentive targets limited to 150% of base salary and determined largely based on objective, pre-established quantitative measures (70% for the CEO)
- ✓ Executive Incentive Plan allows for tax deductibility of performance-based compensation above \$1 million
- ✓ No executive pension arrangements or perquisites (other than CEO car and driver) for executives hired since 2006 and no golden parachute tax gross-ups
- ✓ Significant stock ownership and retention requirements for CEO and other executives for the duration of employment
- ✓ Robust anti-hedging policy and clawback policy covering cash and equity incentives for executives
- ✓ Shareholder friendly equity plan:
  - No evergreen provision or liberal share recycling
  - No grants of stock options or stock appreciation rights below 100% of fair market value
  - Minimum one year vesting requirement
  - No single trigger change of control provisions
  - All awards subject to broad-based clawback provisions

## 2017 CEO Short-Term Incentive Scorecard

- For 2017, we have simplified our CEO's short-term incentive scorecard:
  - Increased the weighting of quantitative financial factors to 70%
  - Reduced the number of financial factors to three
  - Eliminated specific weighting of sub-factors for qualitative goal categories, while continuing to ensure that goals are aligned with our strategic objectives and priorities.

Goal	Weighting
<b>Quantitative</b>	<b>70%</b>
Financing and Leasing Assets	20%
Operating Expenses	20%
Adjusted ROATCE	30%
<b>Qualitative</b>	<b>30%</b>
(Strategic/Operational; Risk/Regulatory/Compliance; Talent Management)	

## Proxy Peer Group

- The Compensation Committee re-evaluated and updated the peer group in 2016 in light of strategic initiatives.
- The process began with a selection of U.S. based publicly traded regional banks and financial companies considering asset size/deposit strategy and level of business complexity.
- In line with our strategy to become a leading national bank, the new peer group established a greater focus on regional banking and is generally within a range of 0.5 times to 2.5 times CIT's total asset size.

2015 (19)	2016 (16)
<del>BB&amp;T Corp.</del>	Ally Financial
<del>City National Corp.</del>	Associated Banc-Corp
Comerica Inc.	Citizens Financial Group, Inc.
Discover Financial Services	Comerica Inc.
Fifth Third Bancorp	Discover Financial Services
<del>First Horizon National</del>	Fifth Third Bancorp
<del>Fiserv, Inc.</del>	First Republic Bank
Huntington Bancshares Inc.	Huntington Bancshares Inc.
Key Corp	Key Corp
<del>Legg Mason</del>	M&T Bank Corp.
M&T Bank Corp.	People's United Financial, Inc.
<del>New York Community Bancorp</del>	Regions Financial Corporation
<del>Northern Trust Corp.</del>	Signature Bank
People's United Financial, Inc.	SVB Financial Group
Regions Financial Corporation	Synovus Financial Corp.
<del>SLM Corp.</del>	Zions Bancorporation
<del>SunTrust Banks</del>	
<del>TCF Financial</del>	
Zions Bancorporation	

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