# Second Quarter 2018 Earnings

July 24, 2018

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**Non-GAAP Financial Measures**

This presentation contains references to non-GAAP financial measures, which provide additional information and insight regarding operating results and financial position of the business, including financial information that is presented to rating agencies and other users of financial information. **These non-GAAP measures are not in accordance with, or a substitute for, GAAP and may be different from or inconsistent with non-GAAP financial measures used by other companies.** The definitions of these measures and reconciliations of non-GAAP to GAAP financial information are available in our press release dated July 24, 2018, which is posted on the Investor Relations page of our website at http://ir.cit.com.

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

| | Strategies | 2Q18 Progress |
|---|---|---|
| **1 Maximize Potential of Core Businesses** | ▪ Grow revenues – grow core businesses, enhance fee revenue, and leverage connectivity among businesses<br>▪ Optimize cash and investment portfolio | ✓Average loan and lease growth of 1% in our core portfolios(1)<br>✓Funded volume of $2.9 billion, up 30% from the year-ago quarter, partially offset by significant prepayments |
| **2 Enhance Operational Efficiency** | ▪ Reduce and manage operating expenses<br>▪ Invest in and enhance technology | ✓Operating expenses down 9% from the year-ago quarter<br>✓Remain committed to $1,050 million operating expense initiative |
| **3 Optimize Funding Costs** | ▪ Reduce unsecured debt cost<br>▪ Improve deposit mix to lower cost (relative to index) | ✓Extended unsecured debt maturity profile<br>✓Raised $1.5 billion of average deposits within our Direct Bank |
| **4 Optimize Capital Structure** | ▪ Manage, deploy, and align capital<br>▪ Target 10–11% CET1 ratio | ✓Repurchased 12.5 million shares at an average price of $54.43<br>✓Board authorized return of up to an additional $750 million of capital<br>✓Increased quarterly per share common stock dividend by 56% to $0.25 |
| **5 Maintain Strong Risk Management** | ▪ Maintain credit and operating risk discipline | ✓Completed sale of Financial Freedom reverse mortgage servicing operations<br>✓Credit reserves remain strong at 1.59% for the total portfolio and 1.90% for Commercial Banking |

(1) Core portfolios is net of credit balances of factoring clients and excludes NACCO assets held for sale, Legacy Consumer Mortgages, and our Non-Strategic Portfolio segment.

# Quarterly Earnings Summary – Reported[1]

| ($ in millions, except per share data) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Interest Income | 474 | 451 | 478 | 22 | 5% | (5) | (1%) |
| Net Operating Lease Revenues[2] | 121 | 120 | 121 | 1 | 1% | 0 | 0% |
| Interest Expense | 205 | 181 | 209 | 25 | 14% | (4) | (2%) |
| **Net Finance Revenue** | **389** | **391** | **390** | **(2)** | **(0%)** | **(1)** | **(0%)** |
| Other Non-Interest Income | 135 | 105 | 85 | 31 | 29% | 51 | 60% |
| Operating Expenses | 268 | 281 | 296 | (14) | (5%) | (28) | (10%) |
| Loss on Debt Extinguishment and Deposit Redemption | 19 | 0 | 165 | 19 | NM | (146) | (88%) |
| **Pre-provision Net Revenue** | **238** | **214** | **14** | **24** | **11%** | **224** | **NM** |
| Provision for Credit Losses | 33 | 69 | 4 | (36) | (52%) | 29 | NM |
| **Pre-tax Income from Continuing Operations** | **205** | **145** | **9** | **60** | **41%** | **195** | **NM** |
| Provision (Benefit) for Income Taxes | 57 | 41 | (32) | 16 | 39% | 89 | NM |
| **Income from Continuing Operations** | **147** | **104** | **41** | **44** | **42%** | **106** | **NM** |
| (Loss) Income from Discontinued Operations, Net of Taxes | (21) | (7) | 116 | (14) | NM | (136) | NM |
| **Net Income** | **127** | **97** | **157** | **30** | **31%** | **(30)** | **(19%)** |
| Preferred Dividends | 9 | - | - | 9 | NM | 9 | NM |
| **Net Income Available to Common Shareholders** | **117** | **97** | **157** | **20** | **21%** | **(39)** | **(25%)** |
| Income from Continuing Operations Available to Common Shareholders | 138 | 104 | 41 | 34 | 33% | 97 | NM |
| **Diluted Income per Common Share** | | | | | | | |
| Income from Continuing Operations | $1.11 | $0.79 | $0.22 | $0.32 | 40% | $0.89 | NM |
| (Loss) Income from Discontinued Operations, Net of Taxes | ($0.17) | ($0.05) | $0.63 | ($0.12) | NM | ($0.80) | NM |
| **Diluted Income per Common Share** | **$0.94** | **$0.74** | **$0.85** | **$0.20** | **28%** | **$0.09** | **11%** |
| **Return on Average Earning Assets** | | | | | | | |
| Average Earning Assets | 46,230 | 45,265 | 50,676 | 965 | 2% | (4,446) | (9%) |
| After Tax Return on Average Earnings Assets – Continuing Operations | 1.19% | 0.92% | 0.33% | 28 bps | | 86 bps | |

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** declined $2 million as higher interest income on loans and investments was offset by higher deposit and borrowing costs
- **Other Non-Interest Income:** increased $31 million, primarily attributable to the gain on sale of our reverse mortgage portfolio in conjunction with the Financial Freedom transaction
- **Operating Expenses:** decreased $14 million primarily driven by declines in professional fees, compensation and benefits, and the reversal of a non-income tax-related reserve
- **Provision for Credit Losses:** decreased $36 million, primarily reflecting the prior quarter impacts from the $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%. Excluding discrete items, the effective tax rate was 27%

### vs. Year-ago Quarter

- **Net Finance Revenue:** essentially unchanged
- **Other Non-Interest Income:** increased $51 million as the current quarter includes $29 million in other revenues related to the Financial Freedom transaction, as well as higher bank-owned life insurance (BOLI) income and higher gains on derivatives, and a benefit from the release of reserves related to the OneWest acquisition
- **Operating Expenses:** decreased $28 million reflecting progress on our operating expense reduction initiatives, including declines in professional fees, FDIC insurance costs, and the reversal of a non-income tax-related reserve
- **Provision for Credit Losses:** increased $29 million from $4 million in the year-ago quarter, primarily reflecting year-ago impacts of lower loan balances and net credit benefits from changes in portfolio mix
- **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 items in the year-ago quarter

Certain balances may not sum due to rounding.
(1) See appendix for a non-GAAP reconciliation.
(2) Net of depreciation, maintenance, and other operating lease expenses.

# Quarterly Earnings Summary Excluding Noteworthy Items (Non-GAAP)[1]

| ($ in millions, except per share data) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Interest Income | 474 | 451 | 469 | 22 | 5% | 5 | 1% |
| Net Operating Lease Revenues[2] | 112 | 111 | 121 | 2 | 1% | (9) | (7%) |
| Interest Expense | 205 | 181 | 186 | 25 | 14% | 19 | 10% |
| **Net Finance Revenue** | **380** | **381** | **404** | **(1)** | **(0%)** | **(23)** | **(6%)** |
| Other Non-Interest Income | 106 | 105 | 85 | 1 | 1% | 22 | 25% |
| Operating Expenses | 268 | 281 | 292 | (14) | (5%) | (25) | (8%) |
| Loss on Debt Extinguishment and Deposit Redemption | - | 0 | - | (0) | NM | - | NM |
| **Pre-provision Net Revenue** | **219** | **205** | **196** | **14** | **7%** | **23** | **12%** |
| Provision for Credit Losses | 33 | 69 | 4 | (36) | (52%) | 29 | NM |
| **Pre-tax Income from Continuing Operations** | **186** | **136** | **192** | **50** | **37%** | **(6)** | **(3%)** |
| Provision for Income Taxes | 52 | 39 | 66 | 13 | 34% | (14) | (21%) |
| **Income from Continuing Operations** | **134** | **97** | **126** | **37** | **38%** | **8** | **7%** |
| (Loss) Income from Discontinued Operations, Net of Taxes | (7) | (7) | 3 | - | 0% | (10) | NM |
| **Net Income** | **127** | **90** | **129** | **37** | **41%** | **(2)** | **(1%)** |
| Preferred Dividends | 9 | - | - | 9 | NM | 9 | NM |
| **Net Income Available to Common Shareholders** | **118** | **90** | **129** | **28** | **31%** | **(11)** | **(9%)** |
| Income from Continuing Operations Available to Common Shareholders | 125 | 97 | 126 | 28 | 29% | (1) | (1%) |
| **Diluted Income per Common Share** | | | | | | | |
| Income from Continuing Operations | $1.00 | $ 0.74 | $ 0.68 | $0.26 | 36% | $0.32 | 47% |
| (Loss) Income from Discontinued Operations, Net of Taxes | ($0.05) | $ (0.05) | $ 0.02 | ($0.00) | (5%) | ($0.07) | NM |
| **Diluted Income per Common Share** | **$0.95** | **$ 0.69** | **$ 0.70** | **$0.26** | **38%** | **$0.25** | **35%** |
| **Return on Average Earning Assets** | | | | | | | |
| Average Earning Assets | 46,230 | 45,265 | 46,990 | 965 | 2% | (760) | (2%) |
| After Tax Return on Average Earnings Assets – Continuing Operations | 1.08% | 0.86% | 1.07% | 22 bps | | 1 bps | |

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** decreased by $1 million, primarily due to higher deposit and borrowing costs more than offsetting higher interest income on loans and investments
- **Other Non-Interest Income:** increased $1 million. The current quarter includes $5 million of reverse mortgage portfolio activity and $6 million related to a benefit from the release of reserves related to the OneWest acquisition
- **Operating Expenses:** decrease of $14 million primarily driven by declines in professional fees, compensation and benefits, and the reversal of a $5 million non-income tax-related reserve
- **Provision for Credit Losses:** decreased $36 million from $69 million in the prior quarter, primarily reflecting prior quarter impacts from 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%. Excluding discrete items, the effective tax rate was 27%

### vs. Year-ago Quarter

- **Net Finance Revenue:** decreased by $23 million primarily due to lower purchase accounting accretion, lower gross yields in Rail, higher funding costs, partially offset by higher earnings on investment securities and Commercial Banking loans
- **Other Non-Interest Income:** increased $22 million primarily due to higher gains on derivatives, income from the release of reserves related to the OneWest acquisition, and income from BOLI
- **Operating Expenses:** decrease of $25 million primarily reflecting lower professional fees and FDIC insurance costs, as well as a $5 million non-income tax-related charge in the year-ago quarter for which we recognized a reserve reversal in the current quarter, partially offset by higher advertising and marketing costs, primarily in Consumer Banking
- **Provision for Credit Losses:** increased $29 million from $4 million in the year-ago quarter, primarily reflecting year-ago impacts of lower loan balances and net credit benefits from changes in portfolio mix
- **Income Tax Provision:** effective tax rate of 28%. Excluding discrete items, the effective tax rate was 27%

Certain balances may not sum due to rounding.
(1) See appendix for details on noteworthy items.
(2) Net of depreciation, maintenance, and other operating lease expenses.

# Second Quarter Impact of Noteworthy Items (Non-GAAP)[1]

| *($ in millions, except per share data)* | Continuing Operations | Discontinued Operations | Total Reported |
|---|---|---|---|
| **GAAP Income Available to Common Shareholders** | **$138** | **($21)** | **$117** |
| **GAAP Diluted EPS** | **$1.11** | **($0.17)** | **$0.94** |
| **Noteworthy Items** *(After-Tax):* | | | |
| Financial Freedom Transaction – Primarily Gain on Sale of Reverse Mortgage Portfolio | **$22** | | **$22** |
| NACCO Suspended Depreciation | **$6** | | **$6** |
| Debt Extinguishment Costs | **($14)** | | **($14)** |
| Net Loss on Financial Freedom Servicing Operations – Primarily Reserve and Transaction Costs | | **($14)** | **($14)** |
| **Total Noteworthy Items** | **$14** | **($14)** | **$0** |
| **Non-GAAP Net Income Available to Common Shareholders Excluding Noteworthy Items** | **$125** | **($7)** | **$118** |
| **Non-GAAP Diluted EPS Excluding Noteworthy Items** | **$1.00** | **($0.05)** | **$0.95** |

## Highlights

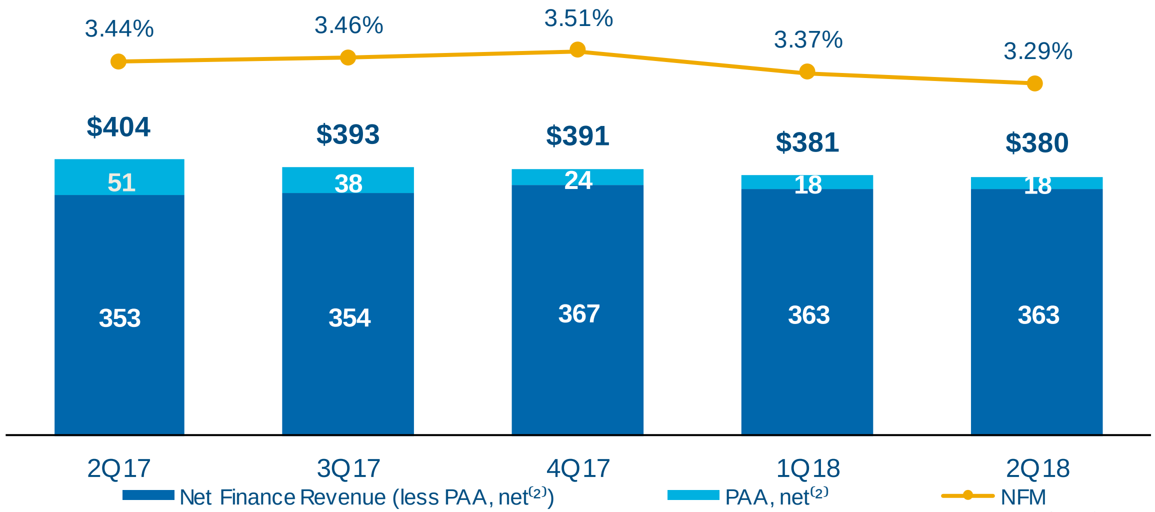
- **Financial Freedom Transaction – Primarily Gain on Sale of Reverse Mortgage Portfolio:** $22 million ($0.17 per diluted common share) after-tax benefit in other non-interest income primarily from the sale of our reverse mortgage portfolio
- **NACCO Suspended Depreciation:** $6 million ($0.05 per diluted common share) after-tax benefit in net finance revenue from the suspension of depreciation of NACCO assets held for sale
- **Debt Extinguishment Costs:** $14 million ($0.11 per diluted common share) after-tax expense related to the refinancing of $883 million of senior unsecured debt following the issuance of $1 billion of unsecured debt in the first quarter
- **Net Loss on Financial Freedom Servicing Operations – Primarily Reserve and Transaction Costs:** $14 million ($0.11 per diluted common share) cumulative after-tax charge in discontinued operations comprising incremental reserves and transaction costs

Certain balances may not sum due to rounding. EPS based on 125 million average diluted shares outstanding. Dollar impacts are rounded.
(1) See appendix for details on noteworthy items.

# Net Finance Margin (NFM) – Continuing Operations (Excluding Noteworthy Items)[1]

## Net Finance Revenue & Net Finance Margin

($ in millions)




| ($ in millions, except yield data) | 2Q18 | | 1Q18 | | 2Q17 | | Change from 1Q18 | Change from 2Q17 |
|---|---|---|---|---|---|---|---|---|
| | Average Balance | Yield | Average Balance | Yield | Average Balance | Yield | Yield | Yield |
| Interest-bearing Deposits | 3,531 | 1.8% | 2,101 | 1.3% | 5,825 | 1.0% | 48 bps | 81 bps |
| Investments and Repurchase Agreements | 6,063 | 2.8% | 6,346 | 2.7% | 5,016 | 2.6% | 5 bps | 14 bps |
| Loans[3][4] | 28,554 | 6.0% | 28,754 | 5.8% | 28,257 | 6.1% | 22 bps | (11) bps |
| Operating Leases, Net[4] | 7,980 | 5.6% | 7,935 | 5.6% | 7,612 | 6.3% | 4 bps | (72) bps |
| Indemnification Assets | 102 | (49.1%) | 131 | (43.5%) | 280 | (13.9%) | (562) bps | NM |
| **Earning Assets** | **46,230** | **5.1%** | **45,265** | **5.0%** | **46,990** | **5.0%** | **10 bps** | **7 bps** |
| Interest-bearing Deposits | 29,550 | 1.5% | 28,595 | 1.4% | 30,223 | 1.3% | 14 bps | 24 bps |
| Borrowings | 9,437 | 4.0% | 9,045 | 3.7% | 10,703 | 3.4% | 32 bps | 60 bps |
| **Interest-bearing Liabilities** | **38,987** | **2.1%** | **37,641** | **1.9%** | **40,925** | **1.8%** | **19 bps** | **29 bps** |

Certain balances may not sum due to rounding.
(1) See appendix 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 $1 million

- Decrease due to higher deposit and borrowing costs more than offsetting higher interest income on loans and investments
- Higher borrowing costs reflect a full quarter of interest expense related to our Tier 2 qualifying subordinated debt, as well as higher borrowing rates on our floating-rate debt

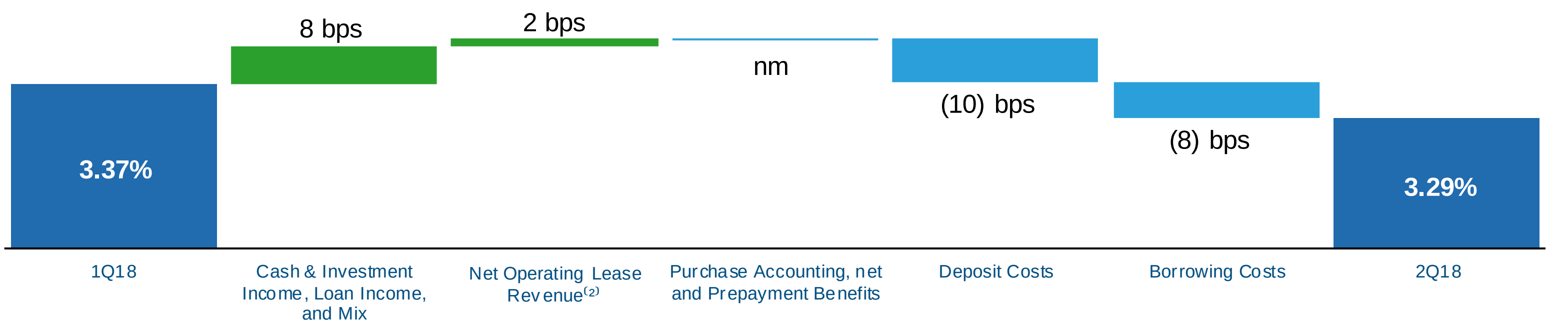
### vs. Year-ago Quarter

Net Finance Revenue decreased by $23 million

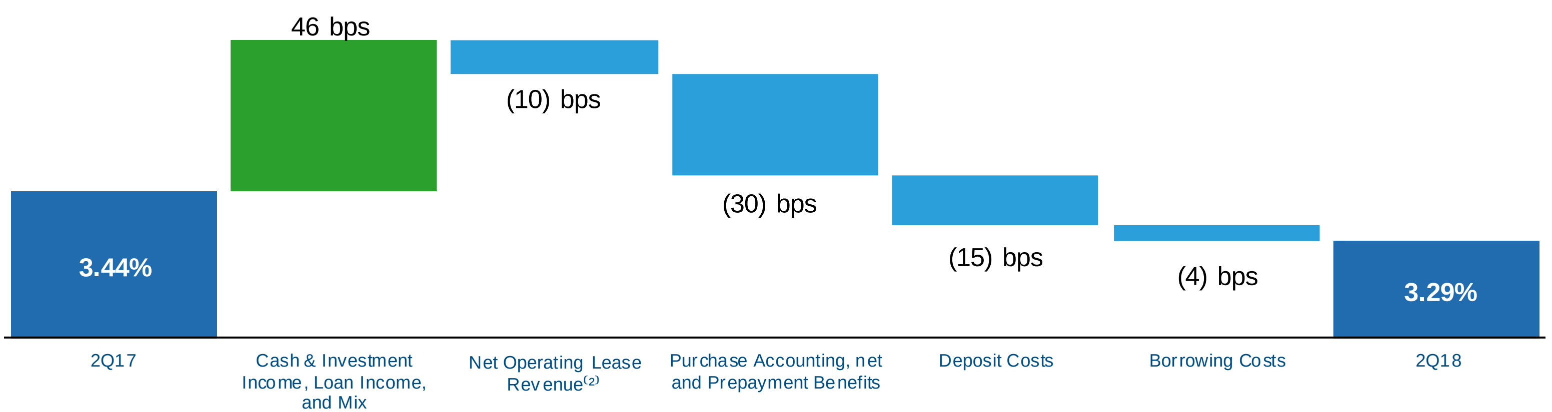
- Decrease primarily due to lower purchase accounting accretion, lower gross yields in Rail, and higher funding costs
- Decrease partially offset by higher earnings from investment securities and Commercial Banking loans

# Net Finance Margin Trends – Continuing Operations (Excluding Noteworthy Items)[1]

## Net Finance Margin Walk 1Q18 to 2Q18



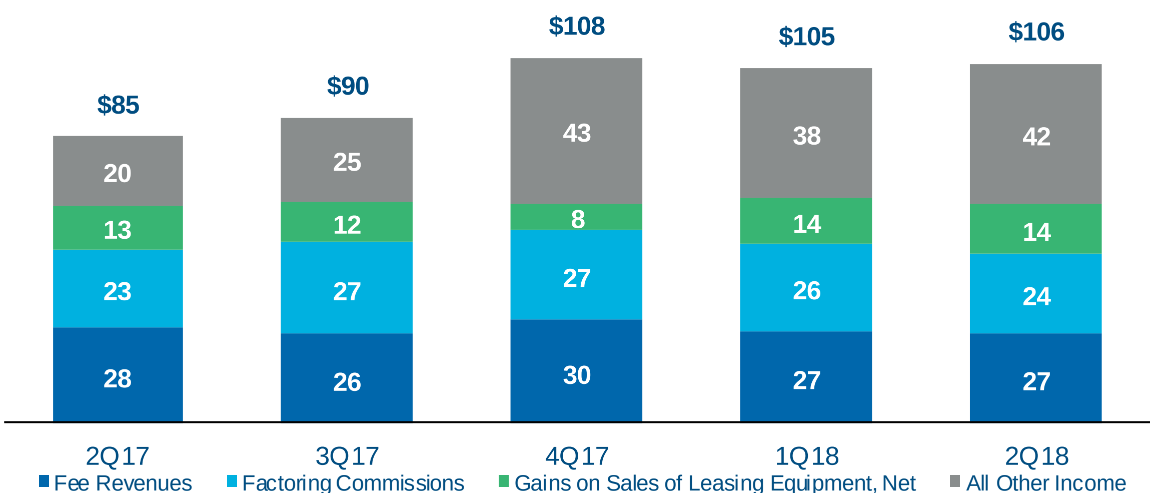

## Net Finance Margin Walk 2Q17 to 2Q18




(1) See appendix for details on noteworthy items.
(2) Net Operating Lease Revenue related to Rail.

# Other Non-Interest Income – Continuing Operations (Excluding Noteworthy Items)[1]

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Fee Revenues | **27** | 27 | 28 | (1) | (3%) | (2) | (6%) |
| Factoring Commissions | **24** | 26 | 23 | (2) | (8%) | 0 | 2% |
| Gains on Sales of Leasing Equipment, Net of Impairments | **14** | 14 | 13 | 1 | 7% | 1 | 11% |
| Other Income: Gains on Investment Securities, Net of Impairments | **4** | 3 | 5 | 0 | 12% | (1) | (18%) |
| Other Income: BOLI Income | **7** | 7 | - | 0 | 2% | 7 | NM |
| Other Income: Other Revenues | **31** | 29 | 16 | 3 | 9% | 16 | NM |
| **Total Other Non-Interest Income** | **106** | **105** | **85** | **1** | **1%** | **22** | **25%** |




Certain balances may not sum due to rounding.
(1) See appendix for details on noteworthy items.

## Highlights

**vs. Prior Quarter**

- Fee income essentially unchanged
- Factoring commissions declined $2 million due to seasonally lower volumes
- Current quarter and prior quarter other revenues included $5 million and $7 million, respectively, of activity related to the reverse mortgage portfolio
- Current quarter other revenues included a $6 million benefit from the release of reserves related to the OneWest acquisition

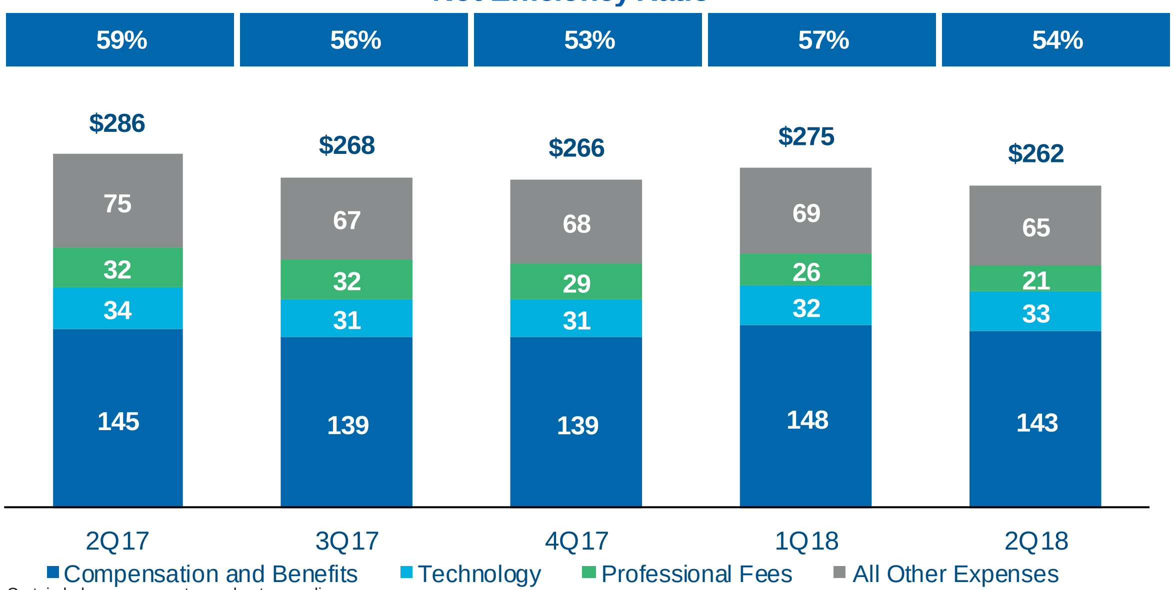
**vs. Year-ago Quarter**

- Other non-interest income increased $22 million
- Increase due to higher gains on derivatives, higher income from the reverse mortgage portfolio, income from the release of reserves related to the OneWest acquisition, and income from BOLI

# Operating Expenses[1] – Continuing Operations (Excluding Noteworthy Items)[2]

| | ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|---|
| | Compensation and Benefits | **143** | 148 | 145 | (5) | (3%) | (2) | (2%) |
| | Technology | **33** | 32 | 34 | 0 | 1% | (1) | (4%) |
| | Professional Fees | **21** | 26 | 32 | (5) | (20%) | (11) | (34%) |
| All Other Expenses | Advertising and Marketing | **13** | 13 | 10 | 0 | 3% | 3 | 29% |
| All Other Expenses | Net Occupancy Expense | **16** | 16 | 15 | (0) | (1%) | 1 | 6% |
| All Other Expenses | Insurance | **19** | 20 | 25 | (1) | (7%) | (6) | (26%) |
| All Other Expenses | Other | **17** | 20 | 25 | (3) | (16%) | (8) | (31%) |
| | **Total Operating Expenses[1]** | **262** | **275** | **286** | **(14)** | **(5%)** | **(25)** | **(9%)** |
| | **Headcount** | **3,843** | **3,898** | **3,994** | **(55)** | **(1%)** | **(151)** | **(4%)** |

## Net Efficiency Ratio [3]




## Highlights

### vs. Prior Quarter

Operating Expenses decreased by 5%

- Decrease primarily driven by declines in professional fees, compensation and benefits, and a $5 million reversal of a non-income tax-related reserve
- The decline in professional fees was partially due to a legal accrual in the prior quarter in our Rail division

### vs. Year-ago Quarter

Operating Expenses decreased by 9%

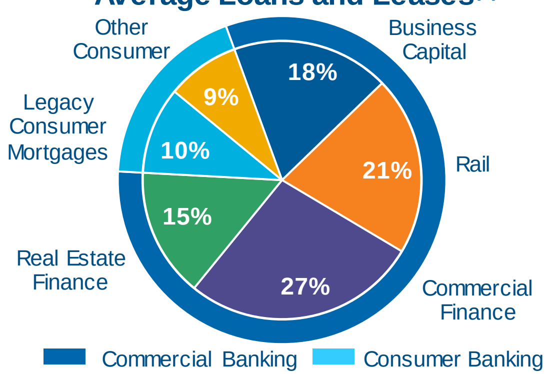
- Decrease primarily reflecting lower professional fees and FDIC insurance costs, as well as a $5 million non-income tax-related charge in the year-ago quarter for which we recognized a reserve reversal in the current quarter
- Decrease partially offset by higher advertising and marketing costs, primarily in Consumer Banking

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 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).

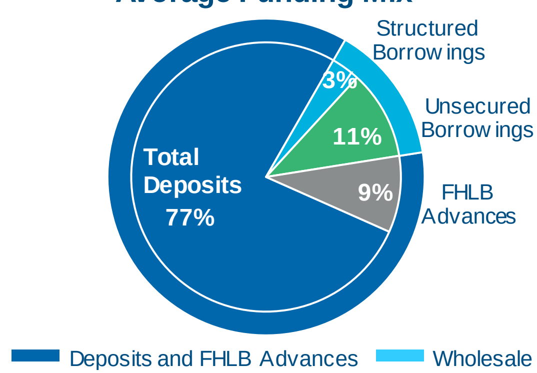
# Consolidated Average Balance Sheet

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Interest-bearing Deposits | **3,531** | 2,101 | 9,511 | 1,430 | 68% | (5,980) | (63%) |
| Investments and Repurchase Agreements | **6,063** | 6,346 | 5,016 | (283) | (4%) | 1,047 | 21% |
| Loans[1] | **28,554** | 28,754 | 28,257 | (200) | (1%) | 297 | 1% |
| Operating Leases, Net | **7,980** | 7,935 | 7,612 | 46 | 1% | 368 | 5% |
| **Total Loans and Leases[2]** | **36,534** | **36,688** | **35,869** | **(154)** | **(0%)** | **665** | **2%** |
| Indemnification Assets | **102** | 131 | 280 | (29) | (22%) | (178) | (64%) |
| **Total Earning Assets (AEA)** | **46,230** | **45,265** | **50,676** | **965** | **2%** | **(4,446)** | **(9%)** |
| Total Non-Earning Assets | **2,501** | 2,495 | 2,332 | 6 | 0% | 169 | 7% |
| Discontinued Assets | **416** | 480 | 1,108 | (64) | (13%) | (692) | (62%) |
| **Total Assets** | **49,147** | **48,241** | **54,116** | **906** | **2%** | **(4,969)** | **(9%)** |
| Total Deposits | **30,964** | 30,051 | 31,634 | 913 | 3% | (670) | (2%) |
| Secured Borrowings | **5,119** | 4,953 | 4,112 | 165 | 3% | 1,007 | 24% |
| Unsecured Borrowings | **4,318** | 4,092 | 6,591 | 226 | 6% | (2,273) | (34%) |
| **Total Borrowed Funds and Deposits** | **40,401** | **39,097** | **42,337** | **1,304** | **3%** | **(1,936)** | **(5%)** |
| Other Liabilities | **1,401** | 1,406 | 1,609 | (5) | (0%) | (208) | (13%) |
| Discontinued Liabilities | **419** | 497 | 905 | (78) | (16%) | (486) | (54%) |
| **Total Liabilities** | **42,222** | **41,000** | **44,851** | **1,222** | **3%** | **(2,629)** | **(6%)** |
| **Total Stockholders' Equity** | **6,926** | **7,241** | **9,265** | **(315)** | **(4%)** | **(2,339)** | **(25%)** |
| **Total Liabilities and Equity** | **49,147** | **48,241** | **54,116** | **907** | **2%** | **(4,969)** | **(9%)** |
| **Balance Sheet Excluding Noteworthy Items** | | | | | | | |
| Interest-bearing Deposits and Investments | **9,594** | 8,446 | 10,841 | 1,147 | 14% | (1,247) | (12%) |
| Total Earnings Assets | **46,230** | 45,265 | 46,990 | 965 | 2% | (760) | (2%) |
| Unsecured Borrowings | **4,318** | 4,092 | 4,856 | 226 | 6% | (538) | (11%) |

## Average Loans and Leases[3]




## 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.

## Highlights

### vs. Prior Quarter

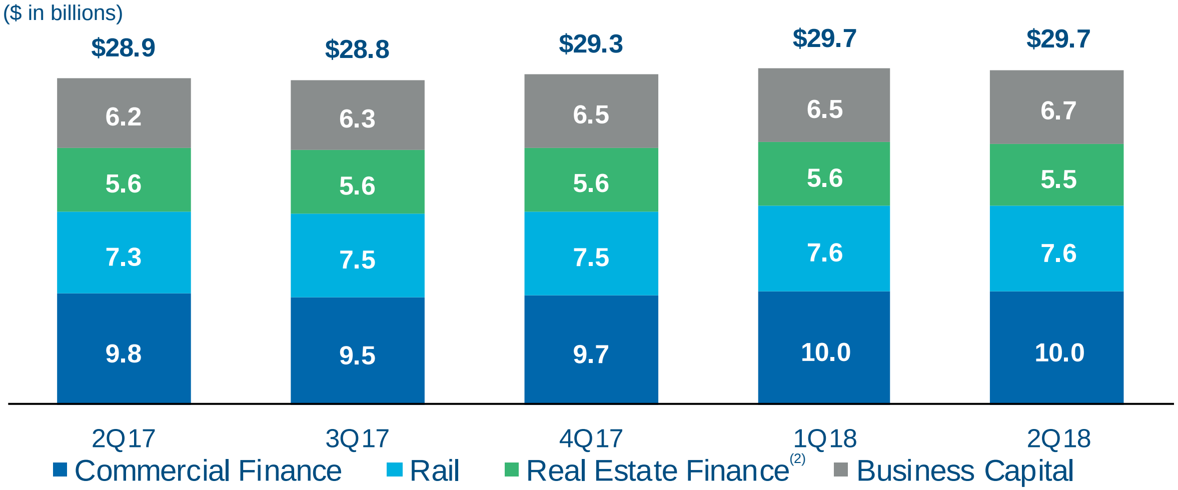
- Average earning assets increased 2% primarily reflecting the timing of the sale of the reverse mortgage portfolio and certain liability management and capital actions
- Average deposit growth of 3% reflects growth in our online deposit channel
- Average unsecured borrowing growth of 6% primarily reflects the prior-quarter issuance of Tier 2 qualifying subordinated debt

### vs. Year-ago Quarter

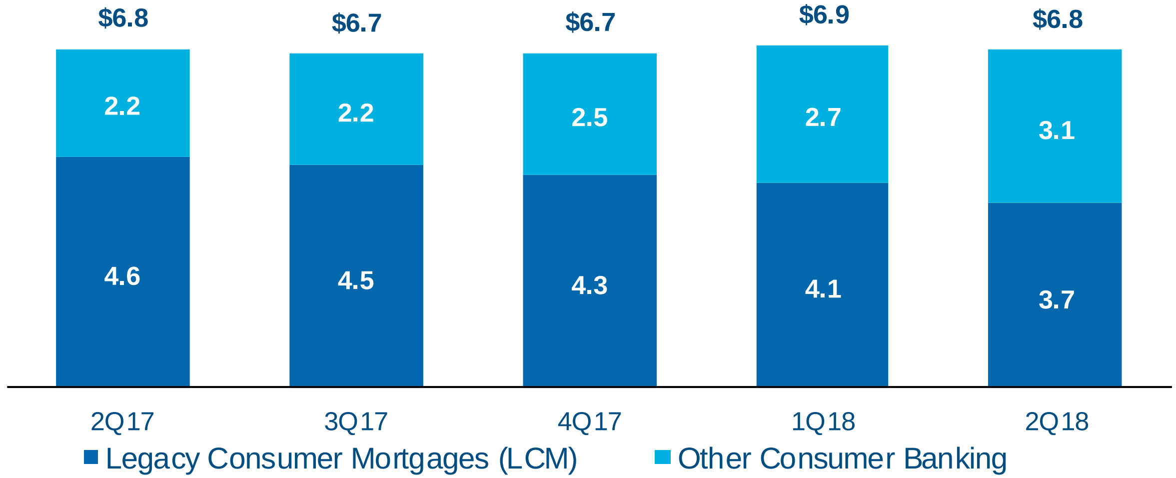
- Average earning assets decreased 9% primarily reflecting year-ago elevated cash balances for the period between the closing of the Commercial Air sale and related liability management and capital actions, partially offset by growth of investment securities, as well as growth of loans and leases
- Average deposits decreased 2% due to the reduction of Brokered and certain Commercial deposits
- Average unsecured borrowings decreased in relation to the sale of our Commercial Air business

# Commercial Banking and Consumer Banking Average Loans and Leases[1]

## Commercial Banking




## Consumer Banking




## Highlights

**Commercial Banking**

Rail includes $1.2 billion of NACCO assets held for sale

- **Vs. Prior Quarter:** Average loans and leases were flat, reflecting growth in Business Capital offset by declines in Real Estate Finance and Commercial Finance, which were impacted by higher prepayment rates in the current quarter
- **Vs. Year-ago Quarter:** Average loans and leases increased 3%, reflecting asset growth in Commercial Finance, Rail, and Business Capital

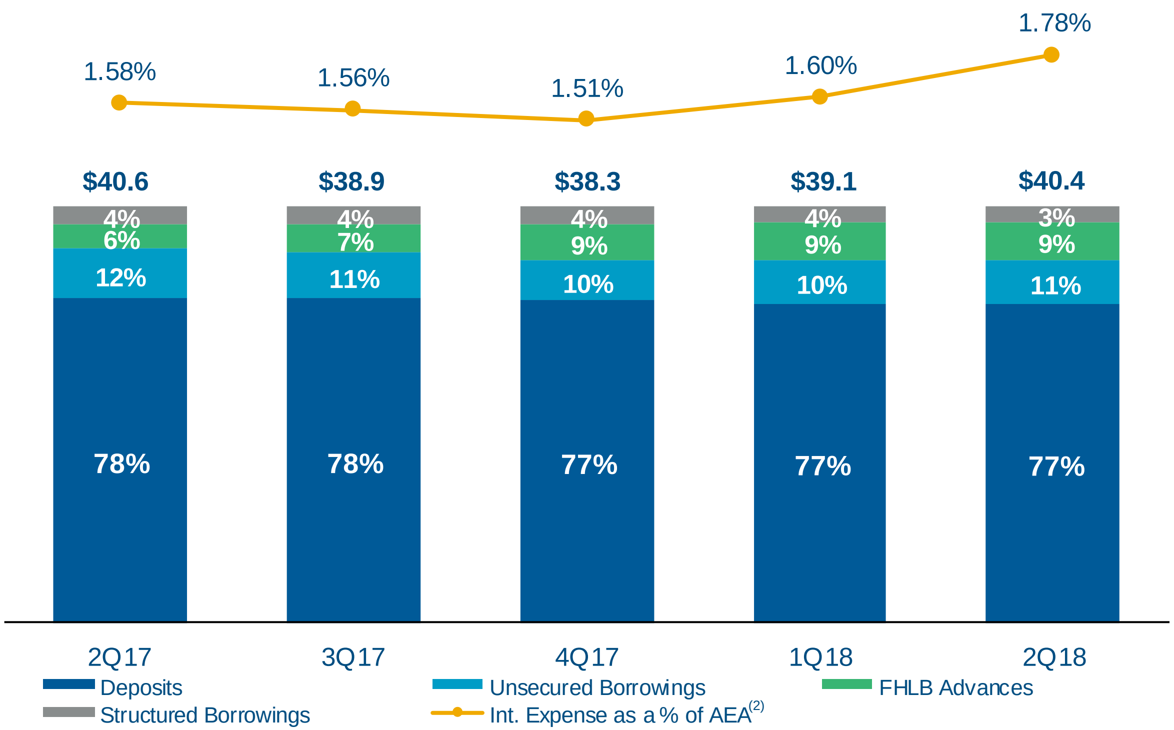
**Consumer Banking**

- **Vs. Prior Quarter:** Average loans declined 1% due to the sale of our reverse mortgage portfolio in relation to the Financial Freedom transaction which was partially offset by growth in Other Consumer Banking
- **Vs. Year-ago Quarter:** Average loans were flat due to run-off in LCM, and the sale of our reverse mortgage portfolio within the current quarter, 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 $613 million, $647 million, $684 million, $728 million, and $765 million for 2Q18, 1Q18, 4Q17, 3Q17, and 2Q17, respectively.

# Average Funding Mix

| ($ in millions) | 2Q18 | | 1Q18 | | 2Q17 | | Change from 1Q18 | Change from 2Q17 |
|---|---|---|---|---|---|---|---|---|
| | *Average Balance* | *%* | *Average Balance* | *%* | *Average Balance* | *%* | *Balance* | *Balance* |
| Total Deposits | 30,964 | 77% | 30,051 | 77% | 31,634 | 78% | 913 | (670) |
| Unsecured Borrowings[1] | 4,318 | 11% | 4,092 | 10% | 4,856 | 12% | 226 | (538) |
| FHLB Advances | 3,711 | 9% | 3,454 | 9% | 2,407 | 6% | 257 | 1,304 |
| Structured Borrowings | 1,408 | 3% | 1,499 | 4% | 1,705 | 4% | (92) | (297) |
| **Total Borrowed Funds and Deposits** | **40,401** | **100%** | **39,097** | **100%** | **40,602** | **100%** | **1,304** | **(201)** |



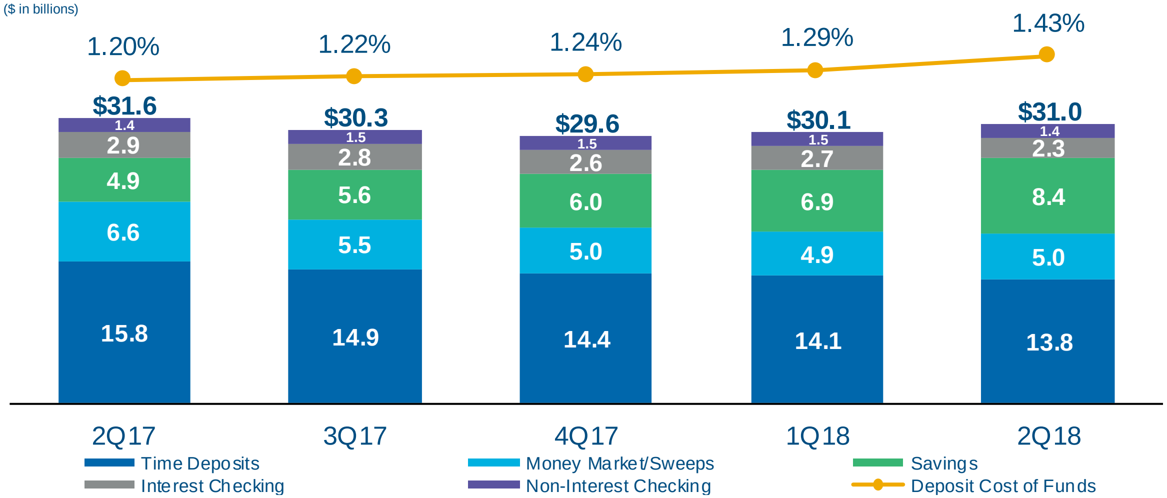

Certain balances may not sum due to rounding.
(1) Reflects a $1,735 adjustment in 2Q17 related to the timing of the completion of the Commercial Air related debt repayment.
(2) Interest expense and average earnings assets are exclusive of noteworthy items; see appendix or details on noteworthy items.

## Highlights

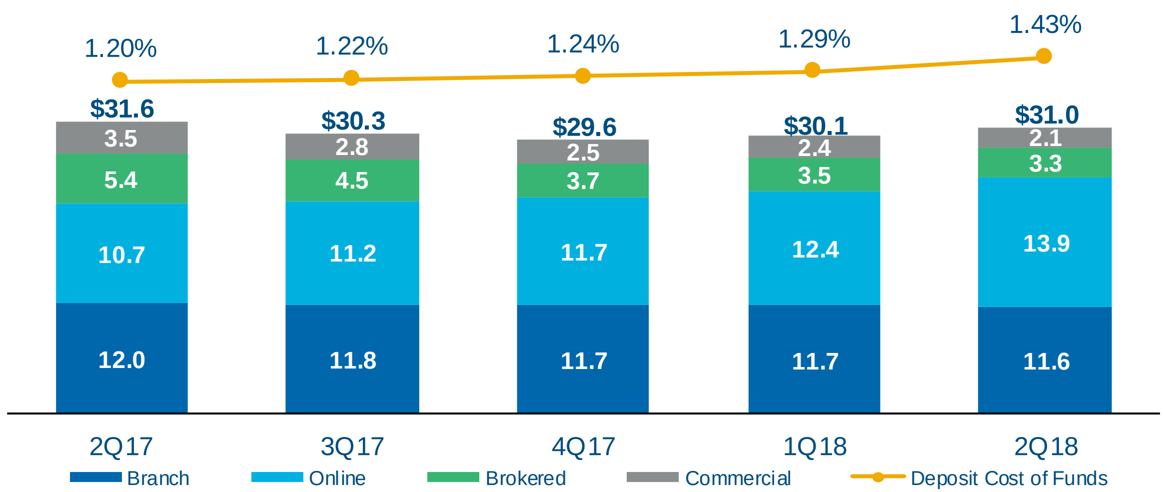
- The current quarter reflects $1.4 billion of unsecured issuances in the prior quarter followed by redemption of $883 million of unsecured debt this quarter
- Average deposits increased approximately $900 million sequentially reflecting growth within our Direct Bank
- Average wholesale funding is 14% of total funding down from 16% in the year-ago quarter
- Interest expense as a percent of AEA increased 18 basis points sequentially, which is primarily attributable to higher deposit costs, as well as higher borrowing rates on floating-rate debt and a full-quarter impact of the $400 million issuance of Tier 2 qualifying subordinated debt

# Average Deposit Mix and Cost of Funds

## Deposits by Type




## Deposits by Channel




## Highlights

### vs. Prior Quarter

- Average deposit costs increased 14 basis points reflecting increases in average money market account balances and the retail time deposit rate, partially offset by a reduction in higher-cost brokered deposits
- Average deposits increased approximately $900 million, driven by growth within our Direct Bank, partially offset by declines in our brokered and commercial channels

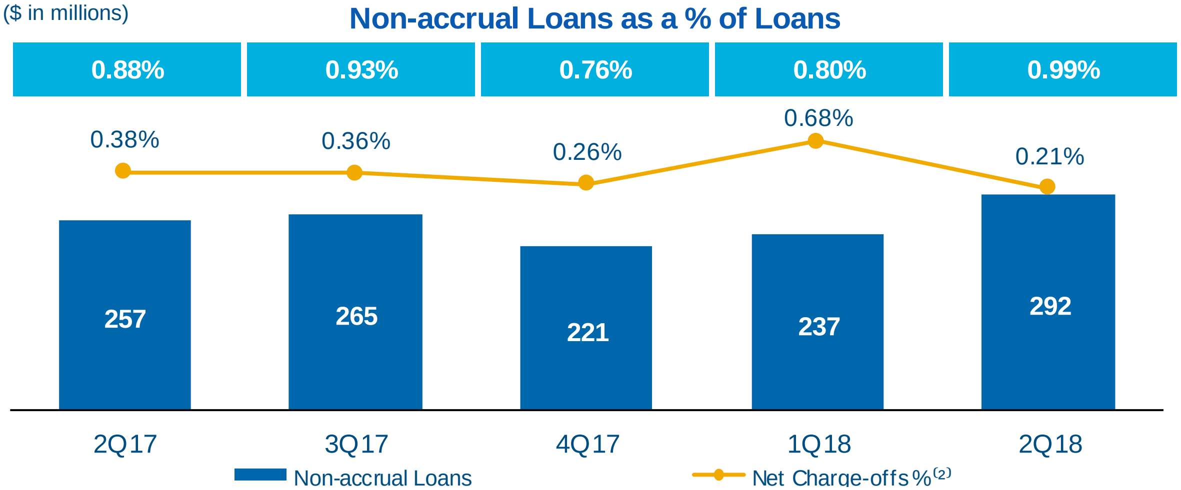
### vs. Year-ago Quarter

- Average deposit costs increased 23 basis points despite four rate hikes over the past five quarters
- Continuing to shift mix of deposits away from higher-cost brokered and commercial deposits
- 38% decline in brokered deposits

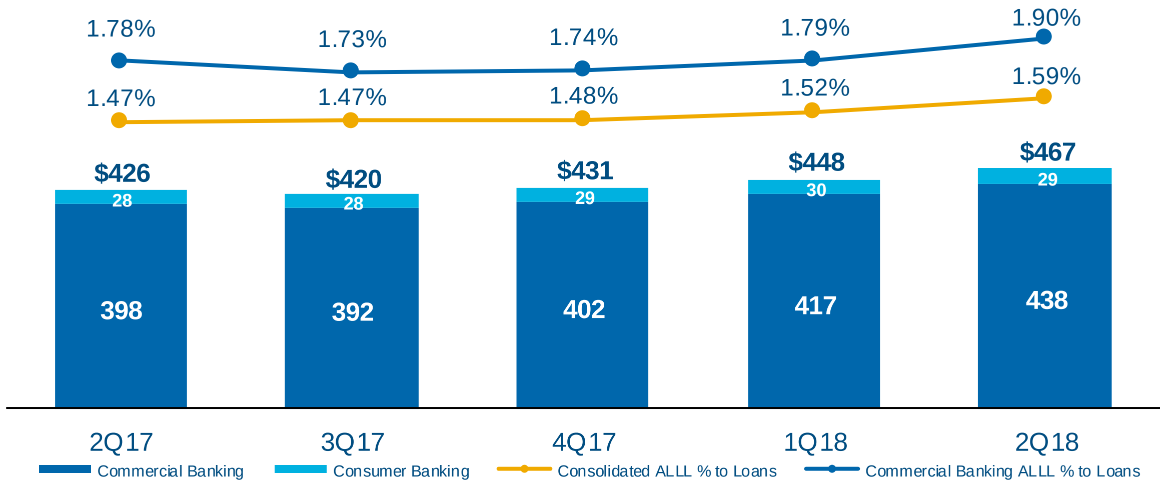
# Asset Quality Trends – Continuing Operations (Excluding Noteworthy Items)[1]

## Non-accrual Loans & Net Charge-offs

($ in millions)




## Allowance for Loan Losses




## Highlights

### vs. Prior Quarter

- Provision for credit losses of $33 million in the current quarter decreased $36 million from $69 million in the prior quarter, primarily reflecting prior quarter impacts from 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 increased primarily in our Commercial Finance division

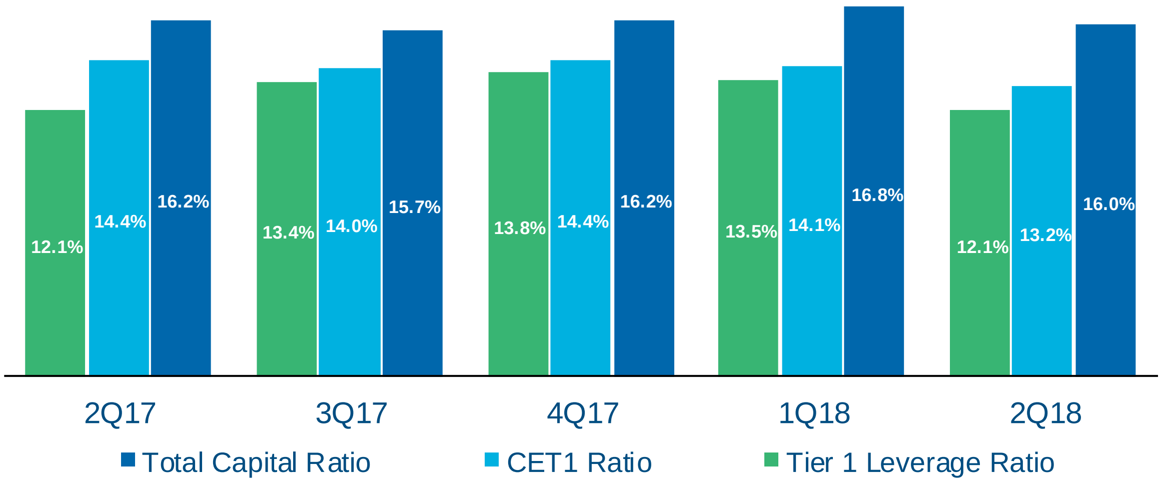
### vs. Year-ago Quarter

- Provision for credit losses of $33 million in the current quarter increased $29 million from $4 million in the year-ago quarter, primarily reflecting year-ago impacts of lower loan balances and net credit benefits from changes in portfolio mix
- Non-accrual loans as a percent of average loans increased 11 basis points to 0.99%
- Net charge-offs as a percent of average loans improved 17 basis points to 0.21%
- Allowance for loan losses up 12 basis points to 1.59%, mostly attributable to Commercial Banking

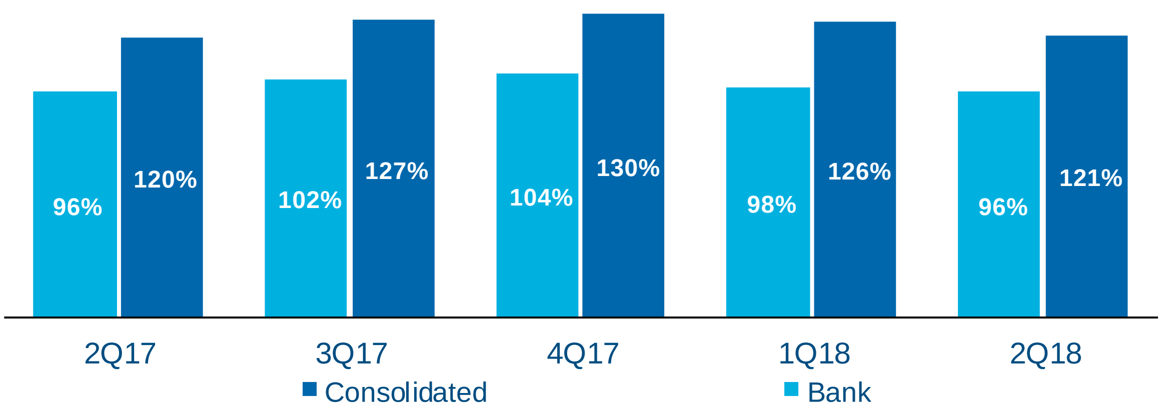
(1) See appendix for details on noteworthy items.
(2) As a percent of average loans, excluding loans held for sale, and excluding charge-offs related to the transfer of reverse mortgages to held for sale in 3Q17.

# Strong Capital Position

## Risk Based Capital Ratios[1]




## Loans and Leases-to-Deposit Ratio




## Highlights

### vs. Prior Quarter

- CET1 capital ratio decreased 90 basis points from the prior quarter and remains strong at 13.2%
- Approximately 12.5 million shares were repurchased during the quarter at an average price of $54.43
- Total capital ratio decreased approximately 80 basis points
- Risk-weighted assets (RWA) decreased approximately $1.3 billion associated with our investment portfolio strategy to optimize out of higher-RWA securities, as well as the sale of our reverse mortgage portfolio, and seasonally lower balances related to our factoring business

### vs. Year-ago Quarter

- CET1 capital ratio decreased approximately 120 basis points
- Total capital ratio decreased approximately 20 basis points, as capital distributions more than offset retained earnings and Tier 1 and Tier 2 qualifying capital issuances

(1) Capital ratios are preliminary.

# Key Performance Metrics – Continuing Operations

| ($ in millions) | Reported 2Q18 | Reported 1Q18 | Reported 2Q17 | Excluding Noteworthy Items(1) 2Q18 | Excluding Noteworthy Items(1) 1Q18 | Excluding Noteworthy Items(1) 2Q17 |
|---|---|---|---|---|---|---|
| AEA | **$46,230** | $45,265 | $50,676 | **$46,230** | $45,265 | $46,990 |
| Core Average Loans and Leases(2) | **$31,568** | $31,269 | $30,139 | **$31,568** | $31,269 | $30,139 |
| Net Finance Margin | **3.37%** | 3.45% | 3.07% | **3.29%** | 3.37% | 3.44% |
| Core Operating Expenses(3) | **$262** | $275 | $286 | **$262** | $275 | $286 |
| Net Efficiency Ratio(4) | **50%** | 56% | 60% | **54%** | 57% | 59% |
| Net Charge Offs | **0.21%** | 0.68% | 0.38% | **0.21%** | 0.68% | 0.38% |
| Effective Tax Rate(5) | **28%** | 28% | (343%) | **28%, 27%** | 29%, 27% | 34%, 36% |
| CET1 Ratio | **13.2%** | 14.1% | 14.4% | **13.2%** | 14.1% | 14.4% |
| Adjusted ROTCE(6) | **9.4%** | 6.8% | 2.8% | **8.6%** | 6.4% | 8.1% |

(1) See appendix 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.

# Third Quarter 2018 Outlook

| ($ in millions) | Reported 2Q18 | Excluding Noteworthy Items(1) 2Q18 | 3Q18 Outlook Commentary | 2018 Target |
|---|---|---|---|---|
| **AEA** | $46,230 | **$46,230** | ▪ AEA flat reflecting core loan growth, offset by run-off and asset sales in non-core portfolios | **Flat** |
| **Core Average Loans and Leases(2)** | $31,568 | **$31,568** | ▪ Low-single digit quarterly growth in core average loans and leases | **Mid-Single-Digit Growth** |
| **Net Finance Margin** | 3.37% | **3.29%** | ▪ Flat around middle of target range | **3.20–3.40%** |
| **Core Operating Expenses(3)** | $262 | **$262** | ▪ Quarterly expense run rate to decrease given full year target of $1,050 million | **$1,050** |
| **Net Efficiency Ratio(4)** | 50% | **54%** | ▪ Other non-interest income to decline from lack of reverse mortgage activity and other non-recurring items | **Mid 50s** |
| **Net Charge-offs** | 0.21% | **0.21%** | ▪ Within the annual target range of 35-45 bps | **35–45 bps** |
| **Effective Tax Rate(5)** | 28% | **28%, 27%** | ▪ 26-28% excluding discrete items | **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 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.

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

**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. Optimize Funding Costs
4. Optimize Capital Structure
5. Maintain Strong Risk Management

# APPENDIX

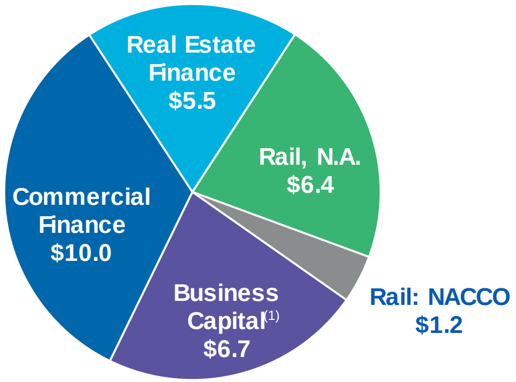
# Quarterly Noteworthy Items

| ($ in millions, except for per share data) | | Segment | Item | Line Item | Pre-Tax | After-Tax | Per Share[1] | Balance Sheet |
|---|---|---|---|---|---|---|---|---|
| 2Q17 | Continuing Operations | Corporate | Debt Extinguishment Costs | Debt Extinguishment Costs | ($165) | ($100) | ($0.54) | |
| | | Corporate | Excess Interest Cost[2] | Interest Expense | ($23) | ($15) | ($0.08) | |
| | | Corporate | Interest Income[2] | Interest Income | $9 | $6 | $0.03 | |
| | | Corporate | Commercial Air Asset Adjustment[2] | Average Earning Assets | | | | ($3,686) |
| | | Corporate | Resolution of Legacy Tax Items | Tax Provision | - | $19 | $0.11 | |
| | | Corporate | NACCO DTA Recognition | Tax Provision | - | $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 HFI HECMs | Credit Provision/Charge-offs | ($15) | ($9) | ($0.07) | |
| | Discontinued Operations | | Financial Freedom Related Impairment | | ($4) | ($2) | ($0.02) | |
| 4Q17 | Continuing Operations | Corporate | LIHTC Methodology Change | Other Non-Interest Income – Other Revenue | $29 | $29 | $0.22 | |
| | | Corporate | LIHTC 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 | |
| 2Q18 | Continuing Operations | Consumer Banking | Financial Freedom Transaction – Primarily Gain on Sale of Reverse Mortgage Portfolio | Other Non-Interest Income – Other Revenue | $29 | $22 | $0.17 | |
| | | Commercial Banking | NACCO Suspended Depreciation | Depreciation on Operating Lease Equipment | $9 | $6 | $0.05 | |
| | | Corporate | Debt Redemption | Debt Extinguishment Costs | ($19) | ($14) | ($0.11) | |
| | Discontinued Operations | | Net Loss on Financial Freedom Servicing Ops. – Primarily Reserve & Transaction Costs | | ($19) | ($14) | ($0.11) | |

(1) Per share data based on 125 million, 132 million, 131 million, 136 million, and 184 million shares for 2Q18, 1Q18, 4Q17, 3Q17, and 2Q17, 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

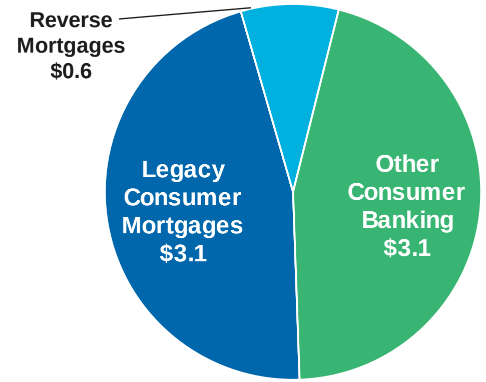
## Commercial Banking




**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: $6.8**

- **Legacy Consumer Mortgages**: Run-off legacy consumer mortgage portfolio. High margins and loss share agreement. Reverse mortgage portfolio 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 – Reported

| *($ in millions)* | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Interest Income | **330** | 315 | 317 | 16 | 5% | 14 | 4% |
| Net Operating Lease Revenues[(1)] | **121** | 120 | 121 | 1 | 1% | 0 | 0% |
| Interest Expense | **177** | 156 | 128 | 21 | 13% | 49 | 38% |
| **Net Finance Revenue** | **274** | **278** | **309** | **(4)** | **(2%)** | **(35)** | **(11%)** |
| Other Non-Interest Income | **73** | 78 | 75 | (5) | (6%) | (2) | (2%) |
| Provision for Credit Losses | **33** | 67 | (0) | (34) | (51%) | 33 | NM |
| Operating Expenses | **171** | 183 | 177 | (12) | (6%) | (5) | (3%) |
| **Pre-tax Income from Continuing Operations** | **143** | **106** | **208** | **36** | **34%** | **(65)** | **(31%)** |

| **Key Metrics** | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Earning Assets | **29,965** | 30,022 | 29,159 | (57) | (0%) | 806 | 3% |
| Net Finance Margin | **3.66%** | 3.71% | 4.24% | (5) bps | | (58) bps | |
| Net Efficiency Ratio | **49.0%** | 51.0% | 45.6% | (2.0%) | | 3.4% | |
| PTI-ROAEA | **1.90%** | 1.41% | 2.85% | 49 bps | | (95) bps | |

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** decreased $4 million primarily driven by higher interest expense, partially offset by an increase in interest income from higher interest rates on floating-rate earning assets
- **Provision for Credit Losses:** decreased $34 million, primarily due to the prior quarter impacts from 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 $35 million primarily due to higher interest expense and lower purchase accounting accretion, partially offset by an increase in interest income from higher interest rates on floating-rate earning assets
- **Provision for Credit Losses:** increased $33 million, primarily due to a higher reserve rate in the current quarter and from a decrease in loan balances and changes in portfolio mix in the year-ago quarter

Certain balances may not sum due to rounding.
(1) Net of depreciation and maintenance and other operating lease expenses.

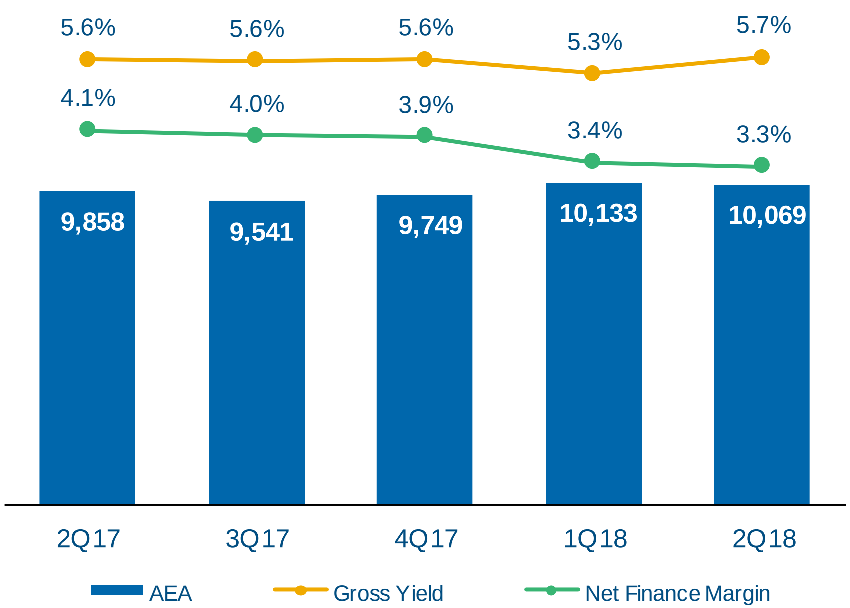
# Commercial Banking Divisional Performance

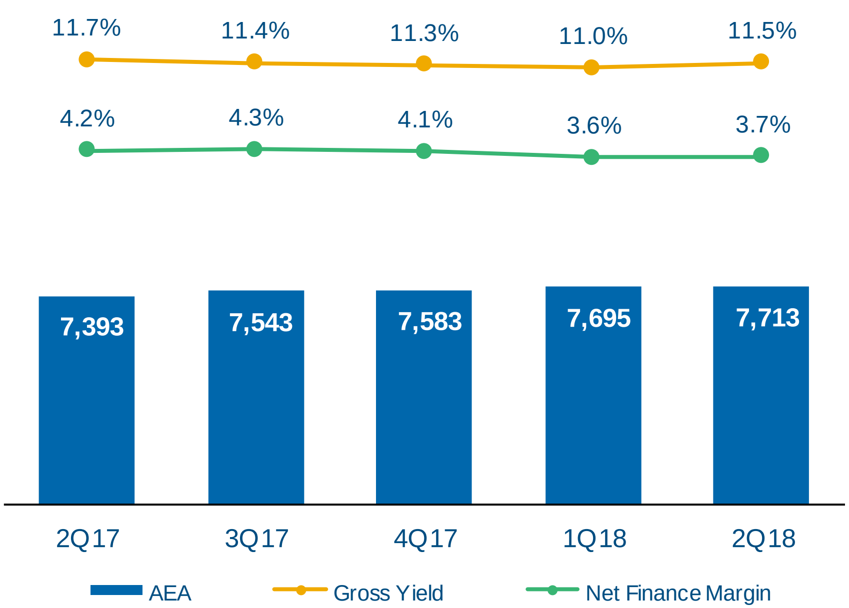
## Commercial Finance

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Loans and Leases | 9,964 | 10,033 | 9,773 | (69) | (1%) | 191 | 2% |
| AEA | 10,069 | 10,133 | 9,858 | (64) | (1%) | 211 | 2% |
| Net Finance Revenue | 83 | 86 | 101 | (3) | (3%) | (17) | (17%) |
| Gross Yield | 5.66% | 5.30% | 5.61% | 36 bps | | 5 bps | |
| Net Finance Margin | 3.31% | 3.40% | 4.09% | (9) bps | | (78) bps | |

## Rail

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Loans and Leases | 7,593 | 7,570 | 7,310 | 23 | 0% | 283 | 4% |
| AEA | 7,713 | 7,695 | 7,393 | 17 | 0% | 319 | 4% |
| Net Finance Revenue | 72 | 70 | 78 | 2 | 2% | (6) | (8%) |
| Gross Yield | 11.45% | 11.02% | 11.70% | 44 bps | | (25) bps | |
| Net Finance Margin | 3.71% | 3.64% | 4.20% | 7 bps | | (49) bps | |



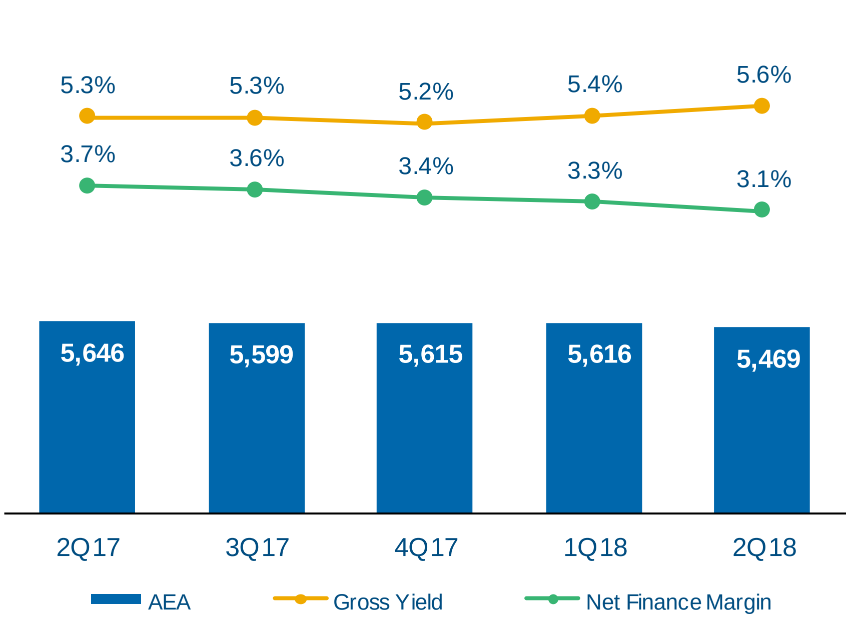
# Commercial Banking Divisional Performance

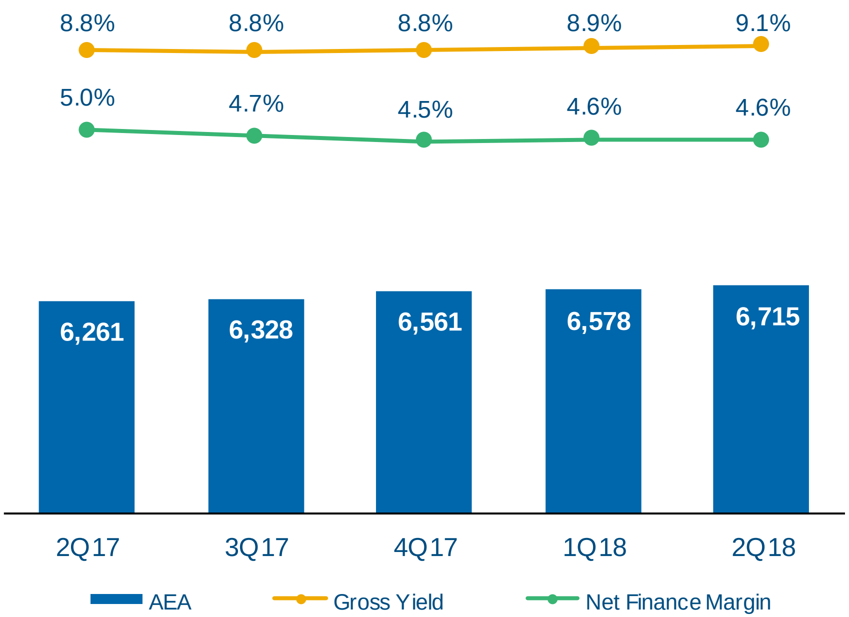
## Real Estate Finance

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Loans and Leases | 5,469 | 5,616 | 5,646 | (147) | (3%) | (177) | (3%) |
| AEA | 5,469 | 5,616 | 5,646 | (147) | (3%) | (177) | (3%) |
| Net Finance Revenue | 43 | 47 | 52 | (4) | (8%) | (10) | (18%) |
| Gross Yield | 5.58% | 5.36% | 5.34% | 22 bps | | 24 bps | |
| Net Finance Margin | 3.12% | 3.33% | 3.71% | (20) bps | | (59) bps | |

## Business Capital

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Loans and Leases[(1)] | 6,678 | 6,529 | 6,188 | 149 | 2% | 491 | 8% |
| AEA | 6,715 | 6,578 | 6,261 | 137 | 2% | 454 | 7% |
| Net Finance Revenue | 76 | 76 | 78 | 1 | 1% | (2) | (3%) |
| Gross Yield | 9.05% | 8.94% | 8.80% | 12 bps | | 25 bps | |
| Net Finance Margin | 4.55% | 4.60% | 5.02% | (5) bps | | (47) bps | |




(1) Net of credit balances of factoring clients.

# Consumer Banking – Reported

| *($ in millions)* | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Interest Income | **85** | 85 | 102 | (0) | (0%) | (17) | (16%) |
| Interest (Benefit) | **(37)** | (24) | (10) | (13) | (53%) | (28) | NM |
| **Net Finance Revenue** | **122** | **110** | **111** | **13** | **12%** | **11** | **10%** |
| Other Non-Interest Income | **38** | 12 | 6 | 26 | NM | 32 | NM |
| Provision for Credit Losses | **(0)** | 2 | 5 | (2) | NM | (5) | NM |
| Operating Expenses | **94** | 96 | 96 | (2) | (2%) | (3) | (3%) |
| **Pre-tax Income from Continuing Operations** | **66** | **23** | **16** | **43** | **NM** | **50** | **NM** |

| **Key Metrics** | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Earning Assets | **6,897** | 7,009 | 7,093 | (113) | (2%) | (196) | (3%) |
| Net Finance Margin | **7.09%** | 6.25% | 6.27% | 84 bps | | 82 bps | |
| Net Efficiency Ratio | **55.8%** | 75.5% | 78.3% | (19.7%) | | (22.5%) | |
| PTI-ROAEA | **3.85%** | 1.34% | 0.91% | 251 bps | | 294 bps | |

## Highlights

### vs. Prior Quarter

- **Net Finance Revenue:** increased $13 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:** increased $26 million, primarily attributable to the gain on sale of our reverse mortgage portfolio as a part of the Financial Freedom transaction

### vs. Year-ago Quarter

- **Net Finance Revenue:** increased $11 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, which was partially offset by lower interest income due to suspended purchase accounting accretion from the held for sale reverse mortgage portfolio
- **Other Non-Interest Income:** increased $32 million, as the current quarter includes the gain on sale of our reverse mortgage portfolio

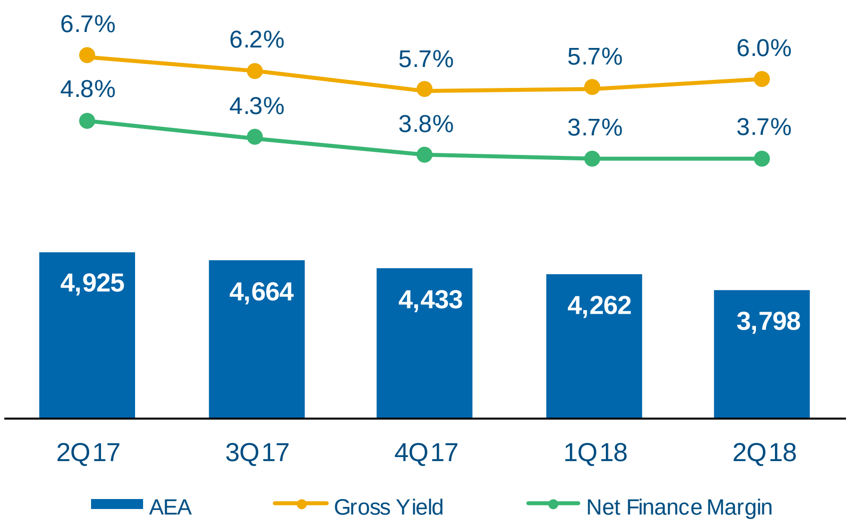
# Consumer Banking Divisional Performance

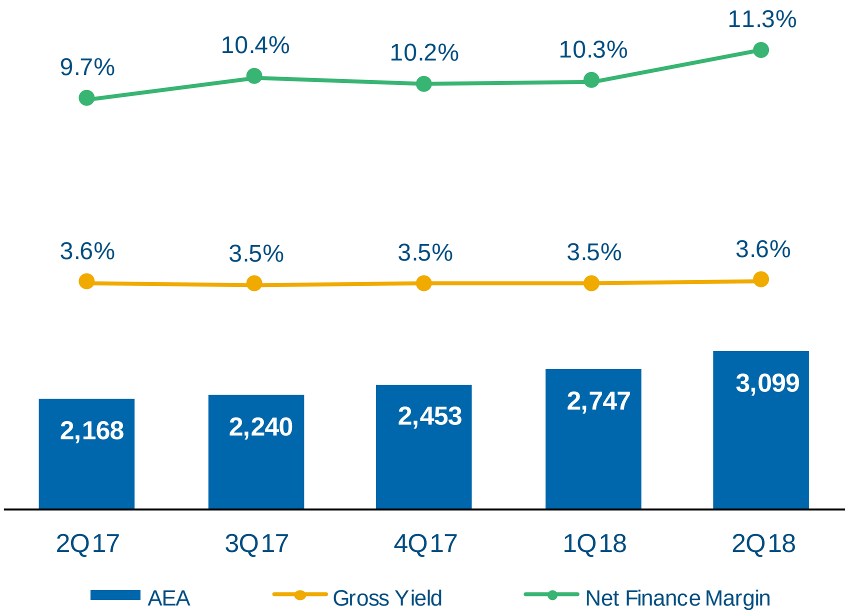
## Legacy Consumer Mortgage

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Loans and Leases | 3,697 | 4,132 | 4,645 | (435) | (11%) | (948) | (20%) |
| AEA | 3,798 | 4,262 | 4,925 | (464) | (11%) | (1,127) | (23%) |
| Net Finance Revenue | 35 | 39 | 59 | (4) | (11%) | (24) | (41%) |
| Gross Yield | 5.99% | 5.73% | 6.68% | 26 bps | | (69) bps | |
| Net Finance Margin | 3.65% | 3.65% | 4.77% | 0 bps | | (112) bps | |

## Other Consumer Banking

| ($ in millions) | 2Q18 | 1Q18 | 2Q17 | Change from 1Q18 $ | Change from 1Q18 % | Change from 2Q17 $ | Change from 2Q17 % |
|---|---|---|---|---|---|---|---|
| Average Loans and Leases | 3,090 | 2,747 | 2,168 | 343 | 12% | 922 | 43% |
| AEA | 3,099 | 2,747 | 2,168 | 352 | 13% | 931 | 43% |
| Net Finance Revenue | 88 | 71 | 52 | 17 | 24% | 35 | 67% |
| Gross Yield | 3.64% | 3.53% | 3.56% | 11 bps | | 8 bps | |
| Net Finance Margin | 11.31% | 10.28% | 9.69% | 103 bps | | 162 bps | |

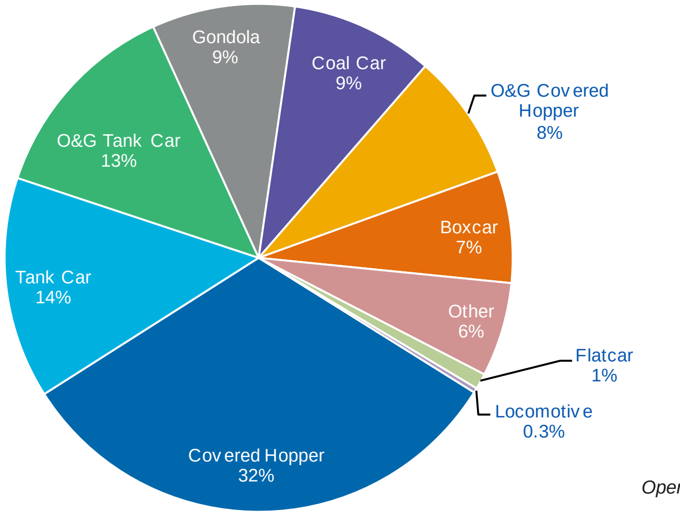


# Diversified North American Rail Fleet

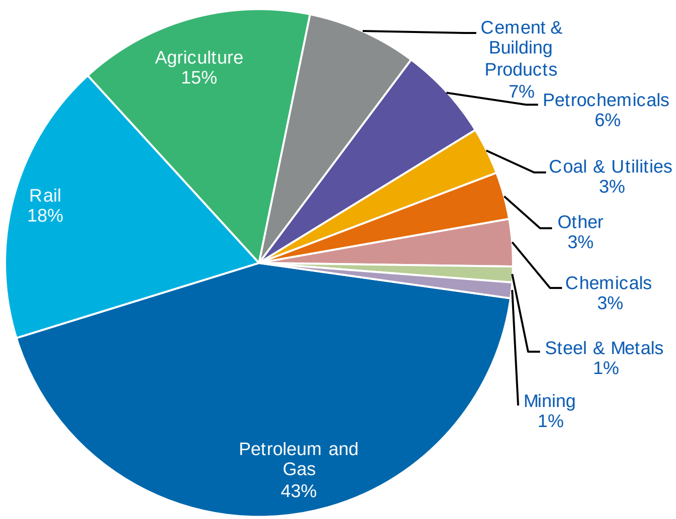
## Fleet by Type

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)

Despite excess capacity in the North American fleet network, utilization levels are at the highest since 2015.

Energy Related Rail Cars:
- Tank cars: ~11,000 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[1]

| Tangible Book Value | At or for the Quarters Ended June 30, 2018 | March 31, 2018 | June 30, 2017 |
|---|---|---|---|
| Total common shareholders' equity | $ 6,200.7 | $ 6,801.8 | $ 7,026.2 |
| Less: Goodwill | (369.9) | (369.9) | (625.5) |
| Intangible assets | (101.0) | (107.0) | (125.4) |
| Tangible book value (Non-GAAP) | 5,729.8 | 6,324.9 | 6,275.3 |
| Less: Disallowed deferred tax asset | (93.7) | (98.9) | (53.5) |
| Tangible common equity (Non-GAAP) | $ 5,636.1 | $ 6,226.0 | $ 6,221.8 |
| Average tangible common equity (Non-GAAP) | $ 6,030.4 | $ 6,332.1 | $ 8,280.4 |
| Estimated capital adjustment related to Commercial Air sale | - | - | (1,903.1) |
| Average tangible common equity, excluding noteworthy items (Non-GAAP) | $ 6,030.4 | $ 6,332.1 | $ 6,377.3 |
| **Net income (loss) applicable to common shareholders** | $ 117.4 | $ 97.0 | $ 156.7 |
| Intangible asset amortization, after tax | 4.4 | 4.4 | 4.0 |
| Non-GAAP income (loss) - for ROTCE calculation | $ 121.8 | $ 101.4 | $ 160.7 |
| Return on average tangible common equity | 8.08% | 6.41% | 7.76% |
| Non-GAAP income applicable to common shareholders | $ 117.9 | $ 90.2 | $ 129.1 |
| Intangible asset amortization, after tax | 4.4 | 4.4 | 4.0 |
| Non-GAAP income - for ROTCE calculation | $ 122.3 | $ 94.6 | $ 133.1 |
| Return on average tangible common equity, excluding noteworthy items and proforma for estimated capital adjustment | 8.11% | 5.98% | 8.35% |
| **Income (loss) from continuing operations applicable to common shareholders** | $ 137.9 | $ 103.7 | $ 41.2 |
| Intangible asset amortization, after tax | 4.4 | 4.4 | 4.0 |
| Non-GAAP income from continuing operations - for ROTCE calculation | $ 142.3 | $ 108.1 | $ 45.2 |
| ROTCE, proforma for estimated capital adjustment | 9.44% | 6.83% | 2.84% |
| Non-GAAP income from continuing operations (from the following non-GAAP noteworthy tables) | $ 124.6 | $ 96.9 | $ 125.7 |
| Intangible asset amortization, after tax | 4.4 | 4.4 | 4.0 |
| Non-GAAP income from continuing operations - for ROTCE calculation, excluding noteworthy items | $ 129.0 | $ 101.3 | $ 129.7 |
| ROTCE, excluding noteworthy items and proforma for estimated capital adjustment | 8.56% | 6.40% | 8.14% |

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[1]

| Total Net Revenues | June 30, 2018 | March 31, 2018 | June 30, 2017 |
|---|---|---|---|
| | At or for the Quarters Ended | | |
| Interest income | $ 473.6 | $ 451.2 | $ 478.2 |
| Rental income on operating lease equipment | 261.3 | 253.6 | 251.2 |
| Finance revenue (Non-GAAP) | 734.9 | 704.8 | 729.4 |
| Interest expense | 205.2 | 180.5 | 209.2 |
| Depreciation on operating lease equipment | 77.2 | 76.4 | 77.4 |
| Maintenance and other operating lease expenses | 63.5 | 57.4 | 53.3 |
| Net finance revenue (NFR) (Non-GAAP) | 389.0 | 390.5 | 389.5 |
| Other non-interest income | 135.4 | 104.7 | 84.6 |
| Total net revenues (Non-GAAP) | $ 524.4 | $ 495.2 | $ 474.1 |
| | | | |
| NFR (Non-GAAP) | $ 389.0 | $ 390.5 | $ 389.5 |
| Suspended depreciation on assets HFS | (8.6) | (9.3) | - |
| Excess interest costs over interest income from Commercial Air proceeds usage | - | - | 23.4 |
| Interest on excess cash | - | - | (9.1) |
| Adjusted NFR (Non-GAAP) | $ 380.4 | $ 381.2 | $ 403.8 |
| NFR as a % of AEA | 3.37% | 3.45% | 3.07% |
| NFR as a % of AEA, adjusted for noteworthy items | 3.29% | 3.37% | 3.44% |
| | | | |
| **Net Operating Lease Revenues** | | | |
| Rental income on operating leases | $ 261.3 | $ 253.6 | $ 251.2 |
| Depreciation on operating lease equipment | 77.2 | 76.4 | 77.4 |
| Maintenance and other operating lease expenses | 63.5 | 57.4 | 53.3 |
| Net operating lease revenue (Non-GAAP) | $ 120.6 | $ 119.8 | $ 120.5 |
| | | | |
| **Operating Expenses** | | | |
| Operating expenses | $ 267.5 | $ 281.3 | $ 295.6 |
| Intangible asset amortization | 6.0 | 6.0 | 6.2 |
| Restructuring costs | - | - | 3.4 |
| Operating expenses excluding restructuring costs, intangible assets amortization, and other noteworthy items (Non-GAAP) | $ 261.5 | $ 275.3 | $ 286.0 |
| | | | |
| Operating expenses (excluding restructuring costs and intangible assets amortization) as a % of AEA (excluding noteworthy items) | 2.26% | 2.43% | 2.43% |
| | | | |
| **Total Net Revenue (Non-GAAP)** | $ 524.4 | $ 495.2 | $ 474.1 |
| Suspended depreciation on assets HFS | (8.6) | (9.3) | - |
| Net costs of excess liquidity | - | - | 14.3 |
| CTA charge | - | - | - |
| Gain and other revenues from sale of reverse mortgage portfolio | (29.3) | - | - |
| Total Net Revenue, excluding noteworthy items (Non-GAAP) | $ 486.5 | $ 485.9 | $ 488.4 |
| Net Efficiency Ratio | 49.9% | 55.6% | 60.3% |
| Net Efficiency Ratio excluding noteworthy items | 53.8% | 56.7% | 58.6% |
| | | | |
| **Other non-interest income (GAAP)** | $ 135.4 | $ 104.7 | $ 84.6 |
| CTA charge | - | - | - |
| Gain and other revenues from sale of reverse mortgage portfolio | (29.3) | - | - |
| Total other non-interest income, excluding noteworthy items (Non-GAAP) | $ 106.1 | $ 104.7 | $ 84.6 |

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.

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