



# First Quarter 2018 Earnings

April 24, 2018

## Important Notice

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# Executing on Our Strategies to Simplify, Strengthen and Grow CIT

	Strategies	1Q18 Progress
<b>1</b> Maximize Potential of Core Businesses	<ul style="list-style-type: none"> <li>Grow revenues – grow core businesses, enhance fee revenue, and leverage connectivity among businesses</li> <li>Optimize cash and investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>✓ Average loan &amp; lease growth of 2% in our core portfolios<sup>(1)</sup></li> <li>✓ Funded volume of \$2.7 billion up significantly from year-ago quarter</li> <li>✓ Average investment portfolio up 5%</li> </ul>
<b>2</b> Enhance Operational Efficiency	<ul style="list-style-type: none"> <li>Reduce and manage operating expenses</li> <li>Invest in, and enhance technology</li> </ul>	<ul style="list-style-type: none"> <li>✓ Operating expenses reflect seasonally elevated costs and a litigation accrual</li> <li>✓ Remain on target to achieve core expense target for 2018 of \$1,050 million</li> </ul>
<b>3</b> Reduce Funding Costs	<ul style="list-style-type: none"> <li>Reduce unsecured debt cost</li> <li>Improve deposit mix to lower cost (relative to index)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Average deposits increased ~\$400 million</li> <li>✓ Non-maturity deposits increased to 53% of total average deposits</li> <li>✓ LDR<sup>(2)</sup> improved to 126% for consolidated and to 98% for CIT Bank</li> </ul>
<b>4</b> Optimize Capital Structure	<ul style="list-style-type: none"> <li>Manage, deploy, and align capital</li> <li>Target 10–11% CET1 ratio</li> </ul>	<ul style="list-style-type: none"> <li>✓ Received non-objection to amended capital plan, increasing capital return approval to up to \$900 million for 1H18</li> <li>✓ Repurchased 3.7 million shares at an average price of \$53.16</li> </ul>
<b>5</b> Maintain Strong Risk Management	<ul style="list-style-type: none"> <li>Maintain credit and operating risk discipline</li> </ul>	<ul style="list-style-type: none"> <li>✓ Non-accruals remained flat: ~80bps</li> <li>✓ Credit reserves remained strong:               <ul style="list-style-type: none"> <li>1.52% for total portfolio</li> <li>1.79% for Commercial Banking</li> </ul> </li> </ul>

(1) Core portfolios is net of credit balances of factoring clients and excludes NACCO AHFS, Legacy Consumer Mortgages, and NSP.

(2) Loan and lease-to-deposit ratio.

# Quarterly Earnings Summary – Reported

(\$ in millions, except per share data)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Interest Income	451	448	456	4	1%	(5)	(1%)
Net Operating Lease Revenues <sup>(1)</sup>	120	120	124	(1)	-	(4)	(3%)
Interest Expense	181	169	163	12	7%	17	11%
<b>Net Finance Revenue</b>	<b>391</b>	<b>399</b>	<b>417</b>	<b>(9)</b>	<b>(2%)</b>	<b>(26)</b>	<b>(6%)</b>
Other Non-Interest Income	105	137	79	(32)	(24%)	26	32%
Operating Expenses	281	304	312	(23)	(7%)	(30)	(10%)
Goodwill Impairment	-	256	-	(256)	NM	-	NM
Loss on Debt Extinguishment and Deposit Redemption	-	2	-	(2)	NM	-	NM
<b>Pre-provision Net Revenue</b>	<b>214</b>	<b>(25)</b>	<b>184</b>	<b>239</b>	<b>NM</b>	<b>30</b>	<b>16%</b>
Provision for Credit Losses	69	30	50	38	NM	19	38%
<b>Pre-tax Income (Loss) from Continuing Operations</b>	<b>145</b>	<b>(55)</b>	<b>134</b>	<b>200</b>	<b>NM</b>	<b>11</b>	<b>8%</b>
Provision for Income Taxes	41	28	56	14	49%	(15)	(27%)
<b>Income (Loss) from Continuing Operations</b>	<b>104</b>	<b>(83)</b>	<b>78</b>	<b>187</b>	<b>NM</b>	<b>25</b>	<b>33%</b>
(Loss) Income from Discontinued Operations, Net of Taxes	(7)	(5)	102	(2)	(29%)	(108)	NM
<b>Net Income (Loss)</b>	<b>97</b>	<b>(88)</b>	<b>180</b>	<b>185</b>	<b>NM</b>	<b>(83)</b>	<b>(46%)</b>
Preferred Dividends	-	10	-	(10)	NM	-	NM
<b>Net Income (Loss) Available to Common Shareholders</b>	<b>97</b>	<b>(98)</b>	<b>180</b>	<b>195</b>	<b>NM</b>	<b>(83)</b>	<b>(46%)</b>
Income (Loss) from Continuing Operations Available to Common Shareholders	104	(93)	78	196	NM	25	31%
<b>Diluted Income per Common Share</b>							
Income (Loss) from Continuing Operations	\$0.79	(\$0.70)	\$0.38	\$1.48	NM	\$0.41	NM
(Loss) Income from Discontinued Operations, Net of Taxes	(\$0.05)	(\$0.04)	\$0.50	(\$0.01)	(30%)	(\$0.55)	NM
<b>Diluted Income (Loss) per Common Share</b>	<b>\$0.74</b>	<b>(\$0.74)</b>	<b>\$0.88</b>	<b>\$1.47</b>	<b>NM</b>	<b>(\$0.14)</b>	<b>(16%)</b>
<b>Return on Average Earning Assets</b>							
Average Earning Assets	45,265	44,562	46,639	703	2%	(1,374)	(3%)
After Tax Return on Average Earnings Assets – Continuing Operations	0.92%	(0.83%)	0.67%	175 bps		25 bps	

Certain balances may not sum due to rounding.

(1) Net of depreciation, maintenance, and other operating lease expenses.

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** declined \$9 million as lower purchase accounting accretion and higher deposit and borrowing costs were partially offset by higher interest income on loans and investments
- **Other Non-Interest Income:** decreased \$32 million as the prior quarter included a \$29 million benefit in other revenues related to the cumulative effect of an accounting policy change for low income housing tax credit investments
- **Operating Expenses:** decreased \$23 million as the prior quarter included a \$32 million restructuring charge
- **Provision for Credit Losses:** increased \$38 million, primarily reflecting a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily related to Commercial Finance
- **Income Tax Provision:** effective tax rate of 28% reflects US tax reform, the impact of the change in accounting for LIHTC investments, the disallowance of FDIC insurance premiums, and state and local income tax rates

### vs. Year-ago Quarter

- **Net Finance Revenue:** declined \$26 million primarily due to lower net purchase accounting accretion, lower gross yields in Rail, and higher deposit and borrowing costs, partially offset by higher earnings on investment securities and Commercial Banking loans, as well as the current quarter's \$9 million benefit from suspended depreciation
- **Other Non-Interest Income:** increased \$26 million due to income from BOLI, an increase in gains on sales of leasing equipment, as well as an \$8 million CTA charge in the year-ago quarter
- **Operating Expenses:** decreased \$30 million reflecting progress on our operating expense reduction initiatives, as well as a \$15 million restructuring expense in the year-ago quarter
- **Provision for Credit Losses:** increased \$19 million, primarily reflecting a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily related to Commercial Finance
- **Income Tax Provision:** effective tax rate of 28% reflects US tax reform, the impact of the change in accounting for LIHTC investments, the disallowance of FDIC insurance premiums, and state and local income tax rates

# First Quarter Impact of Noteworthy Items (Non-GAAP)<sup>(1)</sup>

(\$ in millions, except per share data)	Continuing Operations	Discontinued Operations	Total Reported	Highlights
GAAP Income Available to Common Shareholders	\$104	(\$7)	\$97	<ul style="list-style-type: none"> <li>▪ <b>NACCO Suspended Depreciation:</b> \$7 million (\$0.05 per diluted common share) after-tax benefit in net finance revenue from the suspension of depreciation of NACCO assets held for sale</li> </ul>
GAAP Diluted EPS	\$0.79	(\$0.05)	\$0.74	
<b>Noteworthy Items (After-Tax):</b>				
NACCO Suspended Depreciation	\$7		\$7	
<b>Total Noteworthy Items</b>	<b>\$7</b>	<b>\$0</b>	<b>\$7</b>	
<b>Non-GAAP Net Income Available to Common Shareholders Excluding Noteworthy Items</b>	<b>\$97</b>	<b>(\$7)</b>	<b>\$90</b>	
<b>Non-GAAP Diluted EPS Excluding Noteworthy Items</b>	<b>\$0.74</b>	<b>(\$0.05)</b>	<b>\$0.69</b>	

Certain balances may not sum due to rounding. EPS based on 131.6 million average diluted shares outstanding, dollar impacts are rounded.

(1) See appendix page 20 for details on noteworthy items.

# Quarterly Earnings Summary Excluding Noteworthy Items (Non-GAAP)

(\$ in millions, except per share data)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Interest Income	451	448	456	4	1%	(5)	(1%)
Net Operating Lease Revenues <sup>(1)</sup>	111	112	124	(1)	(1%)	(14)	(11%)
Interest Expense	181	169	163	12	7%	17	11%
<b>Net Finance Revenue</b>	<b>381</b>	<b>391</b>	<b>417</b>	<b>(9)</b>	<b>(2%)</b>	<b>(35)</b>	<b>(8%)</b>
Other Non-Interest Income	105	108	87	(3)	(3%)	17	19%
Operating Expenses	281	272	297	9	3%	(15)	(5%)
Loss on Debt Extinguishment and Deposit Redemption	-	2	-	(2)	NM	-	NM
<b>Pre-provision Net Revenue</b>	<b>205</b>	<b>225</b>	<b>207</b>	<b>(20)</b>	<b>(9%)</b>	<b>(3)</b>	<b>(1%)</b>
Provision for Credit Losses	69	30	50	38	NM	19	38%
<b>Pre-tax Income from Continuing Operations</b>	<b>136</b>	<b>194</b>	<b>157</b>	<b>(59)</b>	<b>(30%)</b>	<b>(22)</b>	<b>(14%)</b>
Provision for Income Taxes	39	54	48	(15)	(28%)	(9)	(19%)
<b>Income from Continuing Operations</b>	<b>97</b>	<b>140</b>	<b>109</b>	<b>(43)</b>	<b>(31%)</b>	<b>(13)</b>	<b>(11%)</b>
(Loss) Income from Discontinued Operations, Net of Taxes	(7)	(5)	54	(2)	(29%)	(60)	NM
<b>Net Income</b>	<b>90</b>	<b>135</b>	<b>163</b>	<b>(45)</b>	<b>(33%)</b>	<b>(73)</b>	<b>(45%)</b>
Preferred Dividends	-	10	-	(10)	NM	-	NM
<b>Net Income Available to Common Shareholders</b>	<b>90</b>	<b>125</b>	<b>163</b>	<b>(35)</b>	<b>(28%)</b>	<b>(73)</b>	<b>(45%)</b>
Income from Continuing Operations Available to Common Shareholders	97	130	109	(33)	(26%)	(13)	(11%)
<b>Diluted Income per Common Share</b>							
Income from Continuing Operations	\$0.74	\$0.99	\$0.54	(\$0.26)	(26%)	\$0.20	36%
(Loss) Income from Discontinued Operations, Net of Taxes	(\$0.05)	(\$0.04)	\$0.26	(\$0.01)	(30%)	(\$0.31)	NM
<b>Diluted Income per Common Share</b>	<b>\$0.69</b>	<b>\$0.95</b>	<b>\$0.80</b>	<b>(\$0.27)</b>	<b>(28%)</b>	<b>(\$0.11)</b>	<b>(14%)</b>
<b>Return on Average Earning Assets</b>							
Average Earning Assets	45,265	44,562	46,639	703	2%	(1,374)	(3%)
After Tax Return on Average Earnings Assets – Continuing Operations	0.86%	1.17%	0.94%	(31) bps		(8) bps	

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** declined 2% as lower purchase accounting accretion and higher deposit and borrowing costs were partially offset by higher interest income on loans and investments
- **Other Non-Interest Income:** decreased \$3 million due to lower sales volume of investment securities, as well as lower capital markets fees, partially offset by gains on sales of leasing equipment
- **Operating Expenses:** increased \$9 million, driven primarily by seasonal increases in compensation and benefits, higher FDIC insurance costs, and a legal accrual related to Rail
- **Provision for Credit Losses:** increased \$38 million, primarily reflecting a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily related to Commercial Finance
- **Income Tax Provision:** impacted by lower federal corporate tax rates from US tax reform, as well as discrete tax items in the current quarter, and discrete and noteworthy items in the prior quarter

### vs. Year-ago Quarter

- **Net Finance Revenue:** declined \$35 million primarily due to lower net purchase accounting accretion, lower gross yields in Rail, and higher deposit and borrowing costs, partially offset by higher earnings on investment securities and Commercial Banking loans
- **Other Non-Interest Income:** increased \$17 million primarily due to income from BOLI and an increase in gains on sales of leasing equipment
- **Operating Expenses:** decreased \$15 million primarily reflecting lower professional fees and FDIC insurance costs, partially offset by higher advertising and marketing costs, primarily in Consumer Banking, and higher compensation and benefits expenses
- **Provision for Credit Losses:** increased \$19 million, primarily reflecting a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily related to Commercial Finance
- **Income Tax Provision:** impacted by lower federal corporate tax rates from US tax reform, as well as discrete tax items in the current quarter, and discrete and noteworthy items in the year-ago quarter

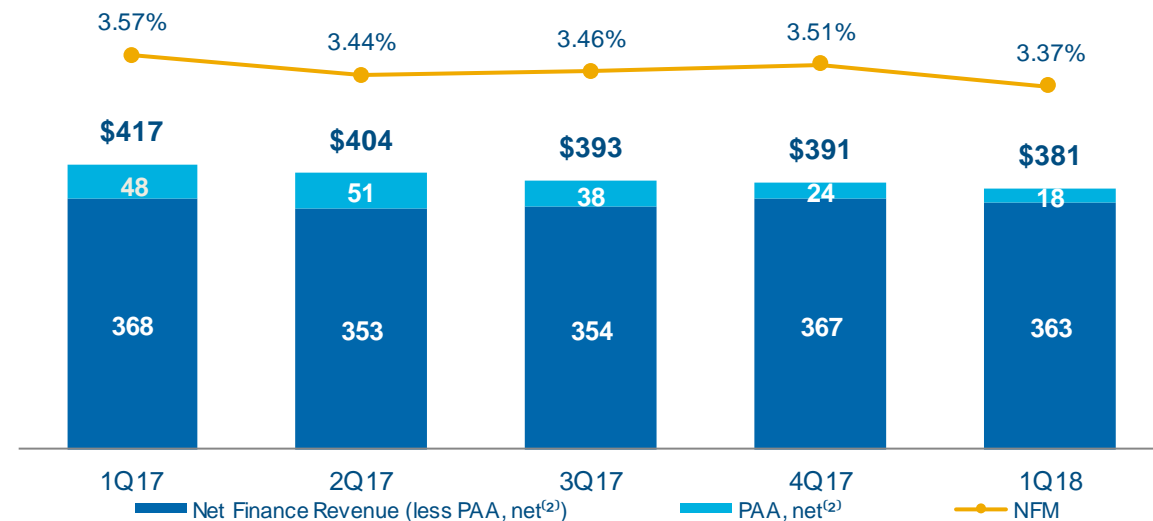
Certain balances may not sum due to rounding.

(1) Net of depreciation, maintenance, and other operating lease expenses.

# Net Finance Margin (NFM) – Continuing Operations (Excluding Noteworthy Items)<sup>(1)</sup>

## Net Finance Revenue & Net Finance Margin

(\$ in millions)



(\$ in millions, except yield data)

	1Q18		4Q17		1Q17		Change from	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield	4Q17	1Q17
Interest-bearing Cash	2,101	1.3%	2,270	1.6%	5,652	0.9%	(24) bps	45 bps
Investments and Repurchase Agreements	6,346	2.7%	6,068	2.5%	4,452	2.8%	25 bps	(6) bps
Loans <sup>(3)(4)</sup>	28,754	5.8%	28,225	5.9%	28,705	5.9%	(14) bps	(8) bps
Operating Leases, Net <sup>(4)</sup>	7,935	5.6%	7,841	5.7%	7,501	6.6%	(12) bps	(104) bps
Indemnification Assets	131	(43.5%)	158	(40.3%)	328	(9.5%)	(316) bps	NM
<b>Earning Assets</b>	<b>45,265</b>	<b>5.0%</b>	<b>44,562</b>	<b>5.0%</b>	<b>46,639</b>	<b>5.0%</b>	<b>(6) bps</b>	<b>(1) bps</b>
Interest-bearing Deposits	28,595	1.4%	28,134	1.3%	30,953	1.2%	5 bps	13 bps
Borrowings	9,045	3.7%	8,631	3.5%	14,815	1.9%	14 bps	182 bps
<b>Interest-bearing Liabilities</b>	<b>37,641</b>	<b>1.9%</b>	<b>36,765</b>	<b>1.8%</b>	<b>45,768</b>	<b>1.4%</b>	<b>8 bps</b>	<b>49 bps</b>

Certain balances may not sum due to rounding.

(1) See appendix page 20 for details on noteworthy items.

(2) Purchase accounting accretion and negative return on indemnification assets.

(3) Net of credit balances of factoring clients.

(4) Balances include loans and leases held for sale, respectively.

## Highlights

vs. Prior Quarter

Net Finance Revenue decreased by \$9 million

- Decrease due to lower net purchase accounting accretion and higher deposit and borrowing costs
- In March we issued:
  - \$1 billion of senior unsecured debt to refinance near term maturities
  - \$400 million of Tier 2 qualifying subordinated unsecured debt
- Net finance revenue reflects negative carry of approximately \$2 million associated with the refinancing of our unsecured senior debt

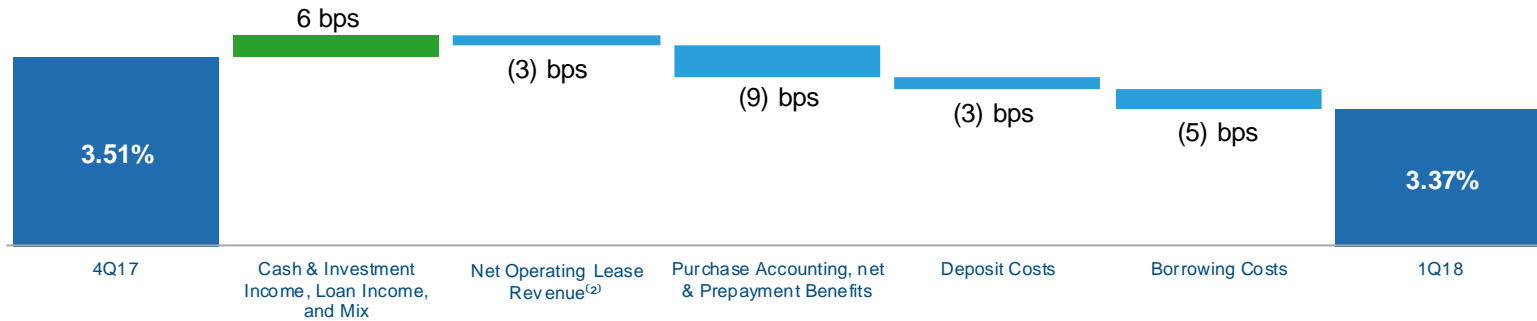
vs. Year-ago Quarter

Net Finance Revenue decreased by \$35 million

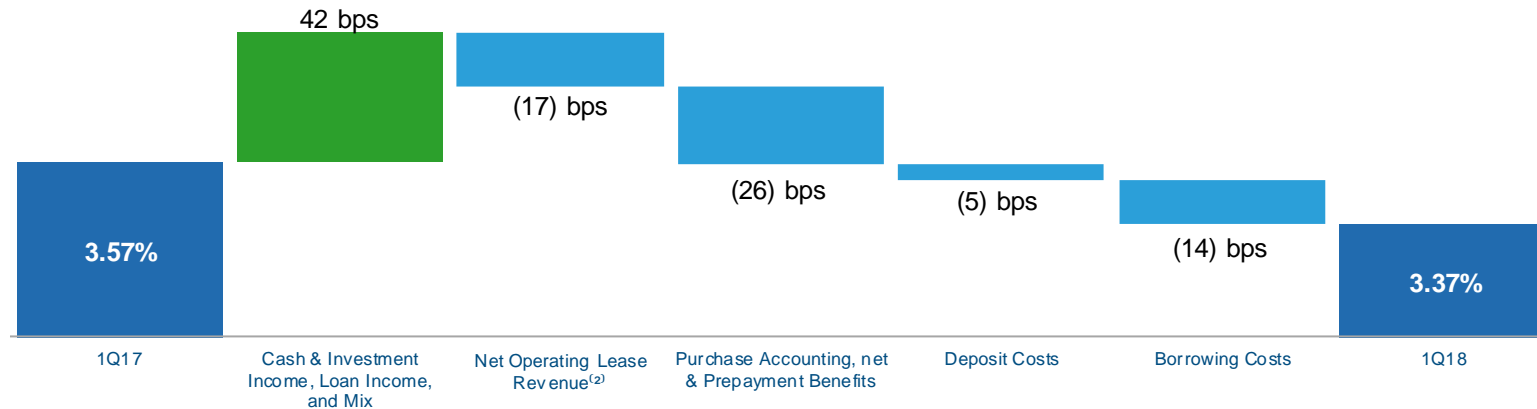
- Decrease primarily due to lower net purchase accounting accretion, lower gross yields in Rail, and higher deposit and borrowing costs
- Decrease partially offset by higher earnings on investment securities and Commercial Banking loans

# Net Finance Margin Trends – Continuing Operations (Excluding Noteworthy Items)<sup>(1)</sup>

## Net Finance Margin Walk 4Q17 to 1Q18



## Net Finance Margin Walk 1Q17 to 1Q18



(1) See appendix page 20 for details on noteworthy items.

(2) Net Operating Lease Revenue related to Rail.



# Other Non-Interest Income – Continuing Operations (Excluding Noteworthy Items)<sup>(1)</sup>

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Fee Revenues	27	30	29	(3)	(10%)	(2)	(6%)
Factoring Commissions	26	27	26	(1)	(4%)	(1)	(2%)
Gains on Sales of Leasing Equipment, Net of Impairments	14	8	7	6	71%	7	97%
Gains on Investment Securities, Net of Impairments	5	12	4	(7)	(56%)	1	32%
BOLI Income	7	6	-	1	13%	7	NM
Other Revenues	27	25	21	2	7%	5	25%
<b>Total Other Non-Interest Income</b>	<b>105</b>	<b>108</b>	<b>87</b>	<b>(3)</b>	<b>(3%)</b>	<b>17</b>	<b>20%</b>

Other Income

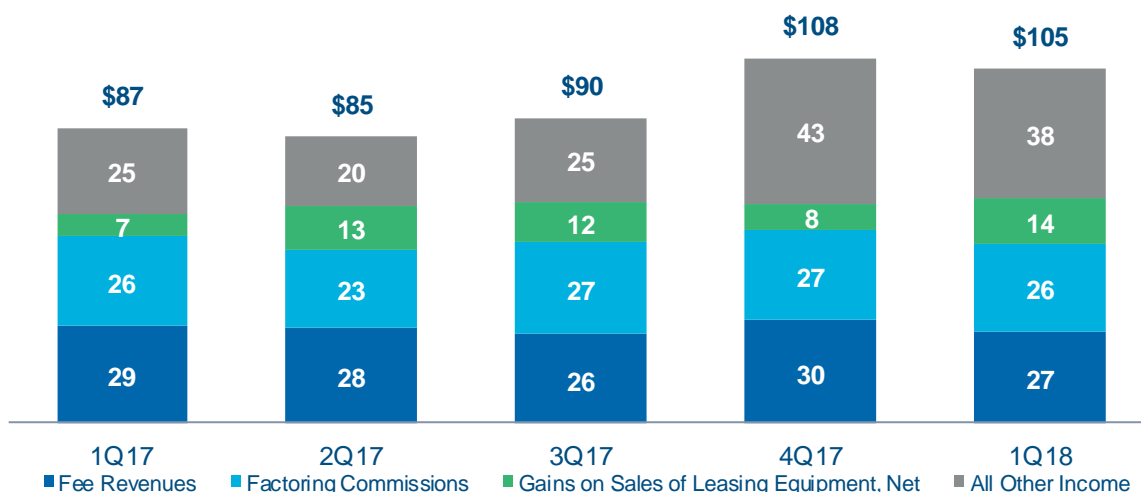
## Highlights

vs. Prior Quarter

- Fee income declined by \$3 million, primarily due to a decrease in capital markets fees, which was strong in the prior quarter
- Factoring commissions remained essentially unchanged, as increases in volumes continued to be offset by decreases in pricing
- Gains on investment securities, net of impairments, declined by \$7 million, primarily driven by lower sales volume of investment securities in the current quarter

vs. Year-ago Quarter

- Other non-interest income increased \$17 million
- Increase due to income from BOLI and an increase in gains on sales of leasing equipment



Certain balances may not sum due to rounding.

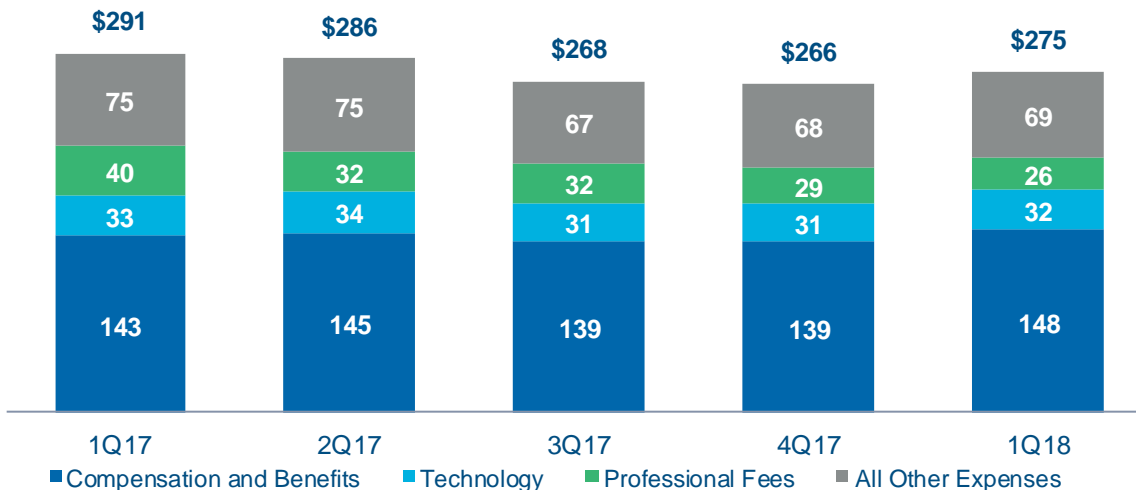
(1) See appendix page 20 for details on noteworthy items.

# Operating Expenses<sup>(1)</sup> – Continuing Operations (Excluding Noteworthy Items)<sup>(2)</sup>

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Compensation and Benefits	148	139	143	9	7%	5	3%
Technology	32	31	33	2	6%	-	0%
Professional Fees	26	29	40	(3)	(10%)	(14)	(35%)
Advertising and Marketing	13	13	5	-	0%	8	NM
Net Occupancy Expense	16	17	20	(1)	(3%)	(4)	(19%)
Insurance	20	16	26	4	27%	(6)	(22%)
Other	20	23	24	(2)	(7%)	(4)	(15%)
<b>Total Operating Expenses<sup>(1)</sup></b>	<b>275</b>	<b>266</b>	<b>291</b>	<b>9</b>	<b>3%</b>	<b>(15)</b>	<b>(5%)</b>
<b>Headcount</b>	<b>3,898</b>	<b>3,909</b>	<b>4,058</b>	<b>(11)</b>	<b>0%</b>	<b>(160)</b>	<b>(4%)</b>

All Other Expenses

## Net Efficiency Ratio <sup>(3)</sup>



## Highlights

vs. Prior Quarter

Operating Expenses increased by 3%

- Increase driven primarily by seasonal increases in compensation and benefits, higher FDIC insurance costs, and a legal accrual related to Rail

vs. Year-ago Quarter

Operating Expenses decreased by 5%

- Decrease primarily reflecting lower professional fees and FDIC insurance costs
- Decrease partially offset by higher advertising and marketing costs, primarily in Consumer Banking, and higher compensation and benefits expenses

Certain balances may not sum due to rounding.

(1) In addition to the exclusion of noteworthy items, operating expenses also exclude amortization of intangibles.

(2) See appendix page 20 for details on noteworthy items.

(3) Total operating expenses exclusive of noteworthy items and amortization of intangibles divided by total revenue (net finance revenue and other non-interest income).

# Consolidated Average Balance Sheet

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Interest-bearing Cash	2,101	2,270	5,652	(169)	(7%)	(3,552)	(63%)
Investments and Repurchase Agreements	6,346	6,068	4,452	278	5%	1,893	43%
Loans <sup>(1)</sup>	28,754	28,225	28,705	528	2%	48	0%
Operating Leases, Net	7,935	7,841	7,501	94	1%	434	6%
<b>Total Loans and Leases<sup>(2)</sup></b>	<b>36,688</b>	<b>36,066</b>	<b>36,206</b>	<b>622</b>	<b>2%</b>	<b>482</b>	<b>1%</b>
Indemnification Assets	131	158	328	(27)	(17%)	(197)	(60%)
<b>Total Earning Assets (AEA)</b>	<b>45,265</b>	<b>44,562</b>	<b>46,639</b>	<b>703</b>	<b>2%</b>	<b>(1,374)</b>	<b>(3%)</b>
Total Non-Earning Assets	2,495	2,772	2,669	(277)	(10%)	(174)	(7%)
Discontinued Assets	480	533	12,970	(52)	(10%)	(12,489)	(96%)
<b>Total Assets</b>	<b>48,241</b>	<b>47,867</b>	<b>62,278</b>	<b>374</b>	<b>1%</b>	<b>(14,037)</b>	<b>(23%)</b>
Total Deposits	30,051	29,635	32,340	416	1%	(2,289)	(7%)
Secured Borrowings	4,953	4,885	4,215	68	1%	738	18%
Unsecured Borrowings	4,092	3,746	10,600	346	9%	(6,507)	(61%)
<b>Total Borrowed Funds and Deposits</b>	<b>39,097</b>	<b>38,266</b>	<b>47,155</b>	<b>831</b>	<b>2%</b>	<b>(8,059)</b>	<b>(17%)</b>
Other Liabilities	1,406	1,618	1,779	(212)	(13%)	(373)	(21%)
Discontinued Liabilities	497	542	3,224	(45)	(8%)	(2,727)	(85%)
<b>Total Liabilities</b>	<b>41,000</b>	<b>40,426</b>	<b>52,158</b>	<b>573</b>	<b>1%</b>	<b>(11,158)</b>	<b>(21%)</b>
<b>Total Stockholders' Equity</b>	<b>7,241</b>	<b>7,441</b>	<b>10,120</b>	<b>(200)</b>	<b>(3%)</b>	<b>(2,879)</b>	<b>(28%)</b>
<b>Total Liabilities and Equity</b>	<b>48,241</b>	<b>47,867</b>	<b>62,278</b>	<b>374</b>	<b>1%</b>	<b>(14,037)</b>	<b>(23%)</b>

## Highlights

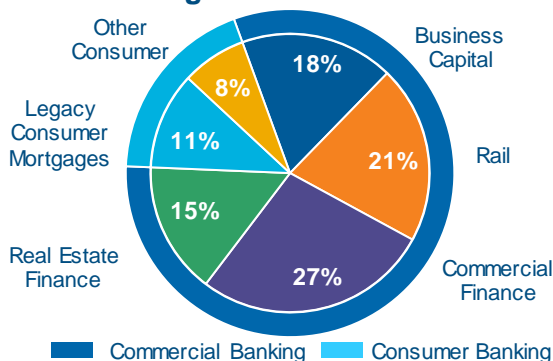
### vs. Prior Quarter

- Average earning assets increased 2% primarily reflecting an increase in average loans and leases in Commercial Banking, as well as growth of our investment portfolio, partially offset by a reduction in interest-bearing cash
- Total borrowed funds and deposits increased 2% due to an increase in average deposits of approximately \$400 million, as well as growth in our average unsecured debt balance
- Issued:
  - \$1 billion senior unsecured debt of which \$883 million was used to redeem unsecured debt in early April
  - \$400 million Tier 2 qualifying subordinated debt

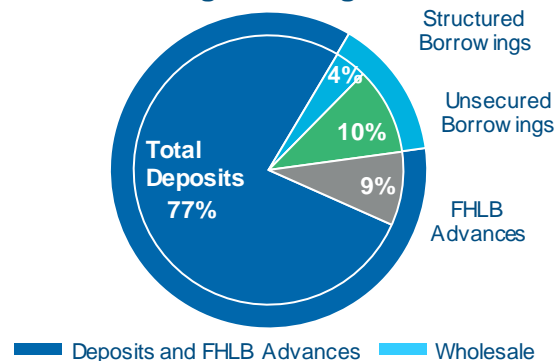
### vs. Year-ago Quarter

- Average earning assets decreased 3% primarily reflecting a decline in interest-bearing cash balances partially offset by nearly \$2 billion of growth in investments, as well as 1% growth in average loans and leases
- Unsecured borrowings decreased \$6.5 billion in relation to the sale of our Commercial Air business
- Deposits decreased \$2.3 billion due to reduction of higher-cost Brokered and certain Commercial deposits

### Average Loans and Leases<sup>(3)</sup>



### Average Funding Mix

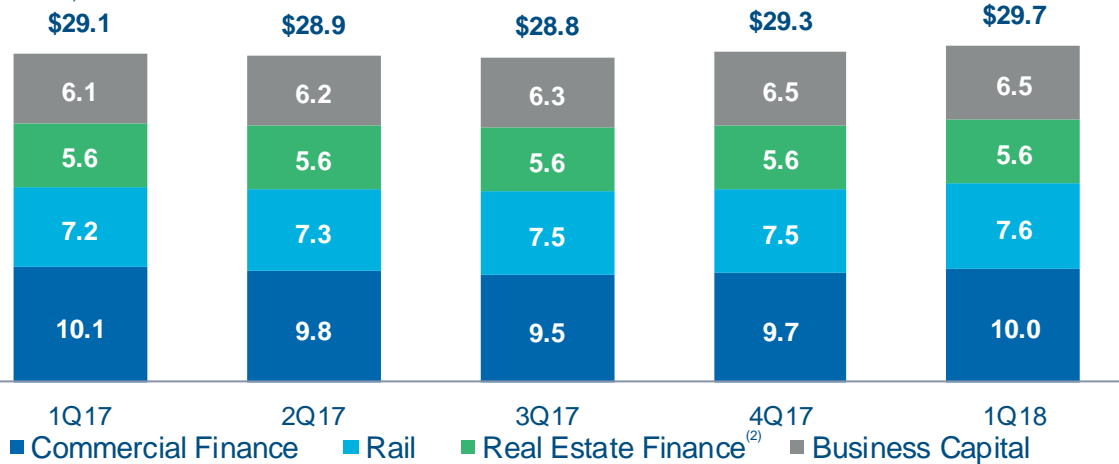


(1) Net of credit balances of factoring clients.  
 (2) Loans and leases include assets held for sale.  
 (3) Excludes Non-Strategic Portfolio.

# Commercial Banking and Consumer Banking Average Loans and Leases<sup>(1)</sup>

## Commercial Banking

(\$ in billions)



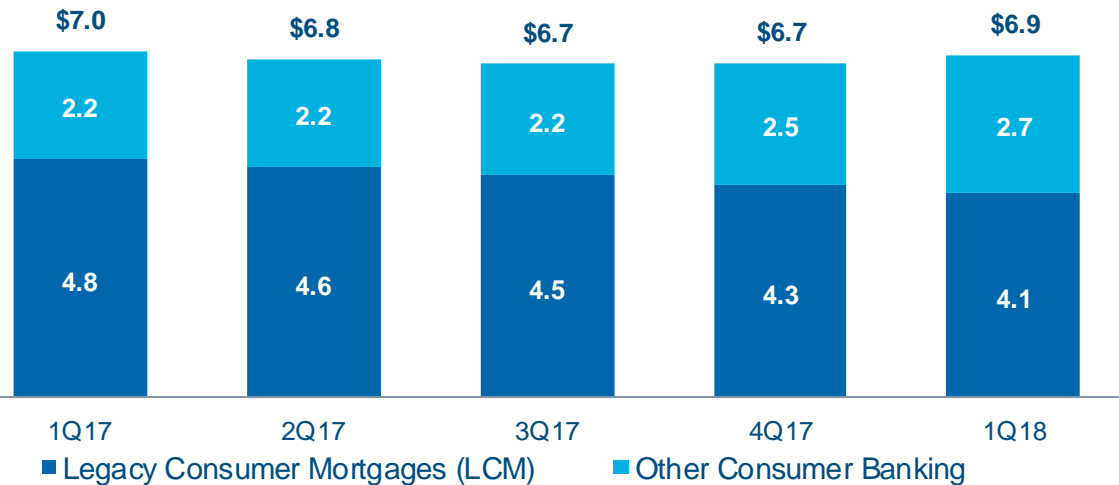
## Highlights

### Commercial Banking

Rail includes \$1.2 billion of NACCO assets held for sale

- **Vs. Prior Quarter:** Average loans and leases increased due to growth in Commercial Finance
- **Vs. Year-ago Quarter:** Average loans and leases increased modestly, driven by asset growth in Business Capital and Rail

## Consumer Banking



### Consumer Banking

LCM includes \$0.9 billion of reverse mortgage assets held for sale

- **Vs. Prior Quarter:** Average loans increased modestly driven by growth in Other Consumer Banking, partially offset by continued run-off in LCM
- **Vs. Year-ago Quarter:** Average loans down due to run-off in LCM partially offset by growth in Other Consumer Banking

Certain balances may not sum due to rounding.

(1) Net of credit balances of factoring clients and including assets held for sale.

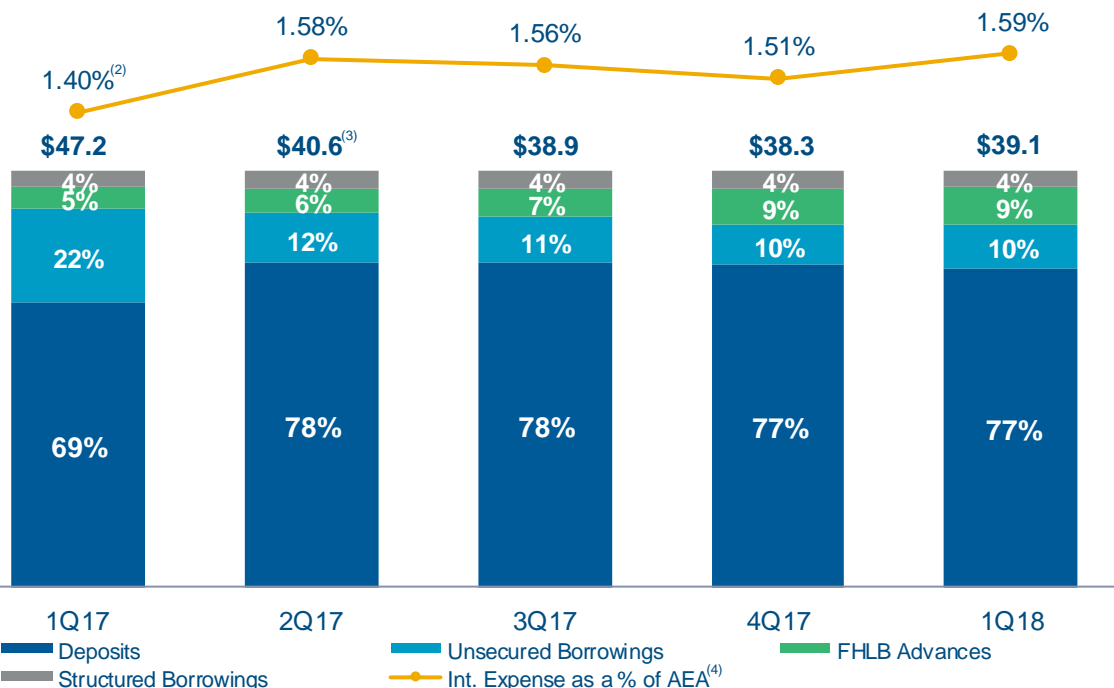
(2) Real Estate Finance includes legacy non-SFR currently in run-off in the amounts of \$647 million, \$684 million, \$728 million, \$765 million, and \$802 million for 1Q18, 4Q17, 3Q17, 2Q17, and 1Q17, respectively.

# Average Funding Mix

(\$ in millions)	1Q18		4Q17		1Q17		Change from	
	Average Balance	%	Average Balance	%	Average Balance	%	4Q17	1Q17
Total Deposits	30,051	77%	29,635	77%	32,340	69%	416	(2,289)
Unsecured Borrowings <sup>(1)</sup>	4,092	10%	3,746	10%	10,600	22%	346	(6,507)
FHLB Advances	3,454	9%	3,283	9%	2,411	5%	171	1,043
Structured Borrowings	1,499	4%	1,602	4%	1,805	4%	(103)	(305)
<b>Total Borrowed Funds and Deposits</b>	<b>39,097</b>	<b>100%</b>	<b>38,266</b>	<b>100%</b>	<b>47,155</b>	<b>100%</b>	<b>831</b>	<b>(8,059)</b>

## Highlights

- The current quarter reflects the issuance of \$1 billion of senior unsecured debt and \$400 million of subordinated debt
- Senior unsecured debt proceeds were used for the April 9<sup>th</sup> redemption of \$883 million of senior unsecured debt
- Average deposits increased approximately \$400 million sequentially driven by new savings products within our Direct Bank
- Average wholesale funding is 14% of total funding down from 26% in the year-ago quarter
- Interest expense as a percent of AEA increased 8 bps sequentially, of which 3 bps is driven by higher deposit costs and 5 bps is driven by our debt actions in March and higher FHLB costs



Certain balances may not sum due to rounding.

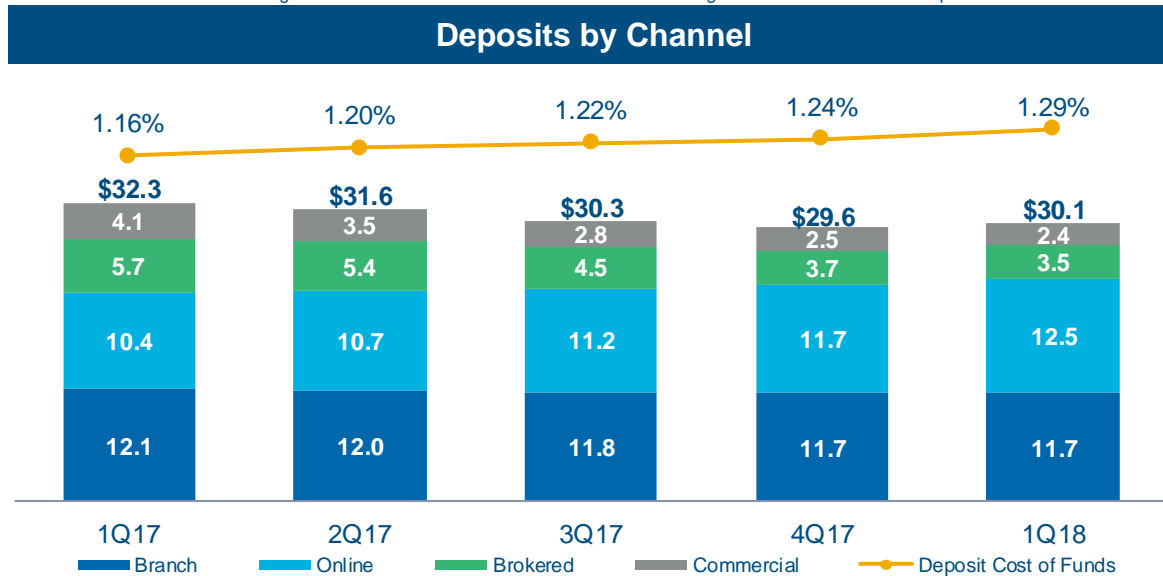
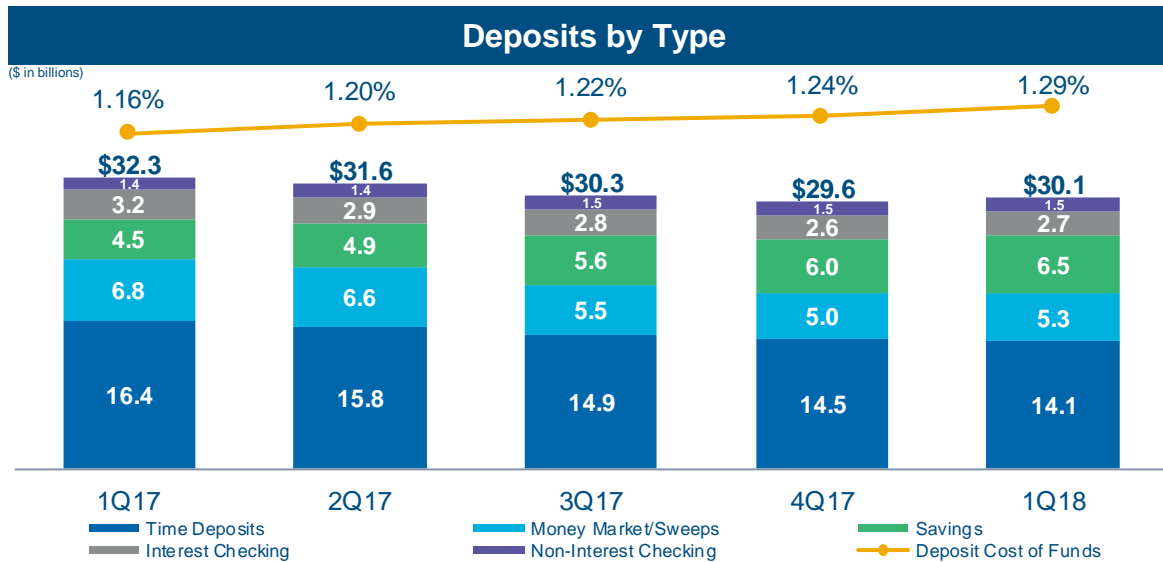
(1) 1Q18 unsecured borrowings include \$400 million of subordinated debt issued during the quarter.

(2) 1Q17 shows a decline in interest expense due to an allocation to Discontinued Operations.

(3) Reflects a \$1,735 adjustment in 2Q17 related to the timing of the completion of the Commercial Air related debt repayment.

(4) Interest expense and average earnings assets are exclusive of noteworthy items; see appendix page 20 for details on noteworthy items.

# Average Deposit Mix and Cost of Funds



### Highlights

- vs. Prior Quarter
- Average deposit costs increased 5 basis points reflecting increases in the average savings and money market account rate, partially offset by a reduction in higher-cost brokered and other time deposits
  - Average deposits increased approximately \$400 million, as growth in the online channel more than offset declines in higher-cost deposits in the brokered channel and certain deposits in the commercial channel

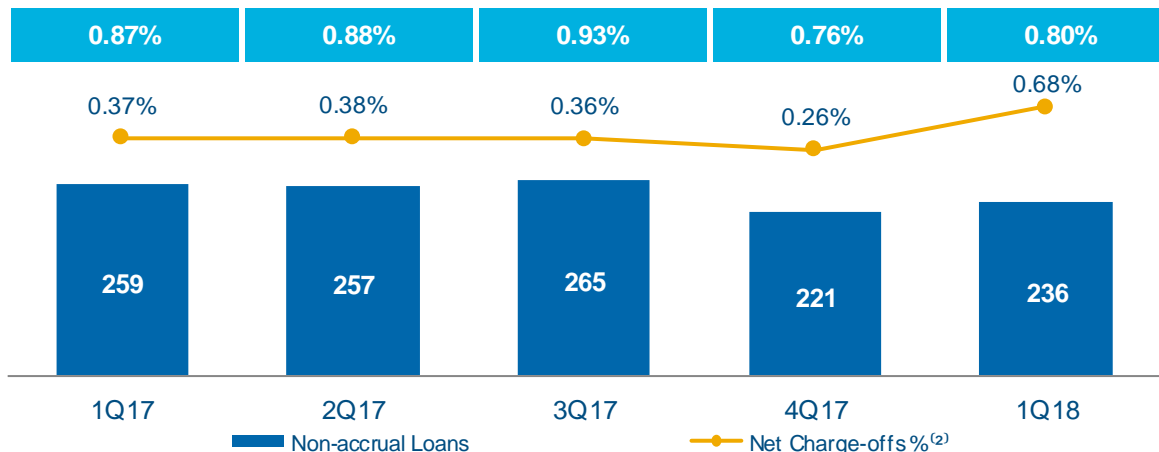
- vs. Year-ago Quarter
- Average deposit costs increased 13 basis points
  - Continuing to shift mix of deposits away from higher-cost brokered and commercial deposits
  - 39% decline in brokered deposits
  - 44% increase in savings deposits

# Asset Quality Trends – Continuing Operations (Excluding Noteworthy Items)<sup>(1)</sup>

## Non-accrual Loans & Net Charge-offs

(\$ in millions)

### Non-accrual Loans as a % of Loans

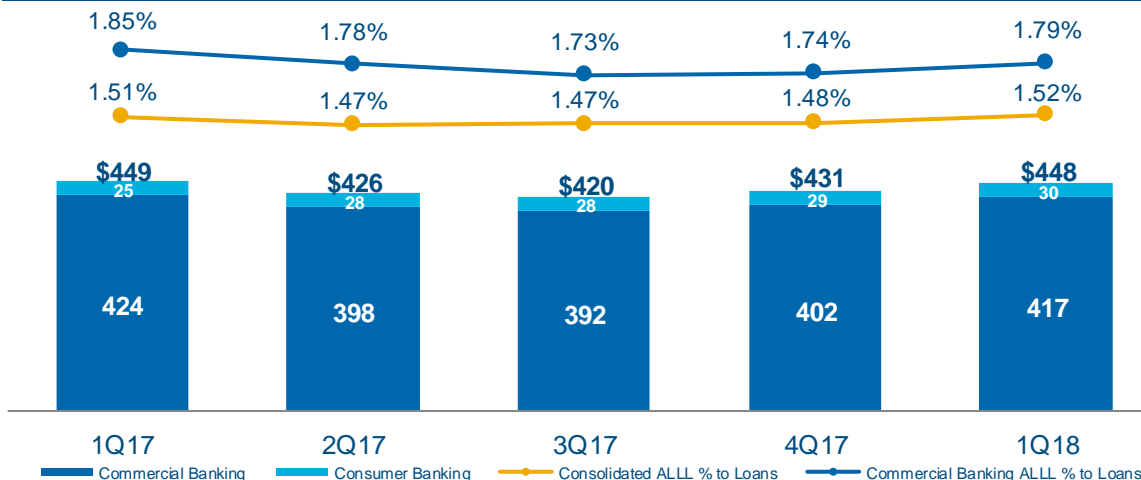


## Highlights

vs. Prior Quarter

- Provision for credit losses increased \$38 million, primarily reflecting a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily related to Commercial Finance
- Non-accrual loans as a percent of average loans is essentially unchanged at 0.80%
- Excluding the \$22 million charge-off, net charge-offs were 0.39% of average loans

## Allowance for Loan Losses



vs. Year-ago Quarter

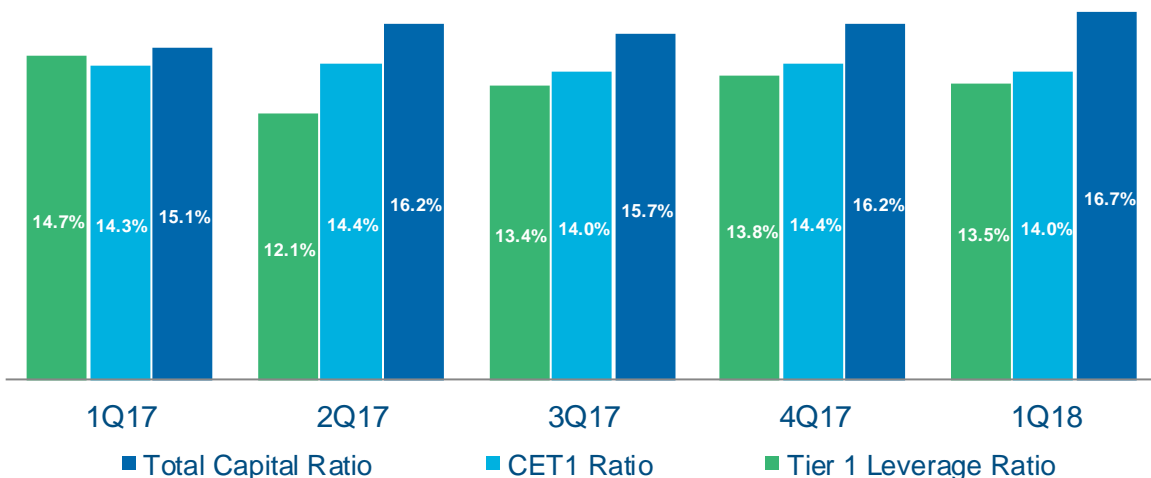
- Provision for credit losses increased \$19 million, primarily reflecting a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily related to Commercial Finance
- Non-accrual loans as a percent of average loans declined 7 bps to 0.80%
- Net charge-offs as a percent of average loans is essentially unchanged, adjusted for the \$22 million charge-off
- Allowance for loan losses flat at 1.52%, with Commercial Banking's ALLL down 6 bps as the benefit of lower reserves on new originations offset the change in mix of the existing portfolio

(1) See appendix page 20 for details on noteworthy items.

(2) As a percent of average loans, excluding loans held for sale, and excluding charge-offs related to the transfer of reverse mortgages to held for sale in 3Q17.

# Strong Capital Position

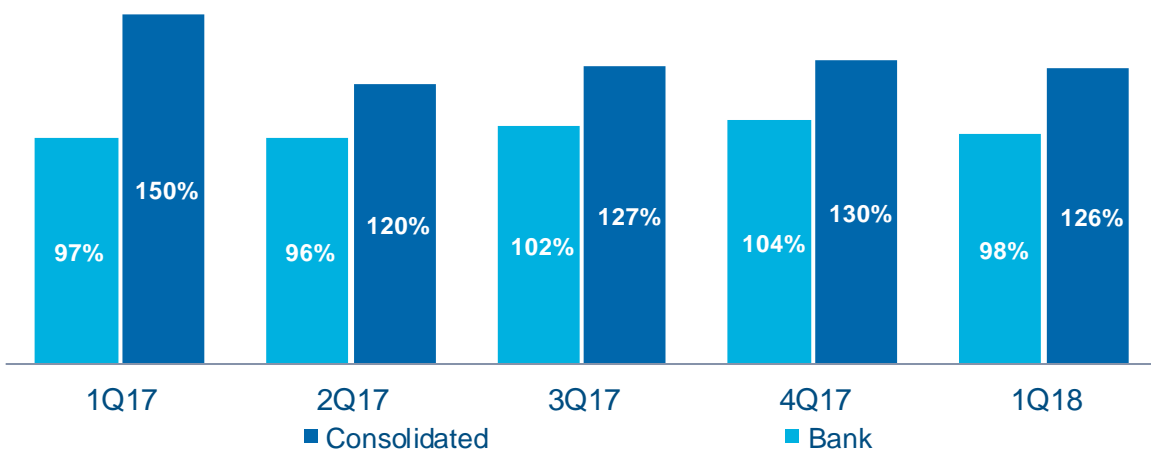
## Risk Based Capital Ratios<sup>(1)</sup>



## Highlights

- vs. Prior Quarter
- CET1 capital ratio decreased approximately 40 bps
  - CET1 capital decreased as share repurchases and unrealized losses on investments in other comprehensive income were partially offset by retained earnings
  - Total capital ratio increased approximately 50 bps, primarily reflecting the issuance of \$400 million of Tier 2 qualifying subordinated debt
  - Risk-weighted assets (RWA) increased slightly, primarily reflecting an increase in loans

## Loans and Leases-to-Deposit Ratio



- vs. Year-ago Quarter
- CET1 capital ratio decreased approximately 30 bps
  - Total capital ratio increased approximately 160 bps, as Tier 1 and Tier 2 qualifying capital issuances and retained earnings more than offset capital distributions

(1) Capital ratios preliminary as of 3/31/18 and are based on fully phased-in Basel III estimates.



# Key Performance Metrics – Continuing Operations

(\$ in millions)	Reported			Excluding Noteworthy Items <sup>(1)</sup>		
	1Q18	4Q17	1Q17	1Q18	4Q17	1Q17
<b>AEA</b>	<b>\$45,265</b>	\$44,562	\$46,639	<b>\$45,265</b>	\$44,562	\$46,639
<b>Core Average Loans and Leases<sup>(2)</sup></b>	<b>\$31,269</b>	\$30,566	\$30,351	<b>\$31,269</b>	\$30,566	\$30,351
<b>Net Finance Margin</b>	<b>3.45%</b>	3.59%	3.57%	<b>3.37%</b>	3.51%	3.57%
<b>Core Operating Expenses<sup>(3)</sup></b>	<b>\$275</b>	\$266	\$291	<b>\$275</b>	\$266	\$291
<b>Net Efficiency Ratio<sup>(4)</sup></b>	<b>55.6%</b>	49.6%	58.6%	<b>56.7%</b>	53.4%	57.7%
<b>Net Charge Offs</b>	<b>0.68%</b>	0.26%	0.37%	<b>0.68%</b>	0.26%	0.37%
<b>Effective Tax Rate<sup>(5)</sup></b>	<b>28.5%</b>	(50.3%)	41.8%	<b>28.6%, 27.3%</b>	27.9%, 39.4%	30.5%, 31.9%
<b>CET1 Ratio</b>	<b>14.0%</b>	14.4%	14.3%	<b>14.0%</b>	14.4%	14.0%
<b>Adjusted ROTCE<sup>(6)</sup></b>	<b>6.83%</b>	8.42%	5.36%	<b>6.40%</b>	8.47%	7.40%

(1) See appendix page 20 for details on noteworthy items.

(2) Core portfolios is net of credit balances of factoring clients and excludes NACCO AHFS, Legacy Consumer Mortgages, and NSP.

(3) Operating expenses exclusive of restructuring costs and intangible asset amortization.

(4) Total operating expenses exclusive of restructuring charges and amortization of intangibles divided by total revenue (net finance revenue and other income).

(5) Under the section excluding noteworthy items, the first value is only excluding noteworthy items, whereas the second value is excluding both noteworthy items and discrete items.

(6) Return on average tangible common equity for continuing operations is adjusted to remove the impact of intangible amortization and goodwill impairment, while average tangible common equity is reduced for disallowed deferred tax assets and, in 1Q17, ~\$3 billion of capital reduction associated with the Commercial Air sale.

# Second Quarter 2018 Outlook

(\$ in millions)	Reported	Excluding Noteworthy Items <sup>(1)</sup>	2Q18 Outlook Commentary	2018 Target
	1Q18	1Q18		
AEA	\$45,265	\$45,265	<ul style="list-style-type: none"> <li>Low-single digit quarterly growth in core average loans and leases, offset by run-off and asset sales in non-core portfolios; AEA flat</li> </ul>	Flat
Core Average Loans and Leases <sup>(2)</sup>	\$31,269	\$31,269		Mid-Single-Digit Growth
Net Finance Margin	3.45%	3.37%	<ul style="list-style-type: none"> <li>Remain in the middle to upper end of the target range</li> </ul>	3.20–3.40%
Core Operating Expenses <sup>(3)</sup>	\$275	\$275	<ul style="list-style-type: none"> <li>Expenses to decrease from seasonally elevated employee expenses during the first quarter</li> </ul>	\$1,050
Net Efficiency Ratio <sup>(4)</sup>	55.6%	56.7%		Mid 50s
Net Charge-offs	0.68%	0.68%	<ul style="list-style-type: none"> <li>Within the annual target range of 35-45 bps excluding any discrete items</li> </ul>	35–45 bps
Effective Tax Rate <sup>(5)</sup>	28.5%	28.6%, 27.3%	<ul style="list-style-type: none"> <li>26-28% excluding discrete items</li> </ul>	26-28% excluding discrete items

## ROTCE

- To achieve ~9.5–10% ROTCE at end of 2018
  - CET1 of ~11.5–12.0%
- Medium-term ROTCE Target to 11–12%
  - CET1 ratio of 10–11%

(1) See appendix page 20 for details on noteworthy items.

(2) Core portfolios is net of credit balances of factoring clients and excludes NACCO AHFS, Legacy Consumer Mortgages, and NSP.

(3) Operating expenses exclusive of restructuring costs and intangible asset amortization.

(4) Total operating expenses exclusive of restructuring charges and amortization of intangibles divided by total revenue (net finance revenue and other income).

(5) Under the section excluding noteworthy items, the first value is only excluding noteworthy items, whereas the second value is excluding both noteworthy items and discrete items.



**A Leading National  
Bank Focused on  
Lending and Leasing to  
the Middle Market and  
Small Businesses**



## Strategic Priorities

**1**

**Maximize  
Potential of Core  
Businesses**

**2**

**Enhance  
Operational  
Efficiency**

**3**

**Reduce Funding  
Costs**

**4**

**Optimize Capital  
Structure**

**5**

**Maintain Strong  
Risk Management**

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# APPENDIX

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# Quarterly Noteworthy Items

(\$ in millions, except for per share data)				Segment	Item	Line Item	Pre-Tax	After-Tax	Per Share <sup>(1)</sup>	Balance Sheet
1Q17	Continuing Operations	Corporate	Entity Restructuring	Tax Provision	-	(\$14)	(\$0.07)			
		Corporate	Restructuring Expenses	Operating Expenses	(\$15)	(\$10)	(\$0.05)			
		NSP	Currency Translation Adjustments	Other Income	(\$8)	(\$7)	(\$0.03)			
	Discontinued Operations		Commercial Air Suspended Depreciation		\$113	\$69	\$0.34			
			Commercial Air Secured Debt Expenses		(\$39)	(\$34)	(\$0.17)			
			TC-CIT Joint Venture Gain		\$14	\$13	\$0.06			
2Q17	Continuing Operations	Corporate	Debt Extinguishment Costs	Debt Extinguishment Costs	(\$165)	(\$100)	(\$0.54)			
		Corporate	Excess Interest Cost <sup>(2)</sup>	Interest Expense	(\$23)	(\$15)	(\$0.08)			
		Corporate	Interest Income <sup>(2)</sup>	Interest Income	\$9	\$6	\$0.03			
		Corporate	Commercial Air Asset Adjustment <sup>(2)</sup>	Average Earning Assets				(\$3,686)		
		Corporate	Resolution of Legacy Tax Items	Tax Provision	-	\$19	\$0.11			
		Corporate	NACCO DTA Recognition	Tax Provision	\$0	\$7	(\$0.04)			
	Corporate	Restructuring Charges	Operating Expenses	(\$3)	(\$2)	(\$0.01)				
	Discontinued Operations		Commercial Air Gain on Sale		\$135	\$100	\$0.54			
		Financial Freedom Net Settlement Items and Servicing Rights Impairment		\$20	\$12	\$0.07				
3Q17	Continuing Operations	Corporate	Strategic Tax Item – Restructuring of an International Legal Entity	Tax Provision	-	\$140	\$1.03			
		Corporate	Debt Redemption	Debt Extinguishment Costs	(\$54)	(\$33)	(\$0.24)			
		Corporate	Restructuring Charges	Operating Expenses	(\$3)	(\$2)	(\$0.02)			
		Commercial Banking	NACCO Suspended Depreciation	Depreciation on Operating Lease Equipment	\$8	\$5	\$0.04			
		Consumer Banking	Financial Freedom Transaction – Impairment on REO	Other Non-Interest Income – Gains on OREO Sales	(\$5)	(\$3)	(\$0.02)			
		Consumer Banking	Financial Freedom Transaction – Impairment on Reverse Mortgage-Related Assets	Other Non-Interest Income – Impairment on Assets Held for Sale	(\$9)	(\$6)	(\$0.04)			
		Consumer Banking	Financial Freedom Transaction – Impairment on HFS HECMs	Other Non-Interest Income – Impairment on Assets Held for Sale	(\$12)	(\$8)	(\$0.06)			
	Consumer Banking	Financial Freedom Transaction – Impairment on HF1 HECMs	Credit Provision/Charge-offs	(\$15)	(\$9)	(\$0.07)				
Discontinued Operations		Financial Freedom Related Impairment		(\$4)	(\$2)	(\$0.02)				
4Q17	Continuing Operations	Corporate	LHHC Methodology Change	Other Income	\$29	\$29	\$0.22			
		Corporate	LHHC Methodology Change	Tax Provision	-	(\$38)	(\$0.29)			
		Corporate	Impact of US Corporate Tax Reform	Tax Provision	-	\$12	\$0.09			
		Commercial Banking	NACCO Suspended Depreciation	Depreciation on Operating Lease Equipment	\$9	\$6	\$0.05			
		Commercial Banking	NACCO Related Tax Items	Tax Provision	-	\$10	\$0.08			
		Commercial Banking	Commercial Goodwill Impairment	Goodwill Impairment	(\$256)	(\$222)	(\$1.69)			
		Corporate	Restructuring Charges	Operating Expenses	(\$32)	(\$20)	(\$0.15)			
1Q18	Continuing Operations	Commercial Banking	NACCO Suspended Depreciation	Depreciation on Operating Lease Equipment	\$9	\$7	\$0.05			

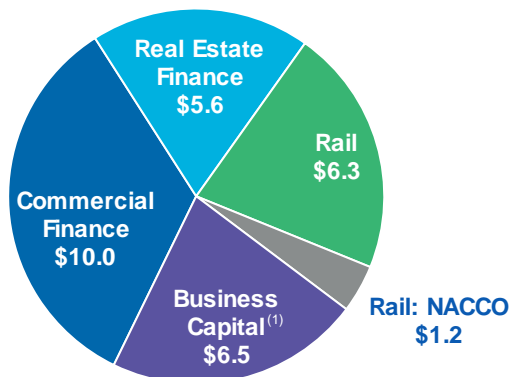
(1) Per share data based on 131.6 million, 131.3 million, 136.1 million, 183.8 million, and 203.3 million shares for 1Q18, 4Q17, 3Q17, 2Q17, and 1Q17, respectively; dollar impacts are rounded.

(2) Excess interest cost, interest income and increase in average earning assets are the result of a timing difference between the receipt of the proceeds from the Commercial Air sale and the completion of the related debt and capital actions.

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

## Commercial Banking

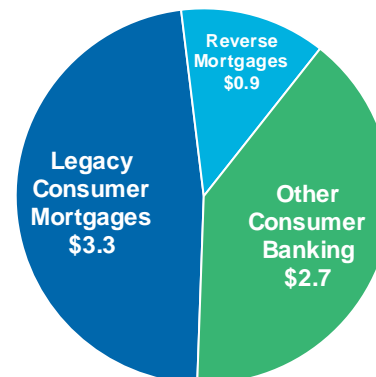
(\$ in billions)



### Average Loans and Leases: \$29.7

- **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 US, Canada and Mexico. Focus on maintaining utilization rate; market demand pressuring renewal pricing. Sale of European Rail business (NACCO) targeted to close in the second half 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. Trusted business partner providing innovative technology, industry expertise and unique residual knowledge.

## Consumer Banking



### Average Loans: \$6.9

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

Certain balances may not sum due to rounding.

(1) Net of credit balances of factoring clients.

# Commercial Banking

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Interest Income	315	315	308	-	-	7	2%
Net Operating Lease Revenues <sup>(1)</sup>	120	120	124	(1)	-	(4)	(3%)
Interest Expense	156	139	120	18	13%	37	30%
<b>Net Finance Revenue</b>	<b>278</b>	<b>296</b>	<b>312</b>	<b>(18)</b>	<b>(6%)</b>	<b>(33)</b>	<b>(11%)</b>
Other Non-Interest Income	78	73	72	5	7%	6	8%
Provision for Credit Losses	67	29	49	39	NM	18	37%
Operating Expenses	183	168	179	15	9%	4	2%
Goodwill Impairment	-	256	-	(256)	NM	-	NM
<b>Pre-tax Income (Loss) from Continuing Operations</b>	<b>106</b>	<b>(83)</b>	<b>156</b>	<b>189</b>	<b>NM</b>	<b>(50)</b>	<b>(32%)</b>

## Key Metrics

Average Earning Assets	30,022	29,507	29,305	514	2%	717	2%
Net Finance Margin	3.71%	4.01%	4.25%	(30) bps		(54) bps	
Net Efficiency Ratio	51.0%	45.1%	46.1%	5.9%		4.9%	
PTI-ROAEA	1.41%	(1.13%)	2.13%	254 bps		(72) bps	

Certain balances may not sum due to rounding.

(1) Net of depreciation and maintenance and other operating lease expenses.

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** decreased \$18 million primarily driven by higher interest expense, as well as lower purchase accounting accretion and prepayment benefits in Commercial Finance and Real Estate Finance and lower net rental income in Rail, partially offset by the benefit of higher interest rates
- **Other Non-Interest Income:** increased \$5 million due to higher gains on the sales of leasing equipment
- **Operating Expenses:** increased \$15 million, reflecting higher legal fees in Rail and higher employee costs
- **Provision for Credit Losses:** increased \$39 million, primarily due to a \$22 million charge-off of a single commercial exposure and a higher level of reserves primarily in Commercial Finance

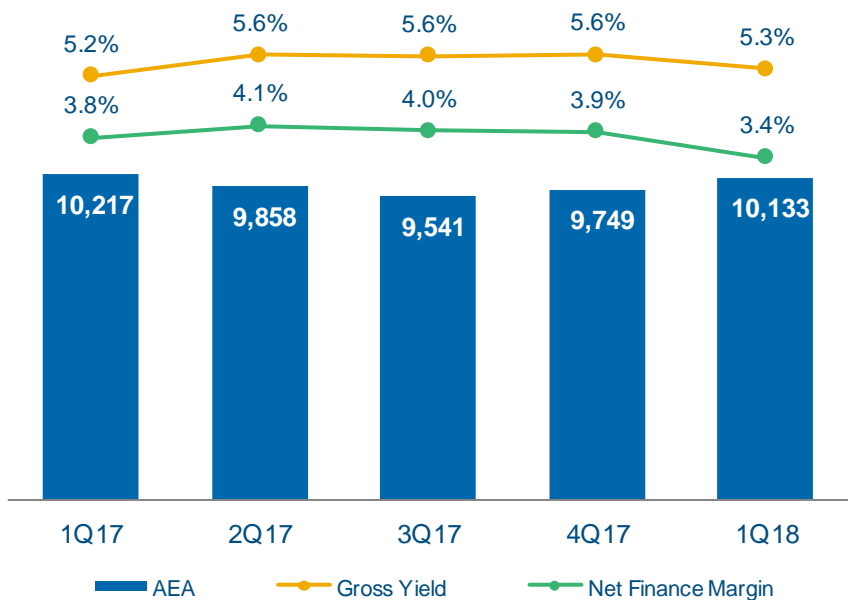
### vs. Year-ago Quarter

- **Net Finance Revenue:** decreased \$43 million primarily due to higher interest expense, lower purchase accounting accretion and lower net rental income in Rail, partially offset by the benefit of higher interest rates on earning assets. This amount excludes the \$9 million benefit of suspended depreciation on our NACCO assets held for sale
- **Other Non-Interest Income:** increased \$6 million due to higher gains on the sales of leasing equipment
- **Operating Expenses:** increased \$4 million primarily due to higher legal fees in Rail and higher employee costs
- **Provision for Credit Losses:** increased \$18 million, mostly attributable to the current quarter's credit activity in Commercial Finance

# Commercial Banking Divisional Performance

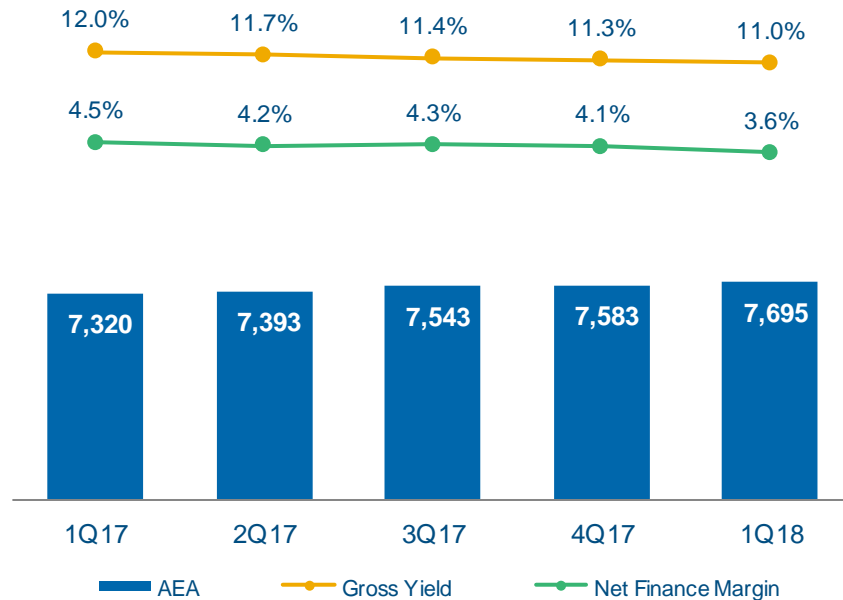
## Commercial Finance

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Average Loans and Leases	10,033	9,655	10,133	379	4%	(100)	(1%)
AEA	10,133	9,749	10,217	384	4%	(84)	(1%)
Net Finance Revenue	86	96	98	(10)	(10%)	(12)	(12%)
Gross Yield	5.30%	5.61%	5.16%			(31) bps	14 bps
Net Finance Margin	3.40%	3.94%	3.83%			(54) bps	(43) bps



## Rail

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Average Loans and Leases	7,570	7,484	7,228	86	1%	342	5%
AEA	7,695	7,583	7,320	112	1%	375	5%
Net Finance Revenue	70	79	82	(9)	(12%)	(12)	(14%)
Gross Yield	11.02%	11.25%	11.98%			(24) bps	(96) bps
Net Finance Margin	3.64%	4.14%	4.47%			(50) bps	(83) bps

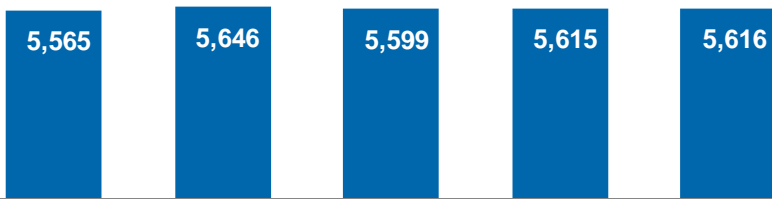
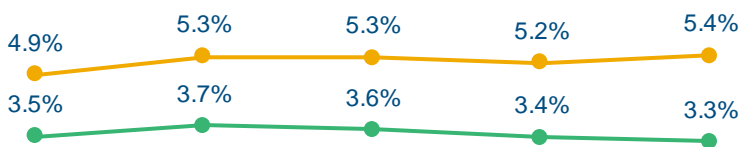




# Commercial Banking Divisional Performance

## Real Estate Finance

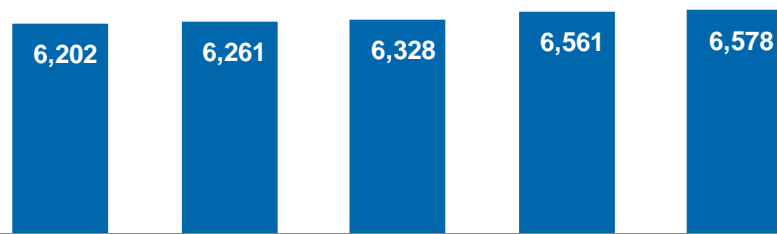
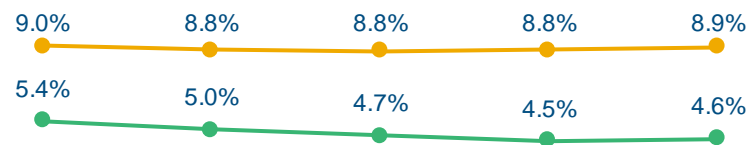
(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Average Loans and Leases	5,616	5,615	5,565	1	-	51	1%
AEA	5,616	5,615	5,565	1	-	51	1%
Net Finance Revenue	47	48	48	(2)	(3%)	(1)	(3%)
Gross Yield	5.36%	5.18%	4.90%	18 bps		46 bps	
Net Finance Margin	3.33%	3.43%	3.46%	(11) bps		(13) bps	



■ AEA    ● Gross Yield    ● Net Finance Margin

## Business Capital

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Average Loans and Leases <sup>(1)</sup>	6,529	6,508	6,124	21	-	405	7%
AEA	6,578	6,561	6,202	17	-	376	6%
Net Finance Revenue	76	73	84	2	3%	(8)	(10%)
Gross Yield	8.94%	8.79%	9.01%	14 bps		(7) bps	
Net Finance Margin	4.60%	4.47%	5.41%	13 bps		(81) bps	



■ AEA    ● Gross Yield    ● Net Finance Margin

(1) Net of credit balances of factoring clients.

# Consumer Banking

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Interest Income	85	84	100	1	1%	(15)	(15%)
Interest (Benefit)	(24)	(20)	(7)	(5)	(23%)	(18)	NM
<b>Net Finance Revenue</b>	<b>110</b>	<b>104</b>	<b>107</b>	<b>6</b>	<b>5%</b>	<b>3</b>	<b>3%</b>
Other Non-Interest Income	12	13	8	(2)	(13%)	4	46%
Provision for Credit Losses	2	2	1	-	NM	1	NM
Operating Expenses	96	104	96	(8)	(7%)	-	NM
<b>Pre-tax Income from Continuing Operations</b>	<b>23</b>	<b>12</b>	<b>18</b>	<b>12</b>	<b>97%</b>	<b>5</b>	<b>28%</b>

## Key Metrics

Average Earning Assets	7,009	6,886	7,292	124	2%	(282)	(4%)
Net Finance Margin	6.25%	6.04%	5.84%	21 bps		41 bps	
Net Efficiency Ratio	75.5%	84.4%	79.5%	(8.9%)		(4.0%)	
PTI-ROAEA	1.34%	0.69%	1.00%	65 bps		34 bps	

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** increased \$6 million driven by an increase in the benefit in interest expense received from the other segments for the value of the excess deposits Consumer Banking generates
- **Other Non-Interest Income:** decreased \$2 million primarily due to a decline in gains on asset sales
- **Provision for Credit Losses:** essentially unchanged
- **Operating Expenses:** decreased \$8 million primarily driven by lower servicing-related costs

### vs. Year-ago Quarter

- **Net Finance Revenue:** increased \$3 million, as higher negative income on the indemnification asset for the covered loans and lower interest income due to suspended purchase accounting accretion from the held for sale reverse mortgage portfolio were offset by an increase in the benefit in interest expense received from the other segments for the value of the excess deposits Consumer Banking generates
- **Other Non-Interest Income:** increased \$4 million due to an increase in gains on asset sales from the reverse mortgage portfolio
- **Provision for Credit Losses:** essentially unchanged
- **Operating Expenses:** essentially unchanged

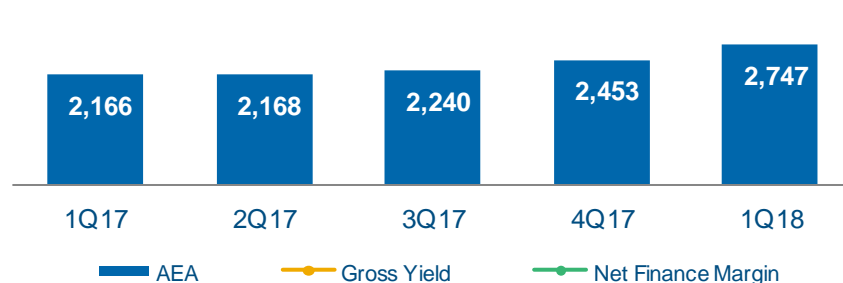
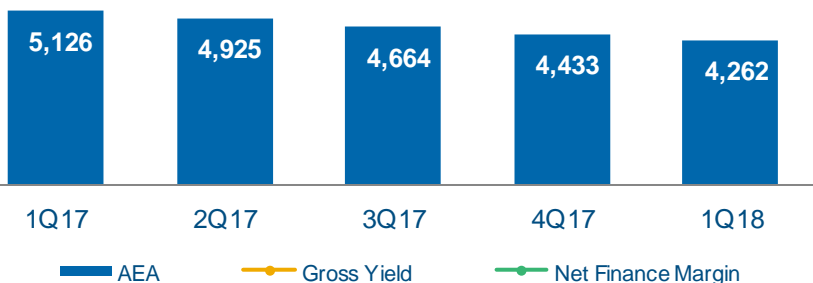
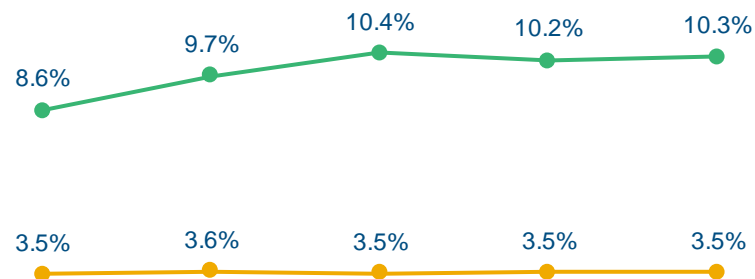
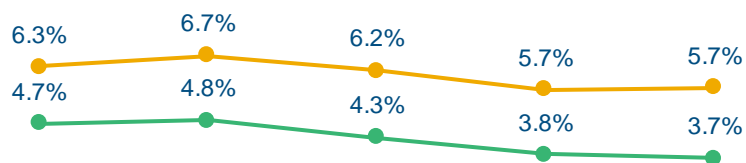
# Consumer Banking Divisional Performance

## Legacy Consumer Mortgage

(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Average Loans and Leases	4,132	4,275	4,798	(143)	(3%)	(666)	(14%)
AEA	4,262	4,433	5,126	(170)	(4%)	(863)	(17%)
Net Finance Revenue	39	42	60	(3)	(6%)	(21)	(35%)
Gross Yield	5.73%	5.66%	6.34%	6 bps		(61) bps	
Net Finance Margin	3.65%	3.75%	4.67%	(10) bps		(102) bps	

## Other Consumer Banking

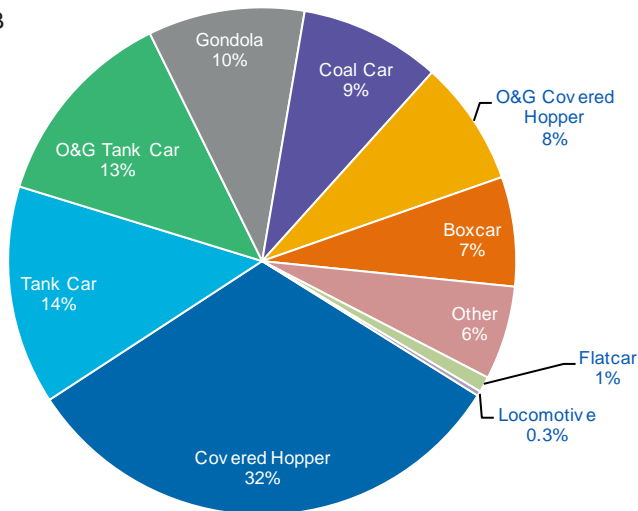
(\$ in millions)	1Q18	4Q17	1Q17	Change from			
				4Q17		1Q17	
				\$	%	\$	%
Average Loans and Leases	2,747	2,453	2,166	294	12%	581	27%
AEA	2,747	2,453	2,166	294	12%	581	27%
Net Finance Revenue	71	62	47	8	13%	24	51%
Gross Yield	3.53%	3.52%	3.46%	1 bps		7 bps	
Net Finance Margin	10.28%	10.18%	8.61%	10 bps		167 bps	



# Diversified North American Rail Fleet

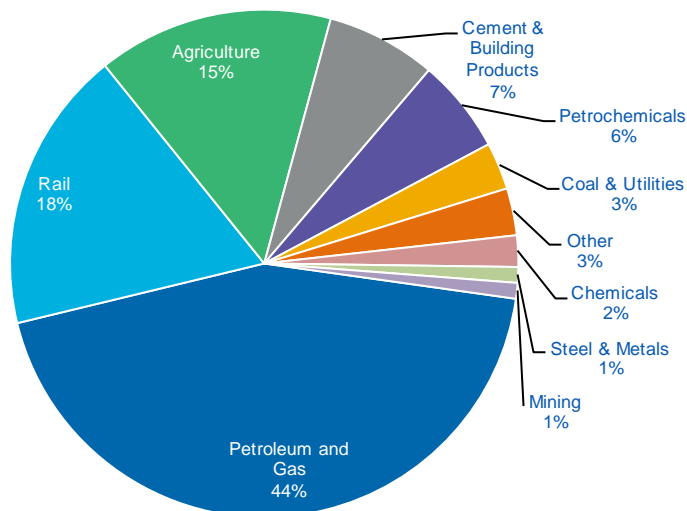
## Fleet by Type

Total Net Investment: ~\$6.3B  
Total Cars: ~117,000



*Operating Leases Only  
O&G = Oil & Gas*

## Operating Leases by Industry



## Highlights

Diversified fleet serving a broad range of customers and industries

- Approximately 500 clients
- ~76% shippers and ~24% railroads
- Strong customer service and long-term customer relationships
- Young, well maintained equipment (average age of 13 years)

Utilization and lease rate trends off peak levels across portfolio

Energy Related Rail Cars:

- Tank cars: ~12,000 for the transportation of crude
- Sand cars: ~9,000 supporting crude and natural gas drilling
- Coal cars: ~10,000 for the transportation of coal

Portfolio Management Strategies:

- Shorten lease terms while lease rates are weaker
- Bank funding on new deliveries
- Selective disposal of non-performing assets
- Divert cars from crude oil to alternative services (e.g. to ethanol and other refined products, etc.)

# Non-GAAP Disclosures<sup>(1)</sup>

	<b>Quarter Ended March 31, 2018</b>	<b>Quarter Ended December 31, 2017</b>	<b>Quarter Ended March 31, 2017</b>
<b>Adjusted Other Non-Interest Income</b>			
<b>Other non-interest income</b>	\$ 104.7	\$ 137.2	\$ 79.1
CTA charge	-	-	8.1
LIHTC Methodology change	-	(29.4)	-
Total other non-interest income, excluding noteworthy items (Non-GAAP)	<u>\$ 104.7</u>	<u>\$ 107.8</u>	<u>\$ 87.2</u>
	<b>Quarter Ended March 31, 2018</b>	<b>Quarter Ended December 31, 2017</b>	<b>Quarter Ended December 31, 2016</b>
<b>Adjusted Operating Expenses<sup>(2)</sup></b>			
<b>Operating expenses</b>	\$ 281.3	\$ 304.0	\$ 311.6
Intangible asset amortization	6.0	6.1	6.2
Restructuring costs	-	31.9	14.8
Operating expenses excluding restructuring costs, intangible assets amortization, and other noteworthy items (Non-GAAP)	<u>\$ 275.3</u>	<u>\$ 266.0</u>	<u>\$ 290.6</u>
Operating expenses (excluding restructuring costs and intangible assets amortization) as a % of AEA (excluding noteworthy items)	<u>2.43%</u>	<u>2.39%</u>	<u>2.49%</u>
	<b>Quarter Ended March 31, 2018</b>	<b>Quarter Ended December 31, 2017</b>	<b>Quarter Ended March 31, 2017</b>
<b>Adjusted Net Efficiency Ratio<sup>(3)</sup></b>			
<b>Total Net Revenue (Non-GAAP)</b>	\$ 495.2	\$ 536.6	\$ 495.7
Suspended depreciation on assets HFS	(9.3)	(8.8)	-
LIHTC Methodology change	-	(29.4)	-
CTA charge	-	-	8.1
Total Net Revenue, excluding noteworthy items (Non-GAAP)	<u>\$ 485.9</u>	<u>\$ 498.4</u>	<u>\$ 503.8</u>
Net Efficiency Ratio	<u>55.6%</u>	<u>49.6%</u>	<u>58.6%</u>
Net Efficiency Ratio excluding noteworthy items	<u>56.7%</u>	<u>53.4%</u>	<u>57.7%</u>

Certain balances may not sum due to rounding.

(1) Reconciliations of non-GAAP measurements to GAAP measurements that are included in our quarterly earnings release are not repeated in this presentation.

(2) Operating expenses exclusive of restructuring costs and intangible amortization is a non-GAAP measure used by management to compare period over period expenses.

(3) Net efficiency ratio is a non-GAAP measurement used by management to measure operating expenses (before restructuring costs and intangible amortization) to the level of total net revenues.

# Non-GAAP Disclosures<sup>(1)</sup>

	<u>Quarter Ended</u> <u>March 31,</u> <u>2018</u>	<u>Quarter Ended</u> <u>December 31,</u> <u>2017</u>	<u>Quarter Ended</u> <u>March 31,</u> <u>2017</u>
<b>Income (loss) from continuing operations applicable to common shareholders</b>	\$ 103.7	\$ (92.6)	\$ 78.2
Goodwill impairment	-	222.1	-
Intangible asset amortization, after tax	4.4	3.7	4.1
Non-GAAP income from continuing operations - for ROTCE calculation	<u>\$ 108.1</u>	<u>\$ 133.2</u>	<u>\$ 82.3</u>
Non-GAAP income from continuing operations (from the non-GAAP noteworthy tables in the Earnings Release)	\$ 96.9	\$ 130.3	\$ 109.4
Intangible asset amortization, after tax	4.4	3.7	4.1
Non-GAAP income from continuing operations - for ROTCE calculation, excluding noteworthy items	<u>\$ 101.3</u>	<u>\$ 134.0</u>	<u>\$ 113.5</u>
Average tangible common equity	\$ 6,332.1	\$ 6,327.5	\$ 9,118.8
Pro forma estimated capital adjustment related to Commercial Air sale	-	-	(2,975.0)
Average tangible common equity pro forma for estimated capital adjustment	<u>\$ 6,332.1</u>	<u>\$ 6,327.5</u>	<u>\$ 6,143.8</u>
ROTCE, proforma for estimated capital adjustment	<u>6.83%</u>	<u>8.42%</u>	<u>5.36%</u>
ROTCE, excluding noteworthy items and proforma for estimated capital adjustment	<u>6.40%</u>	<u>8.47%</u>	<u>7.40%</u>

Certain balances may not sum due to rounding. Capital numbers for current quarter are preliminary.

(1) Selective reconciliations of non-GAAP measurements to GAAP measurements are included in our quarterly earnings release and not repeated in this presentation.

**cit**

The image shows the lowercase letters 'cit' in a bold, blue, sans-serif font. The 'c' is a simple circle with a white cutout. The 'i' is a vertical bar with a grey triangle on its top-right corner, pointing towards the 'c'. The 't' is a vertical bar with a horizontal top bar. The letters are positioned on a white background.