Simplify, Strengthen, and Grow

Investor Update
July 2018

Important Notice

This presentation contains forward-looking statements within the meaning of applicable federal securities laws that are based upon our current expectations and assumptions concerning future events, which are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. The words “expect,” “anticipate,” “estimate,” “forecast,” “initiative,” “objective,” “plan,” “goal,” “project,” “outlook,” “priorities,” “target,” “intend,” “evaluate,” “pursue,” “commence,” “seek,” “may,” “would,” “could,” “should,” “believe,” “potential,” “continue,” or the negative of any of those words or similar expressions are intended to identify forward-looking statements. All statements contained in this presentation, other than statements of historical fact, including without limitation, statements about our plans, strategies, prospects and expectations regarding future events and our financial performance, are forward-looking statements that involve certain risks and uncertainties. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and our actual results may differ materially. Important factors that could cause our actual results to be materially different from our expectations include, among others, the risk that (i) CIT is unsuccessful in implementing its strategy and business plan, (ii) CIT is unable to react to and address key business and regulatory issues, (iii) CIT is unable to achieve the projected revenue growth from its new business initiatives or the projected expense reductions from efficiency improvements, (iv) CIT becomes subject to liquidity constraints and higher funding costs, or (v) the parties to a transaction do not receive or satisfy regulatory or other approvals and conditions on a timely basis or approvals are subject to conditions that are not anticipated. We describe these and other risks that could affect our results in Item 1A, “Risk Factors,” of our latest Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the Securities and Exchange Commission. Information regarding CIT’s capital ratios consists of preliminary estimates. These estimates are forward-looking statements and are subject to change, possibly materially, as CIT completes its financial statements. Accordingly, you should not place undue reliance on the forward-looking statements contained in this presentation. These forward-looking statements speak only as of the date on which the statements were made. CIT undertakes no obligation to update publicly or otherwise revise any forward-looking statements, except where expressly required by law.

Non-GAAP Financial Measures

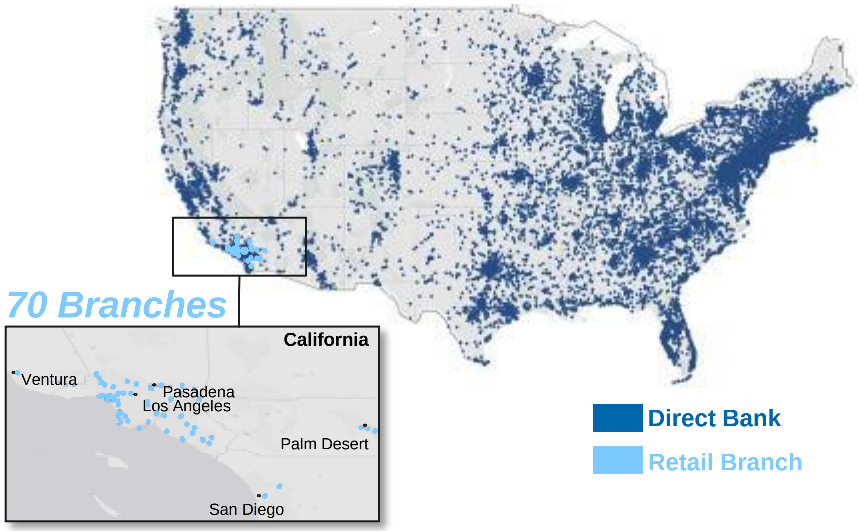
This presentation contains references to non-GAAP financial measures, which provide additional information and insight regarding operating results and financial position of the business, including financial information that is presented to rating agencies and other users of financial information. **These 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.

This presentation is to be used solely as part of CIT management’s continuing investor communications program. This presentation shall not constitute an offer or solicitation in connection with any securities.

CIT Today: Commercially-Focused and Funded by Stable Deposits

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

Branch and Direct Bank Deposit Footprint



Financial Highlights ($ billions)

Assets	$49.9
Cash & Investment Securities	$9.0
Total Loans & Leases	$37.5
Commercial Banking	$31.2
Consumer Banking	$6.3
Deposits (78% of Total Funding)	$31.2
Borrowings	$8.9
Market Cap	$6.1
CET1	13.2%

Franchise Highlights

- **A Top 50 Largest U.S. Bank**
- **Leading National Direct Bank**
- **Named Best Bank in California, MONEY Best Banks, 2 Years in a Row**
- **Award-Winning Digital Small Business Lending Platform**
- **Leading Middle Market Lender**
- **Top 5 Provider of Railcar Leasing**
- **Top 10 Provider of Equipment Financing**
- **Leading Provider of Factoring Services**

Market cap as of July 24, 2018. Financial information as of June 30, 2018. Map illustrates online deposits by city.

Significant Progress to Simplify, Strengthen and Grow CIT

We Have Transformed Our Business and Are Focused on Driving Shareholder Value

Simplify	▪ **Sold $10 billion of Commercial Air Operating Leases and $9 billion of Commitments in 2017** ▪ **Sold Over $1 billion of International Equipment & Corporate Finance Businesses Across 4 Countries Since 2016** ▪ **Exited Reverse Mortgages –** Sold our Financial Freedom servicing platform and ~$900 million of loans ▪ **Sale in Progress:** ▪ $1.2 billion of NACCO railcar leases, our last ongoing overseas business
Strengthen	▪ **Reduced Over $1.5 billion of Commercial Finance Leveraged Loan Exposures Since 3Q 2015** ▪ **Terminated $1.5 billion Canadian TRS in 2016** – Reduced annual funding costs and earnings volatility ▪ **Reduced $6.9 billion of Unsecured Debt with an Average Coupon of 5.15% in 2017** ▪ **Called $1.1 billion of Brokered Deposits with an Average Rate of ~2.6% in 2016** ▪ **Resolved Material Legacy OneWest Litigation Issues**
Grow	▪ **Acquired OneWest Bank** – Doubled deposit base and significantly decreased cost of funds through investing in Southern California, one of the best banking markets in the U.S. ▪ **Entered into Strategic CIT Northbridge Joint Venture** – Provide revolving and term-loan financing to middle-market companies ▪ **Expanded and Entered Industry Verticals** – Including Aviation Finance, Healthcare Real Estate, and other divisions such as Franchise Finance, Industrial Equipment and Material Handling
Capital Optimization	▪ **Returned $4.3 billion of Capital to Shareholders in 2017 and 1H2018, Reducing Common Shares Outstanding by 86 million, or 43%** ▪ Our Board has authorized an additional $750 million of capital return ▪ **Increased Common Dividend by 7% to $0.16/share in 2017 and by 56% to $0.25/share in 2018** ▪ **Capital Optimization Through Preferred Stock and Tier 2 Qualifying Subordinated Debt Issuance**

Strong and Diverse Team with Fresh Perspectives

Leadership Team

Ellen Alemany	Chairwoman & Chief Executive Officer
Stuart Alderoty	General Counsel & Corporate Secretary
Jim Duffy	Chief Human Resources Officer
John Fawcett	Chief Financial Officer
Matt Galligan	President, Real Estate Finance
Marisa Harney	Chief Credit Officer
Jim Hudak	President, Commercial Finance
Mike Jones	President, Business Capital
Mark Links	Chief Auditor
Jeff Lytle	President, Rail
Ken McPhail	Chief Strategy Officer
Denise Menelly	Head of Technology & Operations
Wahida Plummer	Chief Risk Officer
Gina Proia	Chief Marketing & Communications Officer
Steve Solk	President, Consumer Banking

Average industry experience 30+ years

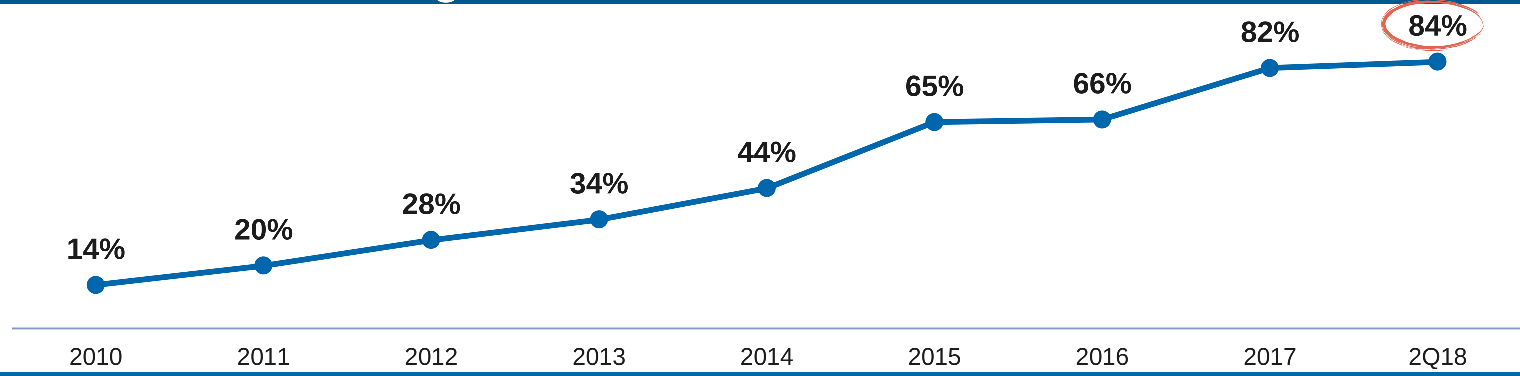
Board of Directors

Ellen Alemany	Chairwoman & Chief Executive Officer
Michael Brosnan	Former Examiner-in-Charge for Midsize Bank Supervision in the OCC
Michael Carpenter	Former CEO of Ally Financial, Inc.
Dorene Dominguez	Chairwoman & CEO, Vanir Group of Companies, Inc.
Alan Frank	Former Partner of Deloitte & Touche LLP
William Freeman	Former Chairman & CEO of Arbinet-thexchange, Inc. and Former CEO of Leap Wireless International
Brad Oates	Chairman & Managing Partner of Stone Advisors, LP
Gerald Rosenfeld	Vice Chairman of U.S. Investment Banking of Lazard Ltd.
Vice Admiral John Ryan *(Lead Director)*	President & CEO of the Center for Creative Leadership
Sheila Stamps	Former MD & Head of European Asset-Backed Securitization, Bank One Corporation
Khanh Tran	President & CEO of Aviation Capital Group
Laura Unger	Former Commissioner of the SEC and Former Counsel to the United States Senate Banking Committee

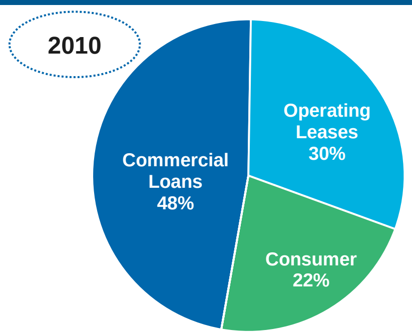
Grey highlighting denotes new additions within the past 3 years.

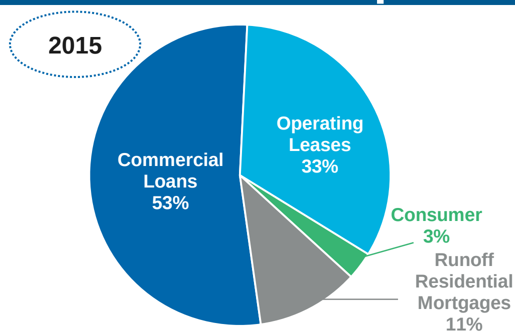
CIT Today: Commercially Focused and Funded by Stable Deposits

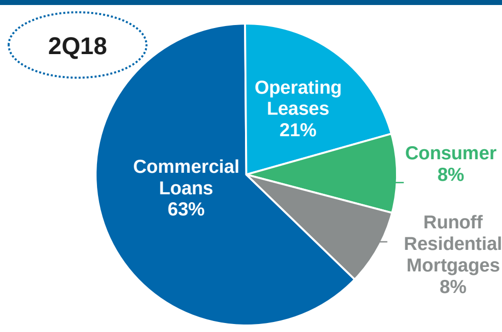
Percentage of Total Assets Funded in CIT Bank



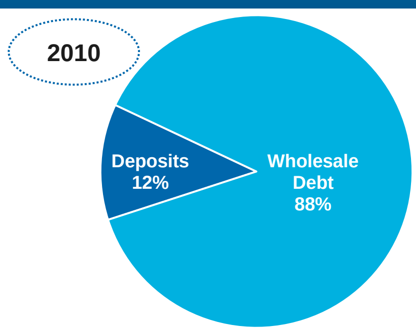
Loan and Lease Composition

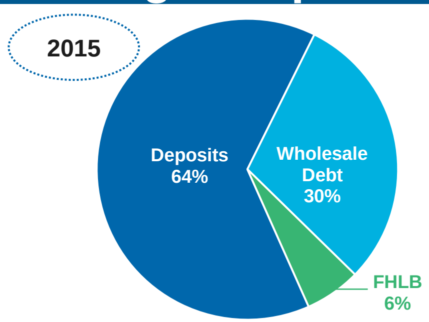


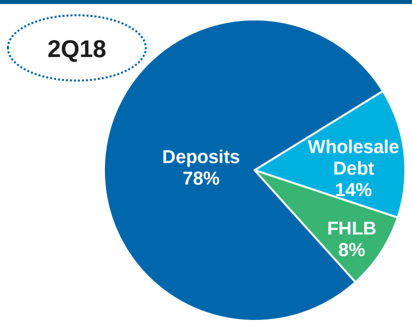




Funding Composition







Positioned for Growth with Our Leading National Platforms…

Leading Commercial Banking Franchises with $31 Billion in Loans & Leases[1]

What We Do

Commercial Finance

- Established middle market national franchise with deep industry and product expertise and customized solutions

Business Capital[2]

- Trusted partner providing innovative technology, industry expertise, unique residual knowledge, and factoring services

Rail, N.A.[3]

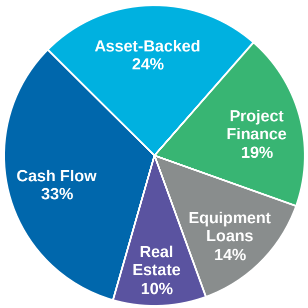
- 4th largest rail equipment lessor in North America with strong, through-the-cycle profitability

Real Estate Finance

- Relationship approach through life of loan provides consistent quality service to sponsors

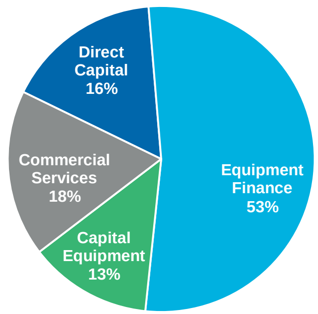
Business Mix

Commercial Finance



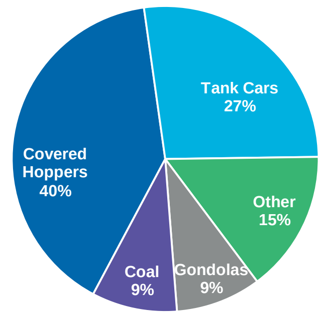
$10.0B

Business Capital[2]



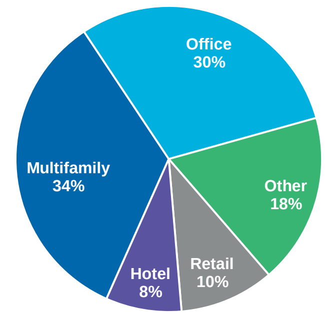
$6.8B

Rail, N.A.[3]



$6.4B

Real Estate Finance



$5.3B

Differentiating Strengths

Commercial Finance

- Deep and diversified industry expertise
- Strong market presence and economies of scale
- JV relationships expand our addressable market
- Structuring and capital markets capabilities
- Long-term client relationships

Business Capital[2]

- Innovative technology provides speed of execution and valued solutions
- Experts in design, development and implementation of vendor programs
- Unique expertise in fair market value lending
- Market leader for factoring services with strong industry knowledge

Rail, N.A.[3]

- Young and diverse fleet with broad market coverage, servicing a wide range of industries
- Proven portfolio management resulting in strong through-the-cycle returns
- Strong customer service and long-term customer and manufacturer relationships

Real Estate Finance

- Deep expertise in complex transactions (construction and reposition/bridge lending)
- Robust network with syndication banks
- National focus with significant presence in two largest CRE markets: Northeast Corridor and Southern California

[1]Loan and lease balances are as of June 30, 2018. [2]The balance for Commercial Services is net of credit balances of factoring clients. [3]The balance for Rail, N.A excludes NACCO. The Rail, N.A. chart illustrates rail car type as a percentage of CIT's total North American rail car fleet based on unit count.

…And Deposit Franchises Providing Stable and Diverse Funding

Consumer Banking – offering competitive deposit products through a branch and digital experience, with small business lending and mortgage products

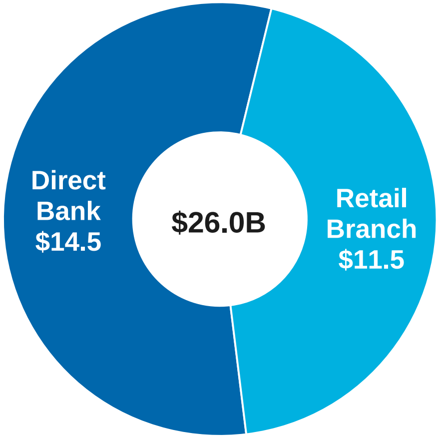
Direct Bank Franchise

- **Leading Direct Bank** with a national reach
- Highly **scalable platform**
- Offers a digital experience and **competitive product offering**
- Growing and diversifying customer base with higher net worth savers, as well as an **increasing number of millennials**
- Products gaining **third-party recognition**

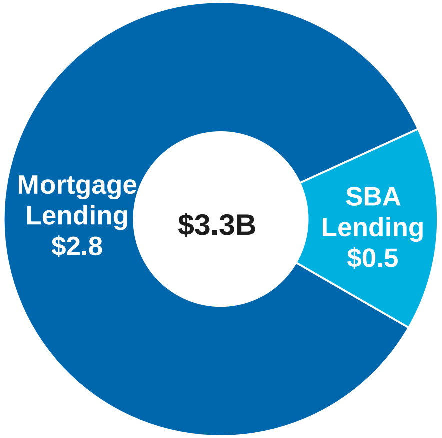
Retail Branch Franchise

- **70 branches** in attractive Southern California market, the #2 market in the U.S.
- Offers **excellent customer service** with a local community commitment
- Average deposits per branch of **$165 million** with average customer relationship of **12+ years**
- Integrating CIT's **small business lending capability**
- Products and service gaining **third-party recognition**

Consumer Banking Deposits



Consumer Banking Assets



Note: Deposit and loan balances are as of June 30, 2018. Loan balance excludes Legacy Consumer Mortgages.

Enhancing Technology to Drive Efficiencies and Growth

Simplifying Infrastructure to Drive Efficiencies

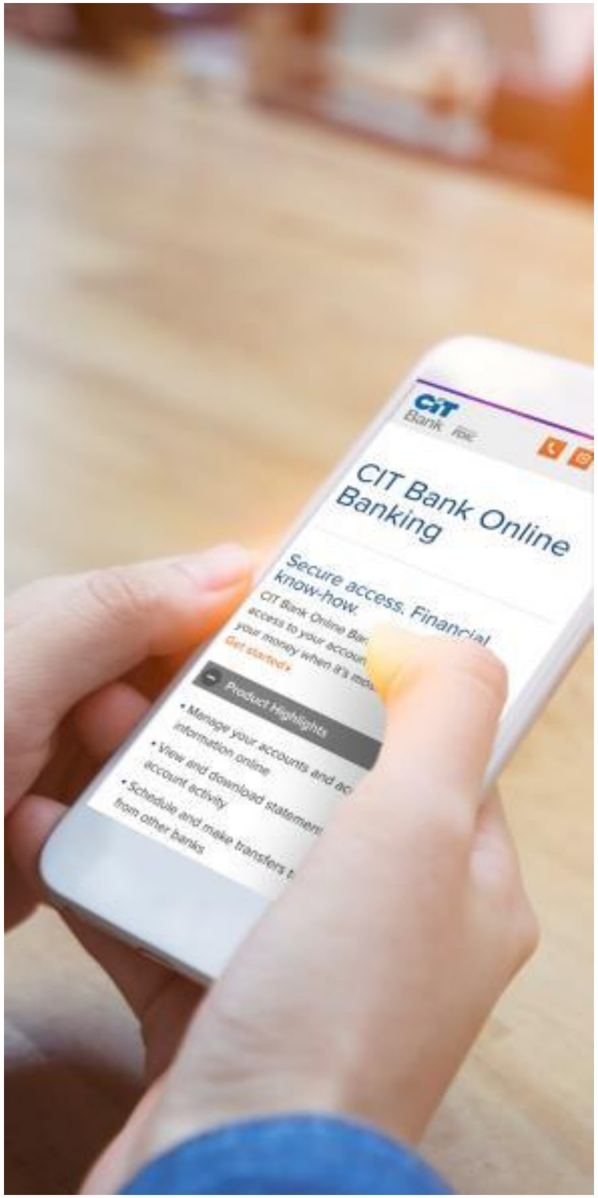
- Upgrading platforms to reduce complexity and improve operational efficiency
- Leveraging emerging technology to enable scalability in infrastructure
- Deploying robotics to automate manual activities

Improving Customer Experiences and Digital Capabilities to Support Deposit Growth

- Creating an effortless banking experience by integrating digital and mobile-enabled convenience
- Improving digital functionality
- Leveraging artificial intelligence to create a seamless customer experience

Creating Innovative Business Solutions

- Received FinTech Breakthrough Award for digital point-of-sale financing solution
- Launched point-of-sale platform with leading technology company to provide business customers with online and in-store financing
- Continuing to invest in the *FlexAbility* digital platform for vendors to manage invoicing and sales seamlessly

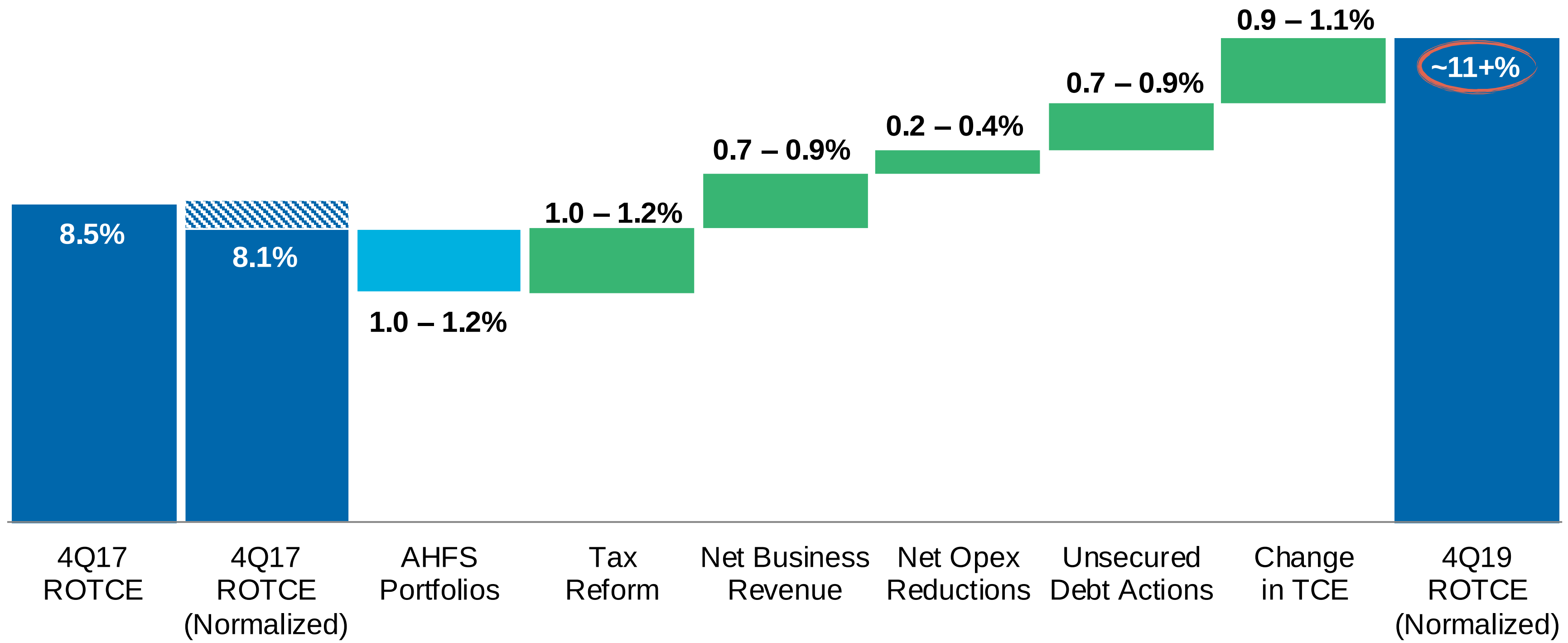


Our Strategies to Simplify, Strengthen, and Grow CIT

	Strategies
1 Maximize Potential of Core Businesses	▪ Grow revenues – grow core businesses, enhance fee revenue, and leverage connectivity among businesses ▪ Optimize cash and investment portfolio
2 Enhance Operational Efficiency	▪ Reduce and manage operating expenses ▪ Invest in and enhance technology
3 Optimize Funding Costs	▪ Reduce unsecured debt cost ▪ Improve deposit mix to lower cost (relative to index)
4 Optimize Capital Structure	▪ Manage, deploy, and align capital ▪ Target 10–11% CET1 ratio
5 Maintain Strong Risk Management	▪ Maintain credit and operating risk discipline

Our Path to Improved Profitability

Targeting 11% to 12% ROTCE in the Medium Term



Note: Return on tangible common equity is net income from continuing operations adjusted for noteworthy items less intangible asset amortization. Average tangible common equity adjusts for the average disallowed deferred tax asset. In addition, 4Q17 is adjusted to normalize for elevated discrete tax benefits during the quarter, and the second and last bars of the chart adjust ROTCE for the preferred dividend payment as if it were accrued evenly through the year given its semiannual payout.

1 Growing Core Loans and Leases to Drive Top Line Growth

Growth Opportunities in Our Core Franchises

Commercial Finance

- Expand asset management capabilities
- Growth opportunities in Aviation Finance, Healthcare Real Estate, Technology, and Entertainment
- Continue to grow capital markets fees by increasing lead arranger roles

Business Capital

- Expand direct and indirect lending and enter new industry verticals leveraging asset management and structuring expertise
- Continue to build innovative technology
- Expand factoring relationships across industries

Rail, N.A.

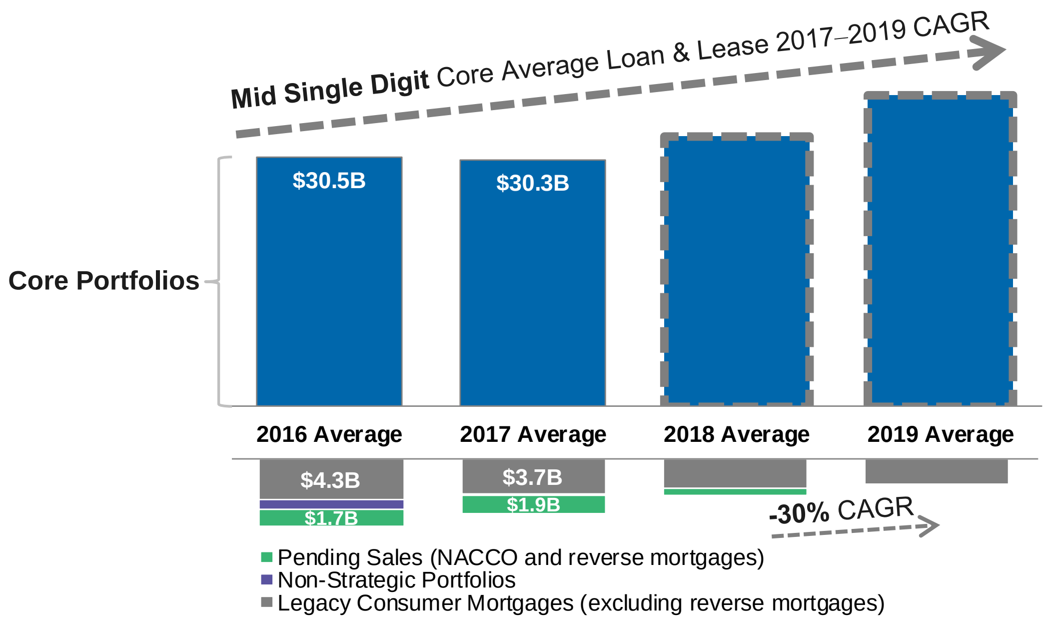
- Continue to manage portfolio proactively and adjust lease terms and rates to market conditions
- Maximize revenues by diverting cars for other services where applicable
- Selective asset sales contribute to non-interest income
- Opportunistic purchases

Real Estate Finance

- Broaden sponsor coverage with relationship-oriented focus
- Expand syndication activities
- Increase focus on fee-generation activities

Consumer Banking

- Community and small business lending opportunities in greater L.A. market
- Leveraging digital small business lending platform to deliver an enhanced experience to small business bank customers

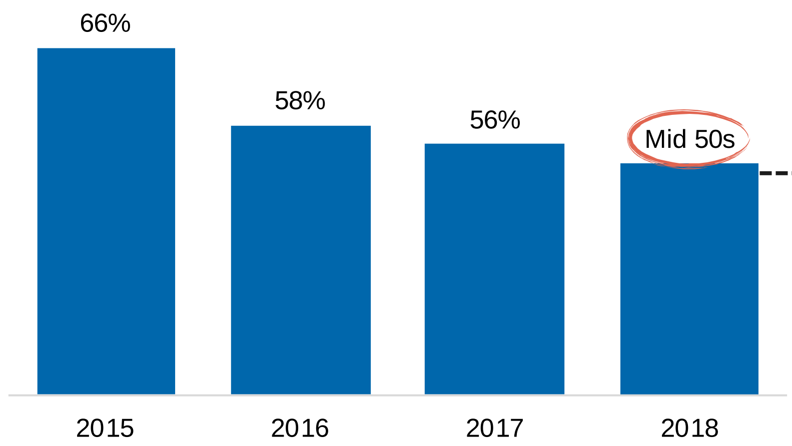


Note: Core portfolios exclude NACCO, reverse mortgages related to the Financial Freedom transaction, Non-Strategic Portfolios, and Legacy Consumer Mortgages.

2 Improving Operating Efficiency

On Track to Deliver Expense Saves in 2018 with a Focus on Improving Our Efficiency Ratio

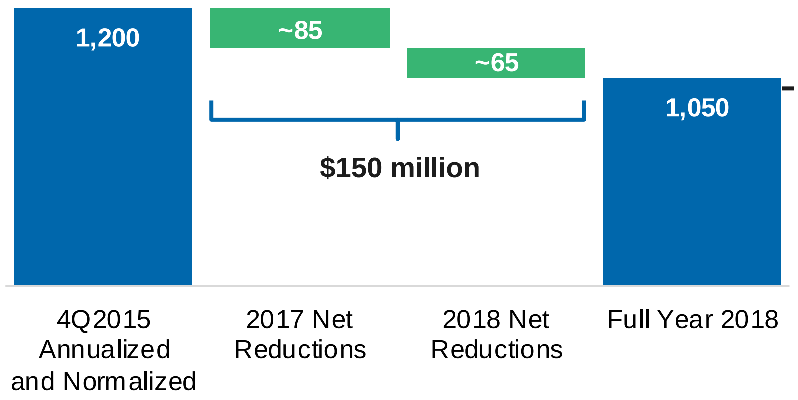
Improving Net Efficiency Ratio



Further Improvement in 2019 Efficiency Ratio

- **Revenue growth will be driven by:**
  - Growing core portfolio assets
  - Expanding fee opportunities
  - Increasing market interest rates
  - Partially offset by Rail lease rate headwinds, as well as sales and run-off of legacy portfolios
- **Continuous improvement in operating expenses**

Operating Expenses ($ in millions)



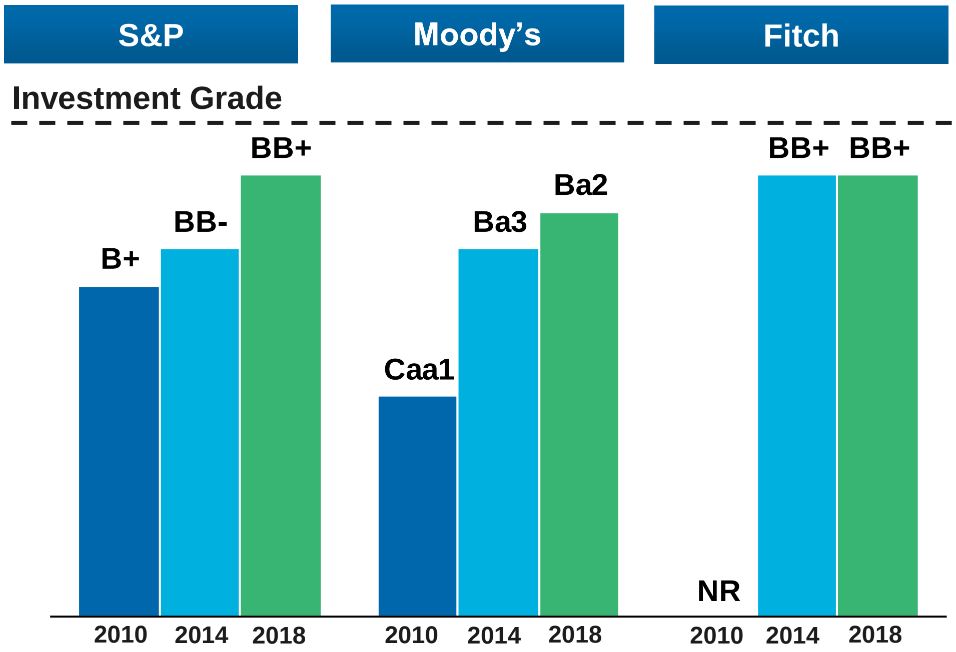
Opportunities to Further Reduce 2019 Operating Costs

- Further rationalization of consulting services and professional fees
- Continued right-sizing across organization
- Expense saves will be partially offset by investments in technology

Note: Operating expenses exclude restructuring costs, intangible asset amortization, and noteworthy items listed on page 42 in the appendix.

3 Improving Our Credit Ratings

Focus on Achieving Investment Grade Rating



CIT's Focus

- Execution of strategic plan
- Maintaining strong funding and liquidity profile as well as strong risk management and capital
- Generating attractive risk-adjusted returns and maintaining credit discipline

Rating Agency Focus

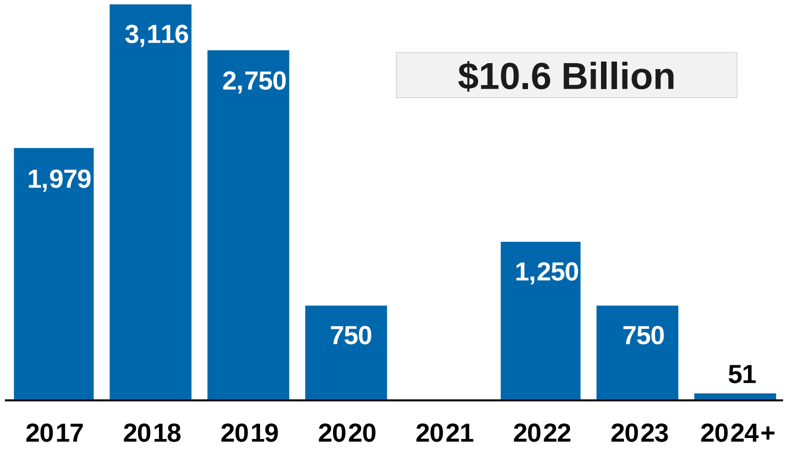
- Execution of strategic plan
- Improved consistent operating performance
- Performance of deposit base in a rising rate environment
- Through-the-cycle credit performance of middle market portfolio

	S&P	Moody's	Fitch
CIT Group Inc.			
LT Senior Unsecured Debt	BB+	Ba2	BB+
Subordinated Debt	BB	Ba2	BB
Non-Cumulative Perpetual Stock	B+	B1	B
CIT Bank, N.A.			
Issuer Rating	BBB-	Ba2	BB+
Deposit Rating (LT/ST)		Baa2/P-2	BBB-/F3
Group and Bank Outlook	Stable	Positive	Stable

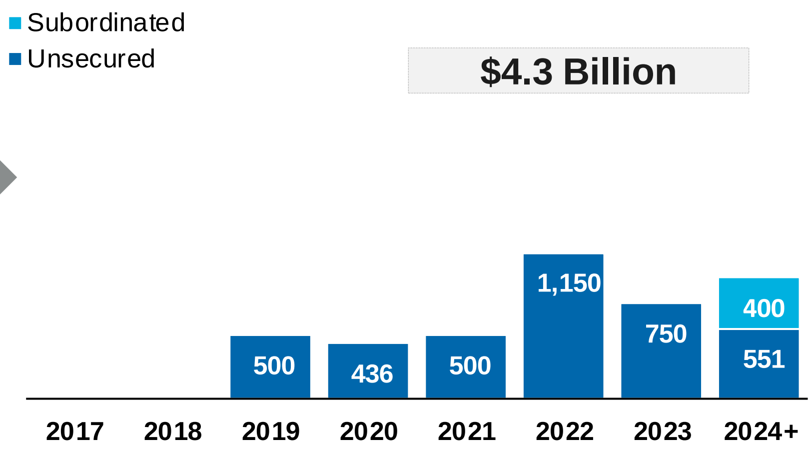
3 Reducing Wholesale Funding – Improving Maturity Profile & Mix

2016 Maturity Ladder

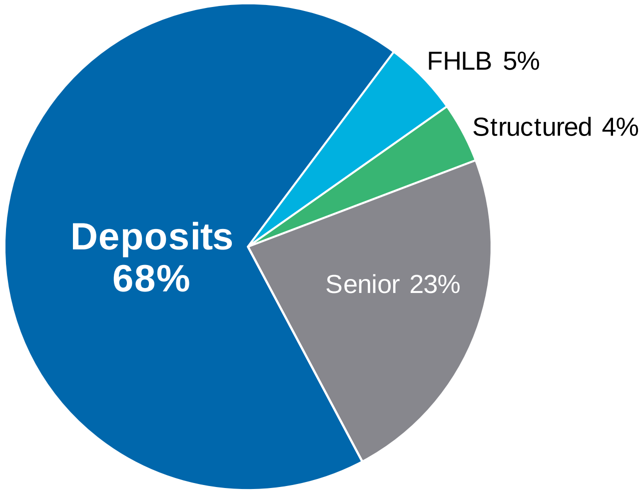
($ in millions)



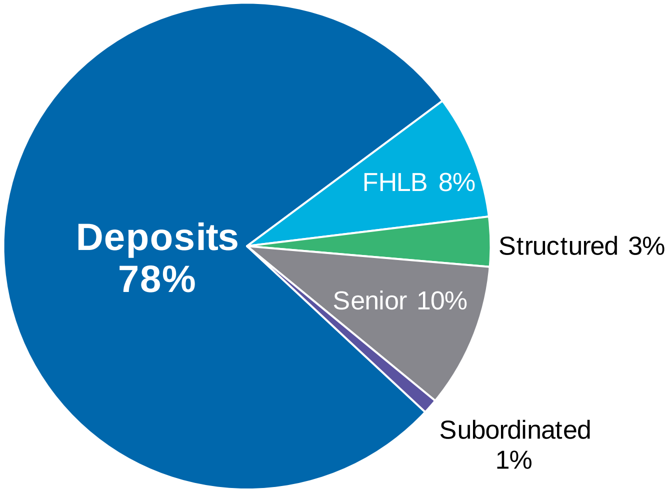
2Q18 Maturity Ladder



2016 Funding Profile



2Q18 Funding Profile

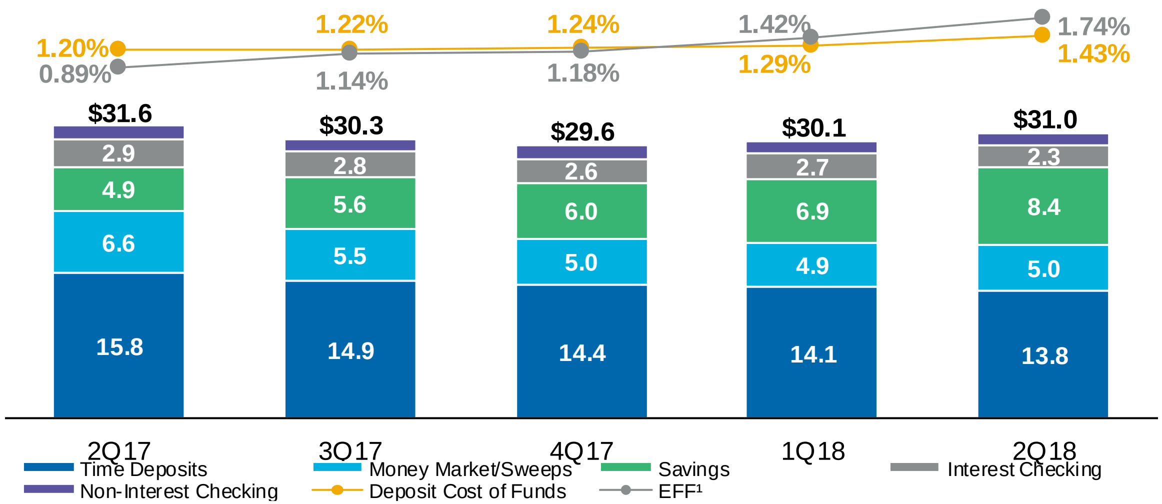


Note: Information as of June 30, 2018.

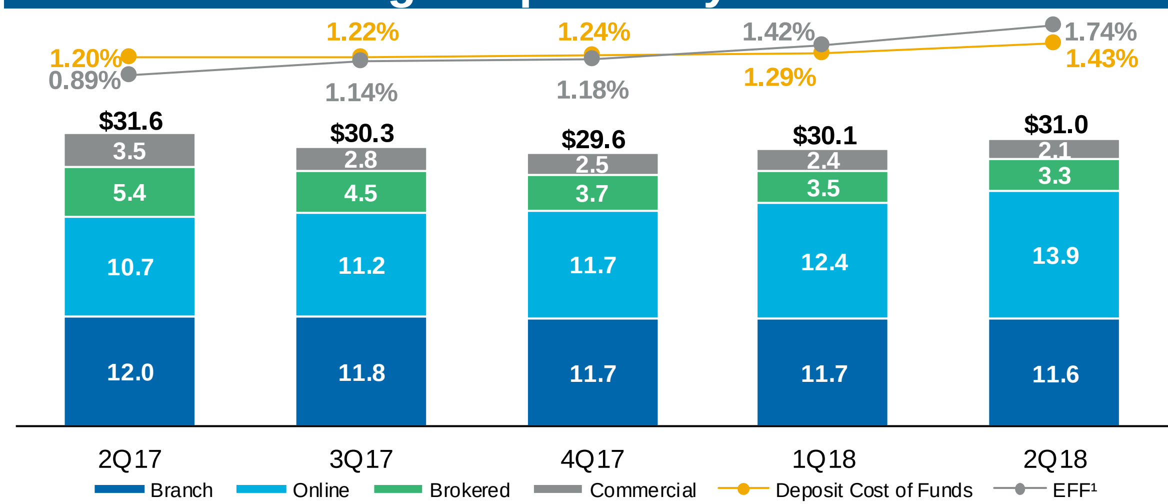
3 Optimizing Deposit Mix and Cost

Average Deposits by Type

($ in billions)



Average Deposits by Channel



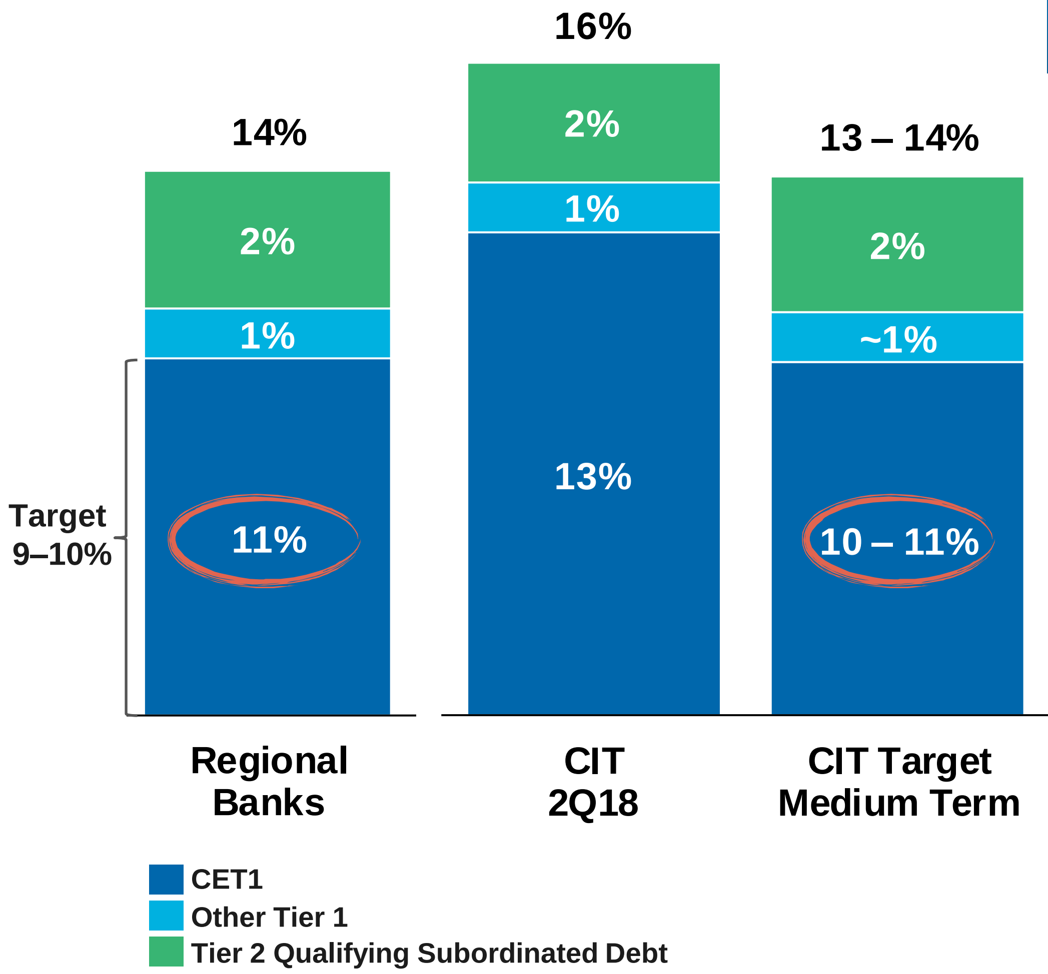
Disciplined Deposit Pricing

- Deposit costs have performed well despite four rate hikes over the past five quarters
- 30% deposit beta over the past 12 months
- Strategy to reduce deposit costs relative to the index by shifting to lower cost non-maturity deposits and lower balance accounts which we believe will perform better over time
- Continued reduction in certain higher-cost commercial deposits, as well as higher-cost brokered deposits

Note: Information as of June 30, 2018. [1]The Effective Fed Funds rate illustrated is an average of the last month of each quarter represented.

4 Achieving an Optimal Capital Structure

Targeting an Optimal Capital Structure Consistent with Regional Banks



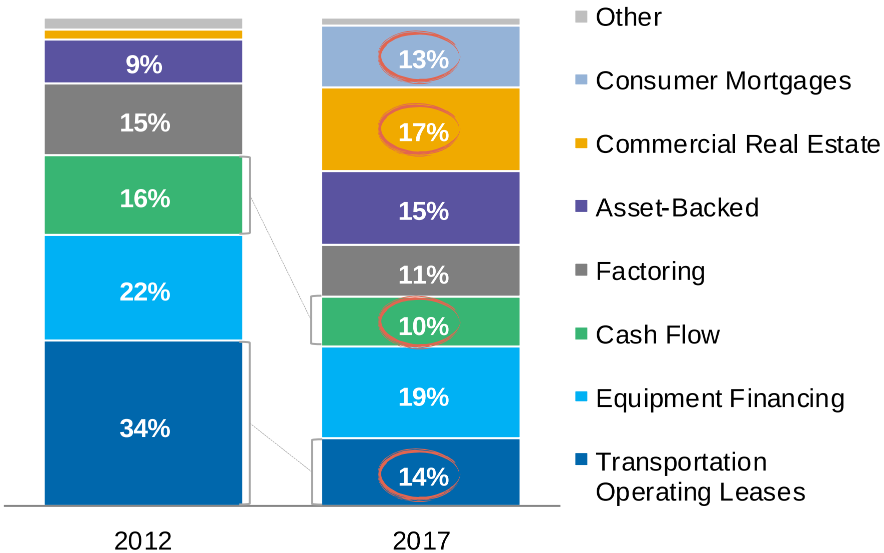
Managing Capital to Optimize Returns

- We are optimizing our capital structure and **targeting a 10% to 11% CET1 ratio**
  - Returned $4.3 billion of capital in 2017 and 1H2018, including a 7% dividend increase to $0.16 per share in 4Q17
  - Improved efficiency of capital structure with the issuance of $325 million of Preferred Stock in 2Q17 and $400 million of Tier 2 Qualifying Subordinated Debt in 1Q18
- We plan to reduce our CET1 ratio to 11.5% to 12% by the end of 2018 and to ~11% by the end of 2019
  - In 2Q18, our Board approved $750 million of additional capital return and also approved a 56% increase in our dividend to $0.25 per share

Note: The regional banks represented are CFG, CMA, FITB, HBAN, KEY, MTB, RF, and ZION, and the capital ratios are averaged as of June 30, 2018.

5 Maintaining Strong Risk Management

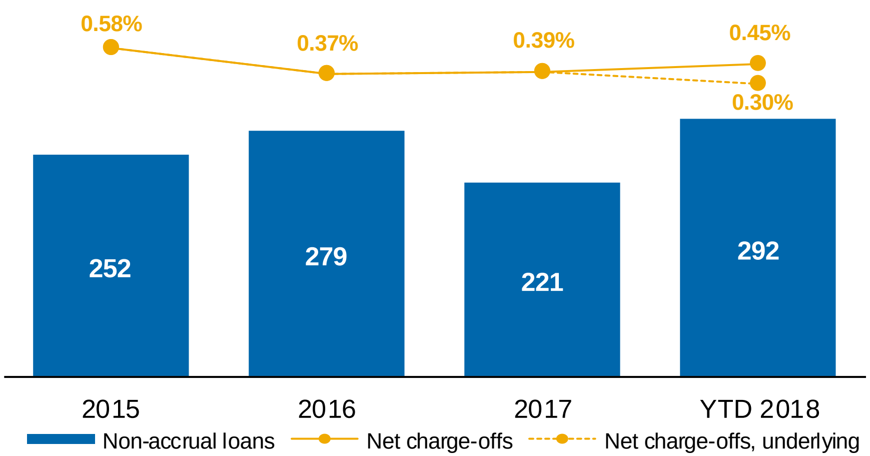
Committed Loan and Lease Shift in Mix



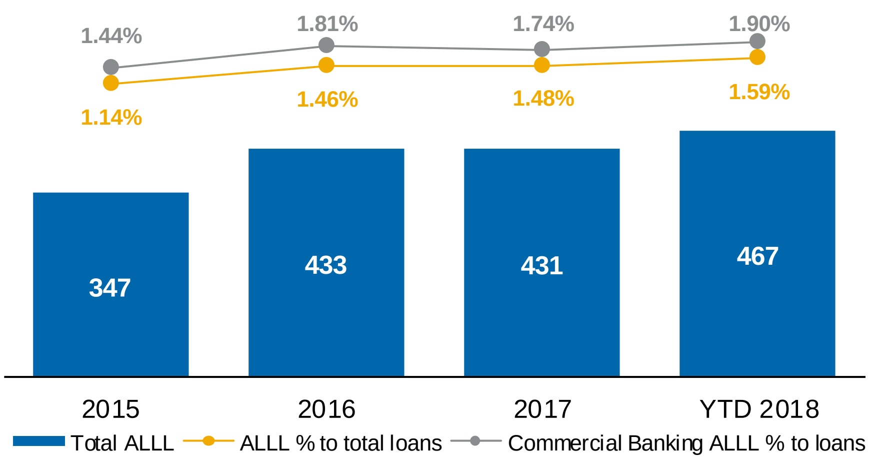
Maintaining Credit Discipline

- Our shift in mix of loans and leases illustrates diversification
- We have improved our risk profile with the reduction in transportation operating leases and cash flow lending
- 1Q18 net charge-offs included a single commercial exposure that was episodic in nature

Non-Accrual Loans & Net Charge-offs ($ in millions)



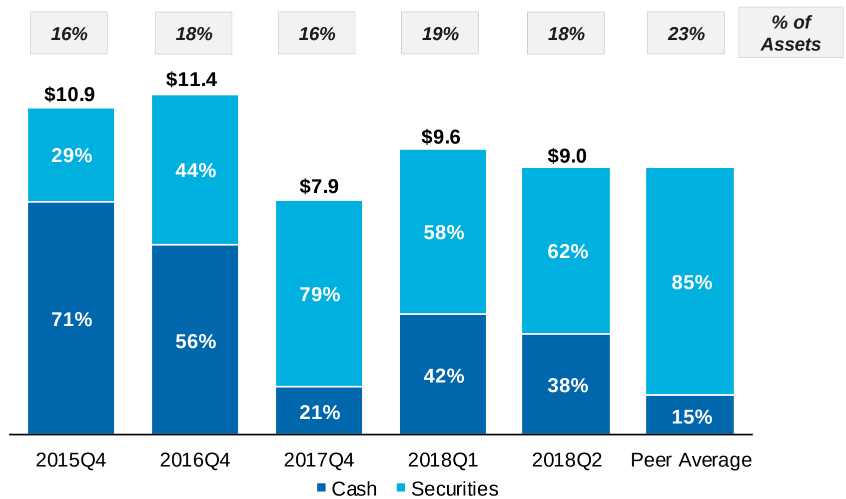
Allowance for Loan Losses ($ in millions)



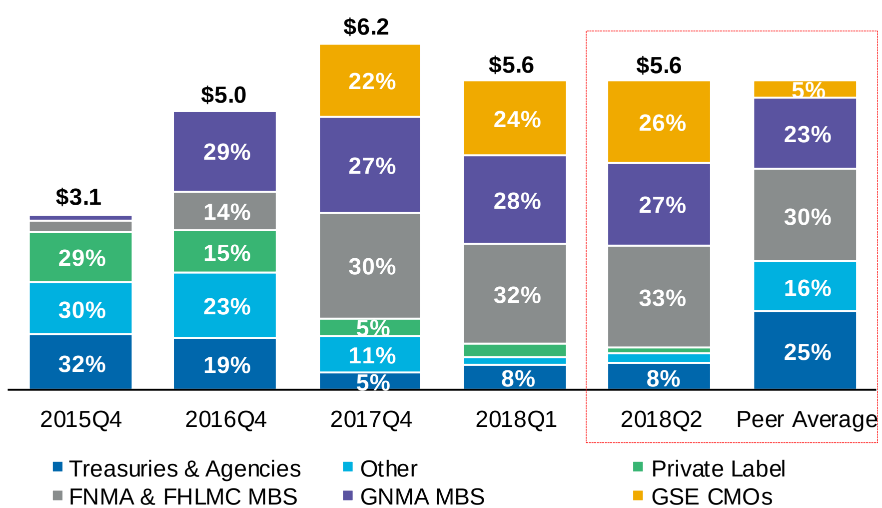
Note: NACCO and reverse mortgages have been excluded from 2017 in the illustration of the change in product profile. The net charge-offs for 2017 is shown excluding noteworthy items listed on page 42 in the appendix. 1Q18 underlying removes the episodic commercial net charge-off that occurred in 1Q18.

5 Repositioning & Maintaining a Strong Liquidity Portfolio

Shift from Cash to Securities



Reallocation Towards HQLA



Investment Portfolio Highlights

- Redeployed cash into High Quality Liquid Assets (HQLA) to increase returns and maintain readily-available liquidity
- ~95% of cash and investments is HQLA
- Repositioning investment portfolio to improve risk-adjusted returns and eliminate higher-risk legacy securities
- Total portfolio book yield of 2.6% at the end of 2Q18 with a duration of less than 4 years
- Broadening asset classes to add diversification
- 1Q18 cash elevated due to debt issuance at the end of the quarter while 2Q18 cash elevated due to Financial Freedom sale proceeds

Source: FR Y-9C. Peer averages through 1Q18. CIT FR Y-9C 2Q18 information preliminary. Equity investments, federal funds sold, and repurchase agreements are excluded. Trading securities are included.

Key Performance Metrics and 2018 Targets

($ in millions)	Reported FY 2017	Excluding Noteworthy Items[1] FY 2017	2018 Target
AEA[2]	$46,852	$45,922	Flat
Core Average Loans and Leases	$30,278	$30,278	Mid Single-Digit Growth
Net Finance Margin[3]	3.43%	3.49%	3.20–3.40%
Core Operating Expenses[4]	$1,111	$1,111	$1,050
Net Efficiency Ratio[5]	56.4%	56.3%	Mid 50s
Net Charge Offs	0.39%	0.34%	35–45 bps
Effective Tax Rate[6]	(35.4%)	30.3% / 33.6%	26–28% excluding discrete items

ROTCE Update

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

(1) See appendix page 42 for details on noteworthy items.
(2) Average earning assets (AEA) components include interest-earning cash, securities purchased under agreement to resell, investment securities, indemnification assets, loans and operating lease equipment, less the credit balances of factoring clients.
(3) As a percentage of average earnings assets.
(4) Operating expenses exclusive of restructuring costs and intangible asset amortization.
(5) Total operating expenses exclusive of restructuring charges and amortization of intangibles divided by total revenue (net finance revenue and other income).
(6) For FY2017 excluding noteworthy items, the first value is only excluding noteworthy items, whereas the second value is excluding noteworthy 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

Focusing on Our 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 – Business Descriptions

Commercial Finance:
Leveraging Deep Industry and Product Expertise

Differentiating Strengths

- Deep and diversified industry expertise
- Strong market presence and economies of scale
- JV relationships expand our addressable market
- Structuring and capital markets capabilities
- Long-term client relationships

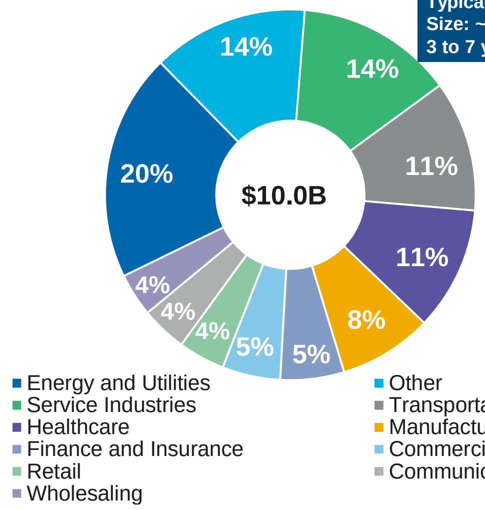
Strategic Focus

- Expand asset management capabilities
- Growth opportunities in Aviation Finance, Healthcare Real Estate, Technology, and Entertainment
- Continue to grow capital markets fees by increasing lead arranger roles

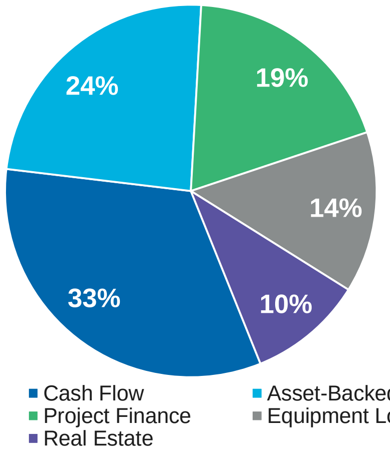
Established middle market national franchise with deep industry and product expertise and customized solutions

Industry Focus

Typical Deal:
Size: ~$5M – $50M+
3 to 7 year terms



Product Profile



Note: $10.0B represents loan and lease balance as of June 30, 2018.

Business Capital:
Providing Innovative Lending and Leasing Equipment Solutions

Differentiating Strengths

- Innovative technology provides speed of execution and valued solutions
  - Award-winning digital platform for small businesses
  - Tech-enabled customized billing and point-of-sale vendor solutions
- Expertise in design, development and implementation of traditional vendor alliances, true/virtual JVs and Private Label programs
- Unique expertise in fair market value lending driven by collateral expertise gained over long history of performance

Strategic Focus

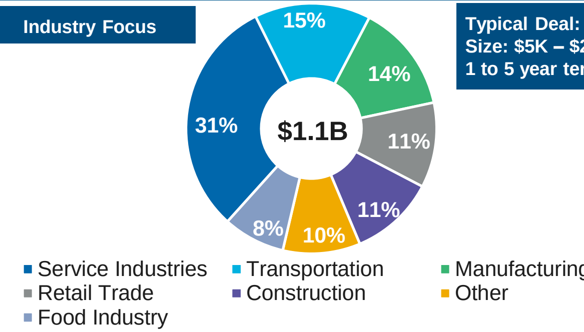
- Expand direct and indirect lending and enter new industry verticals that leverage our asset management and structuring expertise
- Continue to build innovative technology in our core businesses enabling us to stay ahead of the competition

Trusted partner providing innovative technology, industry expertise and unique residual knowledge

Direct Capital

Industry Focus

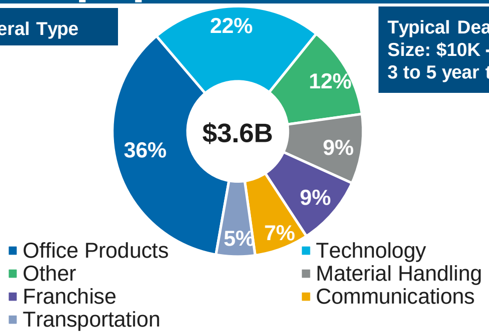
Typical Deal:
Size: $5K – $2M
1 to 5 year terms



Equipment Finance

Collateral Type

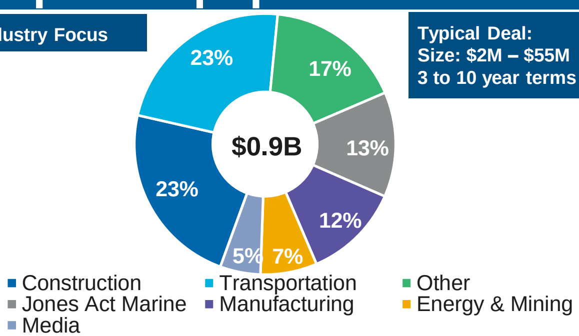
Typical Deal:
Size: $10K – $10M
3 to 5 year terms



Capital Equipment Finance

Industry Focus

Typical Deal:
Size: $2M – $55M
3 to 10 year terms



Note: Inside-of-chart figures represent loan and lease balance as of June 30, 2018.

Business Capital:
A National Leader in Factoring

Differentiating Strengths

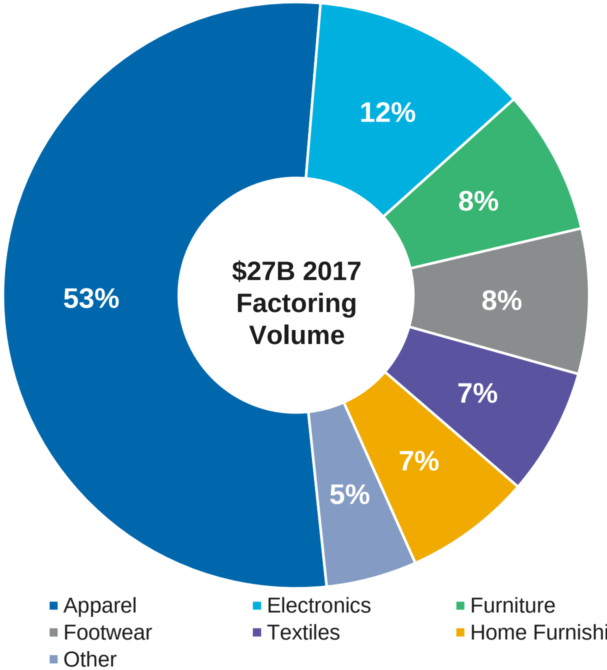
- Market leader for factoring services, including credit protection, receivables management and working capital
- Experienced management team with strong industry knowledge, customer relationships, extensive retail credit connectivity, and underwriting expertise

Strategic Focus

- Expand client relationships and products across multiple industries
- Broaden market coverage by adding key personnel in underserved geographies

Market leader in factoring services with 700+ clients

Industry Focus



Client Profile

- Over 700 clients
  - Most are privately owned
  - Client revenues: $5m–$1B+
- 50% of exposure is investment grade rated customers
- Contracts range from 60 days to multi-year while receivables are 60 to 90 days
- Primarily discretionary lending facilities against receivables, inventory and intellectual property
- Typical client tenure 10+ years
- On average, $2–$3B of factored receivables on balance sheet at any given time
- On average, $1–$1.5B of average earnings assets on balance sheet at any given time representing factored receivables net of credit balances of factoring clients

Note: Data as of June 30, 2018.

Rail North America:
A Proven Asset Manager With Strong Customer Service

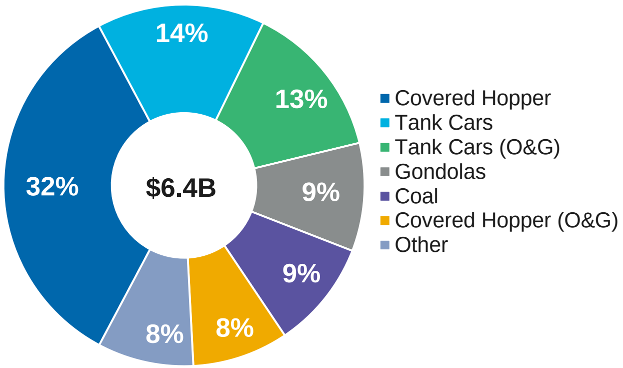
Differentiating Strengths

- Young and diverse fleet with broad market coverage, servicing a wide range of industries
- Proven portfolio management resulting in strong through-the-cycle returns
- Excellent customer service and long-term customer and manufacturer relationships

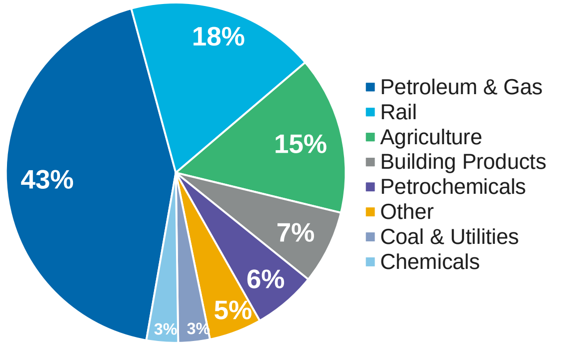
Strategic Focus

- Continue to manage portfolio proactively and adjust lease terms and rates to market conditions
- Maximize revenues by diverting cars for other services where applicable
- Selective asset sales contribute to non-interest income
- Opportunistic purchases

Fleet Car Types



Industry Focus



4th Largest rail equipment lessor in North America with strong profitability through economic cycles

Rail N.A. Fleet Details

- Operating leased fleet of 117,000 railcars
- 73% freight cars; 27% tank cars
- Rail franchise serves 500 customers in the U.S., Canada, and Mexico
- Average railcar age of 13 years
- 20–25% of railcar leases expire in any given year
- Utilization 96-98% throughout 2018

Note: $6.4B represents loan and lease balance as of June 30, 2018. Percentages based on fleet unit count of operating leases.

Real Estate Finance:
Disciplined Asset Originators

Differentiating Strengths

- Deep expertise in complex transactions (construction and reposition/bridge lending)
- Robust network with syndication banks
- National focus with significant presence in two largest CRE markets: Northeast Corridor and Southern California

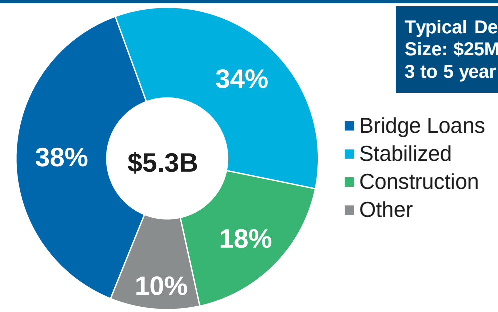
Strategic Focus

- Broadening sponsor coverage with relationship-oriented focus
- Expand syndication activities
- Increased focus on fee-generation activities

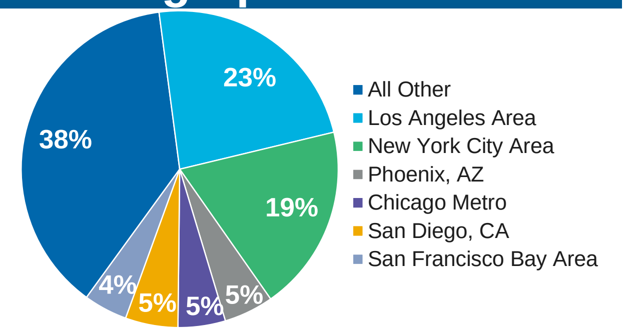
Relationship approach through life of loan provides consistent quality service to sponsors

Product Profile

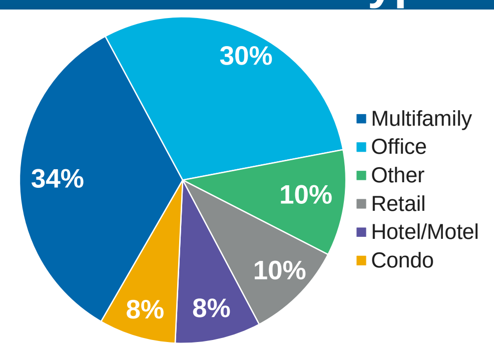
Typical Deal:
Size: $25M – $50M
3 to 5 year terms



Geographic Focus



Collateral Type



Note: $5.3B represents funded loan balance as of June 30, 2018.

Consumer Banking: Efficient and Stable Funding Source

Differentiating Strengths

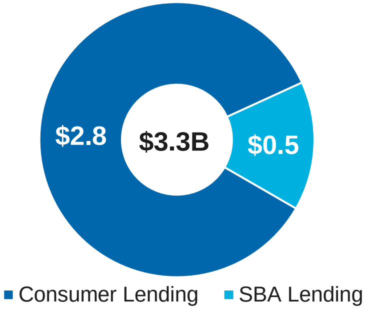
- Efficient 70 branch network in Southern California, the #2 U.S. market, offering high-touch customer service
- Top 10 national direct bank delivering savings products with the ease of a digital platform
- Leveraging Business Capital's digital small business platform to deliver an enhanced experience to small business bank customers

Strategic Focus

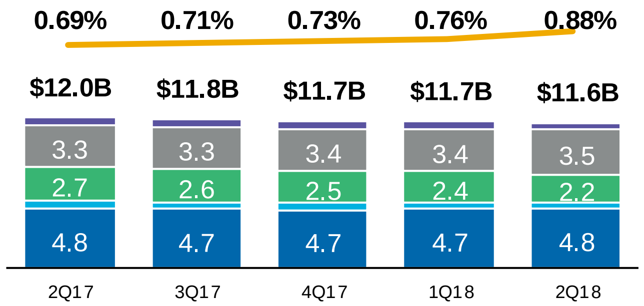
- Provide a stable and efficient funding source
- Scalable nationwide digital deposit franchise with a growing customer base
- Community and small business lending opportunities in greater L.A. market
- Disciplined pricing strategy to maximize growth and optimize cost of funds

Offering competitive deposit products through a branch and digital experience, with small business lending and consumer mortgage products to complement the portfolio

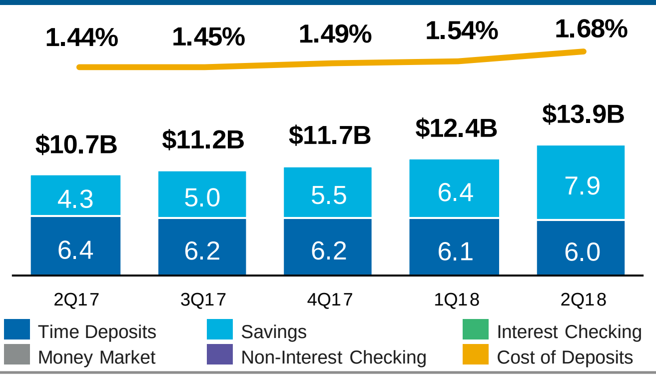
Other Consumer Banking Loans



Branch Average Deposits & Rates



Online Average Deposits & Rates



Note: $3.3B balance represents loan balance as of June 30, 2018. Loan balance excludes Legacy Consumer Mortgages.

Appendix – 2Q18 Performance

Quarterly Earnings Summary – Reported

($ 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) 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 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 page 42 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

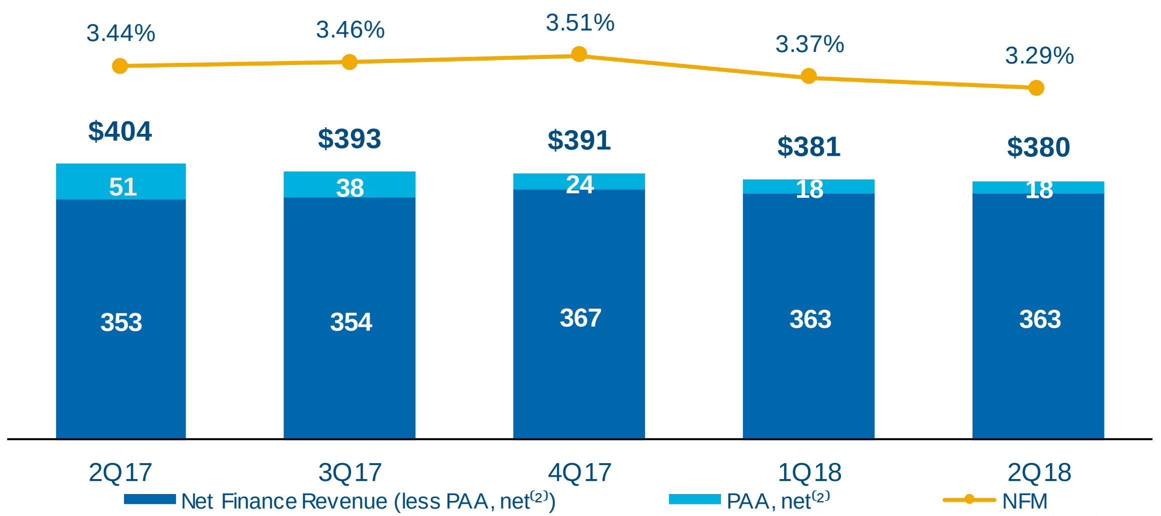
- **Financial Freedom Transaction – Primarily Gain on Sale of Reverse Mortgage Portfolio:** $22 million ($0.17 per diluted common share) after-tax benefit in other non-interest income primarily from the sale of our reverse mortgage portfolio
- **NACCO Suspended Depreciation:** $6 million ($0.05 per diluted 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 page 42 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 page 42 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

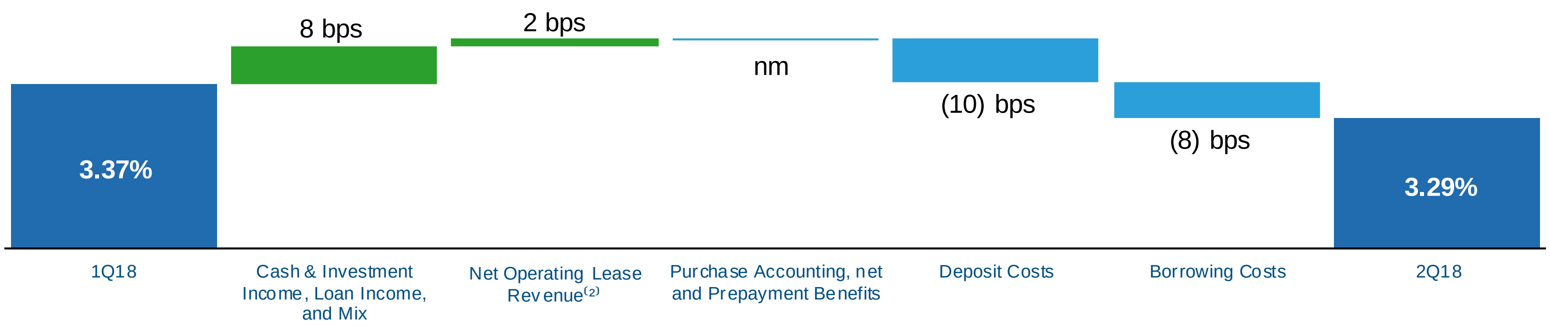
vs. Year-ago Quarter

Net Finance Revenue decreased by $23 million

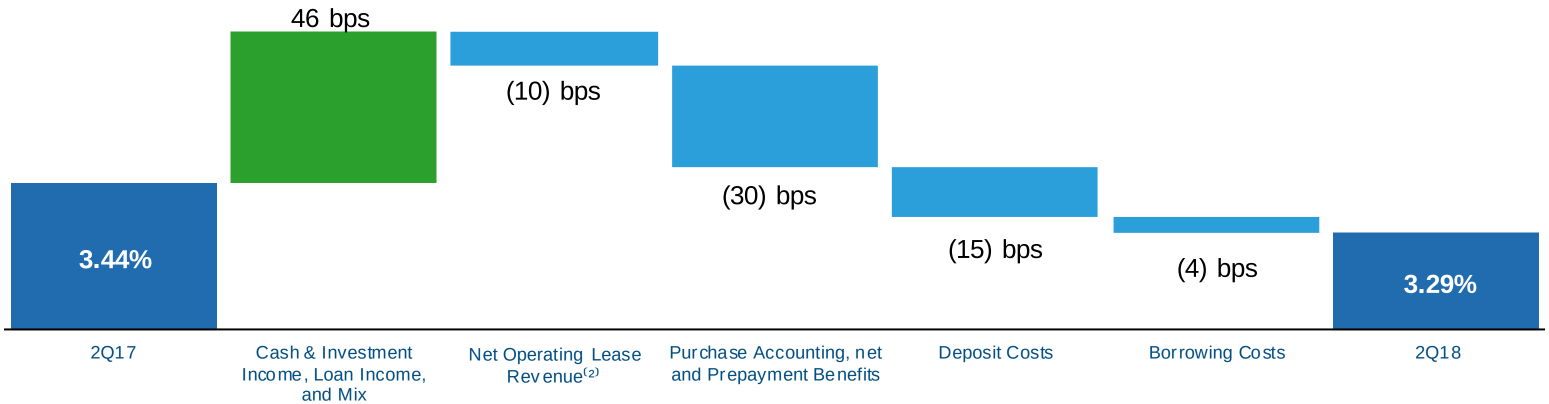
- Decrease primarily due to lower purchase accounting accretion, lower gross yields in Rail, and higher funding costs
- Decrease partially offset by higher earnings from investment securities and Commercial Banking loans

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

Net Finance Margin Walk 1Q18 to 2Q18



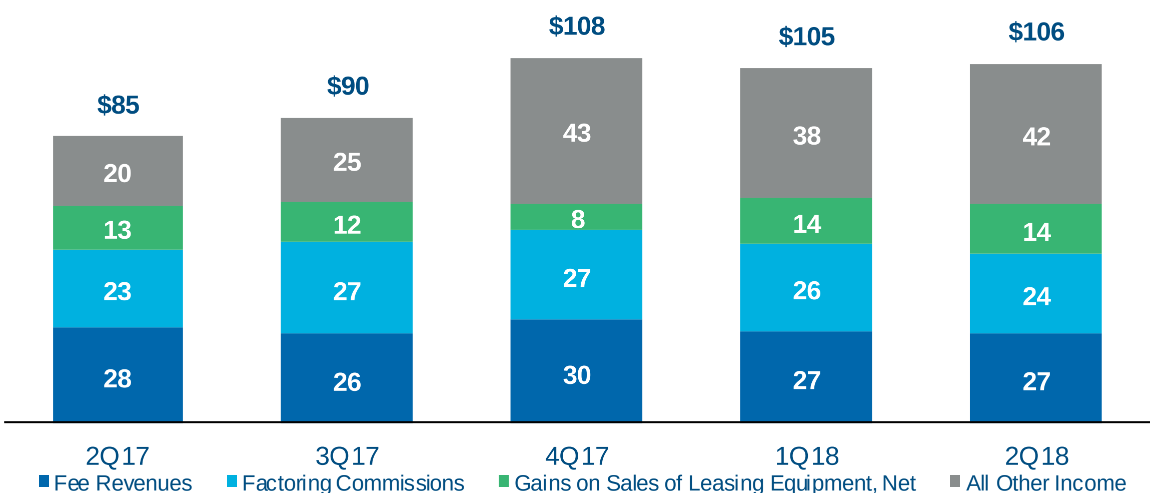
Net Finance Margin Walk 2Q17 to 2Q18



(1) See appendix page 42 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 page 42 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

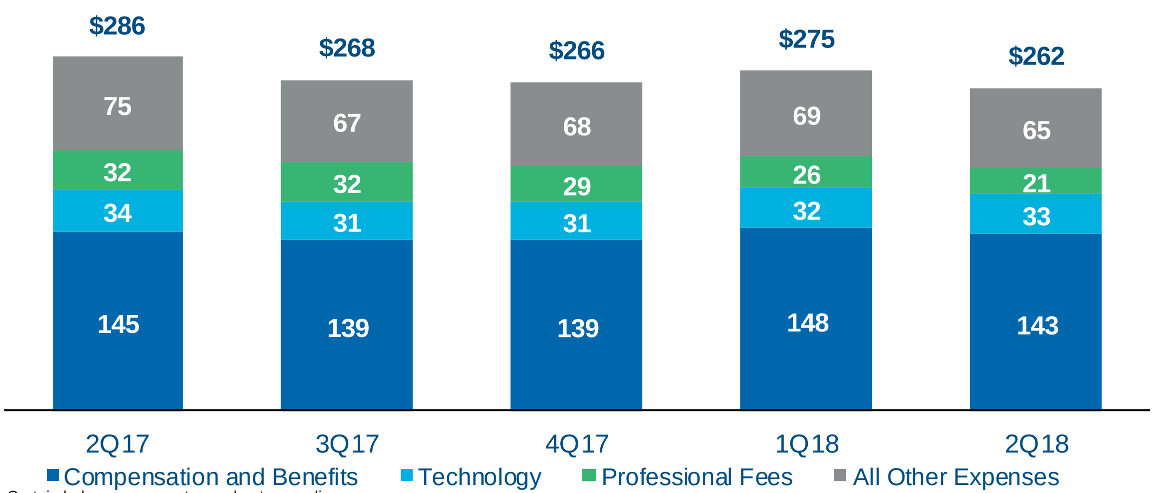
Operating Expenses[1] – Continuing Operations (Excluding Noteworthy Items)[2]

($ 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%)
Advertising and Marketing	**13**	13	10	0	3%	3	29%
Net Occupancy Expense	**16**	16	15	(0)	(1%)	1	6%
Insurance	**19**	20	25	(1)	(7%)	(6)	(26%)
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%)**

All Other Expenses (Advertising and Marketing, Net Occupancy Expense, Insurance, Other)

Net Efficiency Ratio[3]

2Q17	3Q17	4Q17	1Q18	2Q18
59%	56%	53%	57%	54%



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

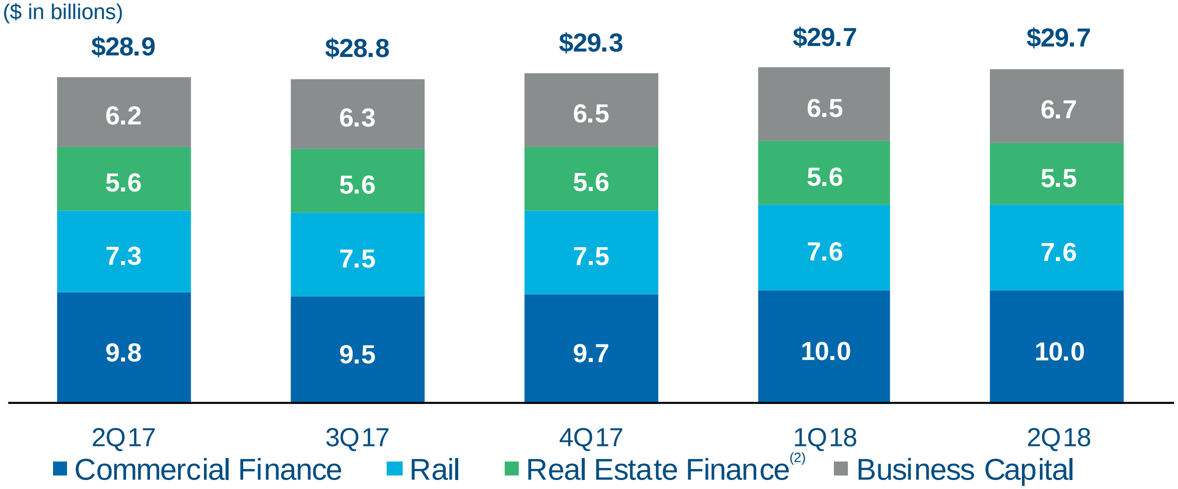
Operating Expenses decreased by 9%

- 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

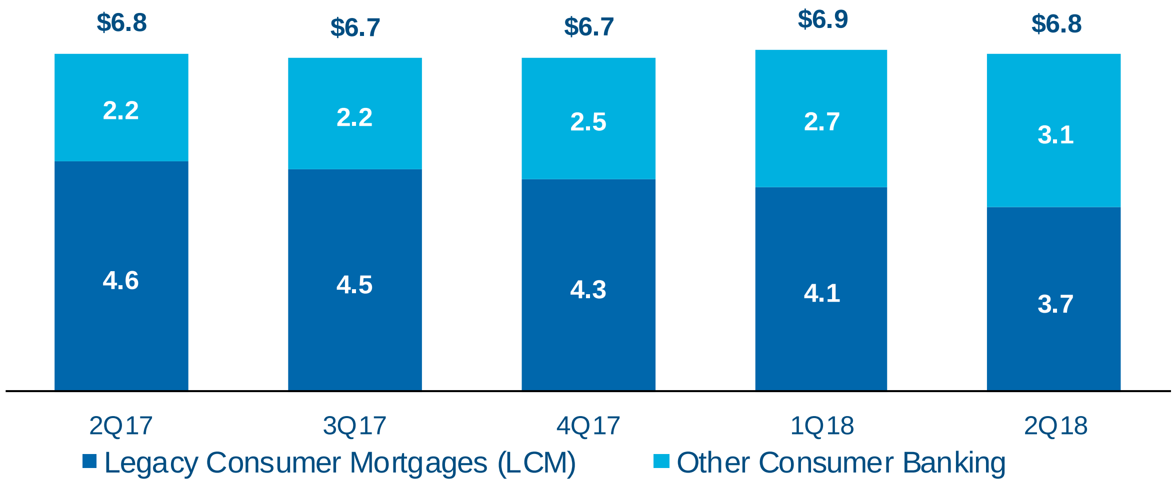
Certain balances may not sum due to rounding.
(1) In addition to the exclusion of noteworthy items, operating expenses also exclude amortization of intangibles.
(2) See appendix page 42 for details on noteworthy items.
(3) Total operating expenses exclusive of noteworthy items and amortization of intangibles divided by total revenue (net finance revenue and other non-interest income).

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

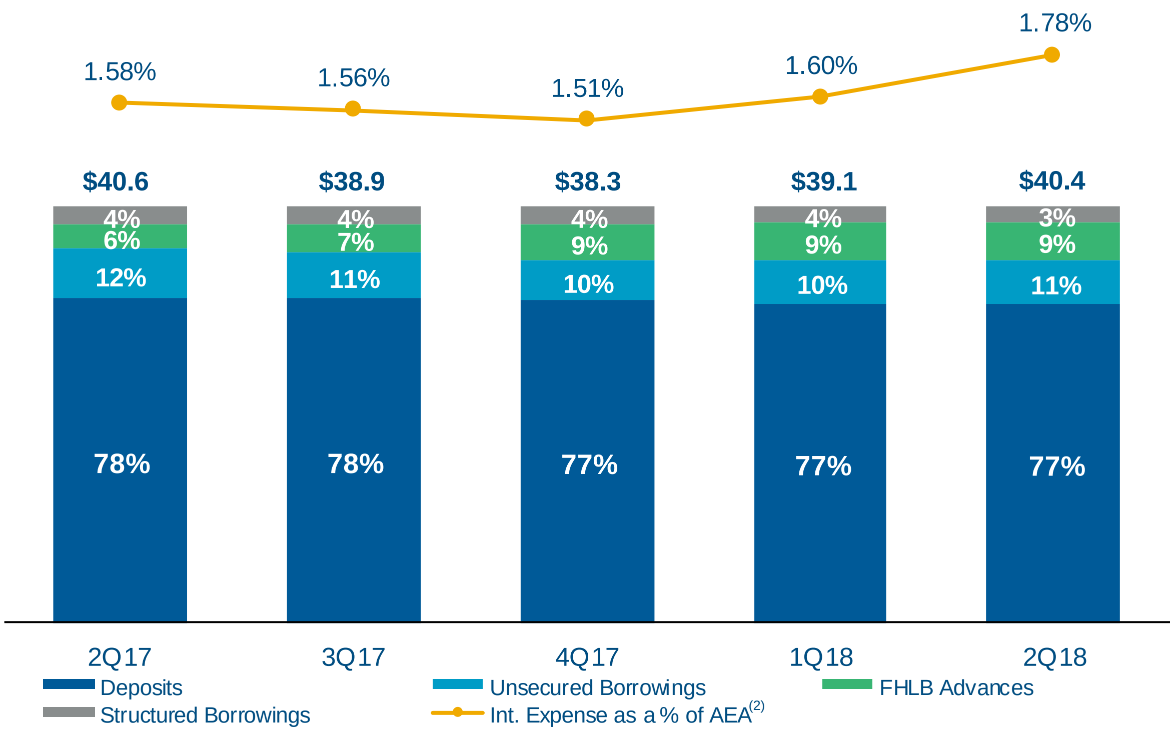
Consumer Banking

- **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)**



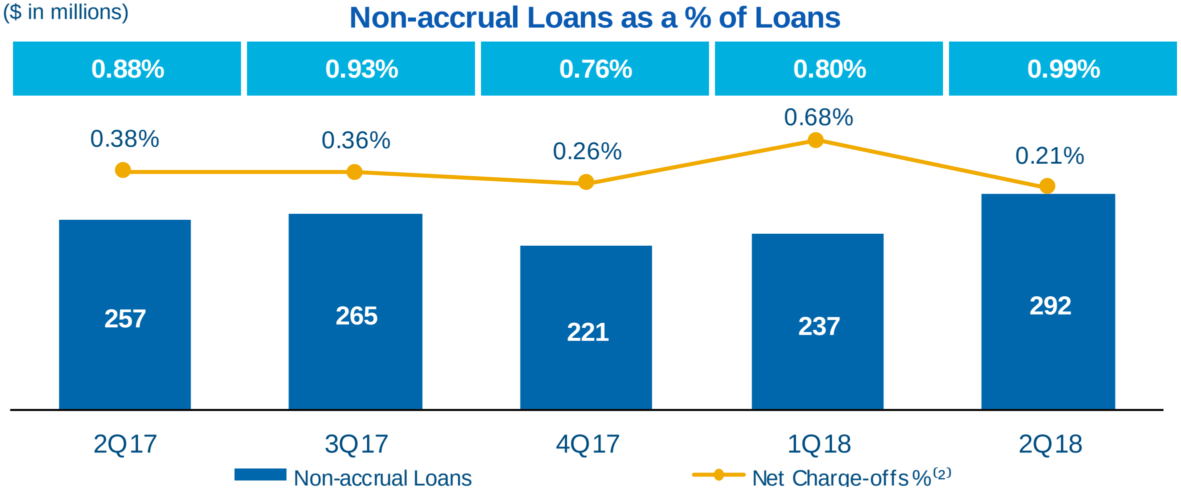
Highlights

- 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

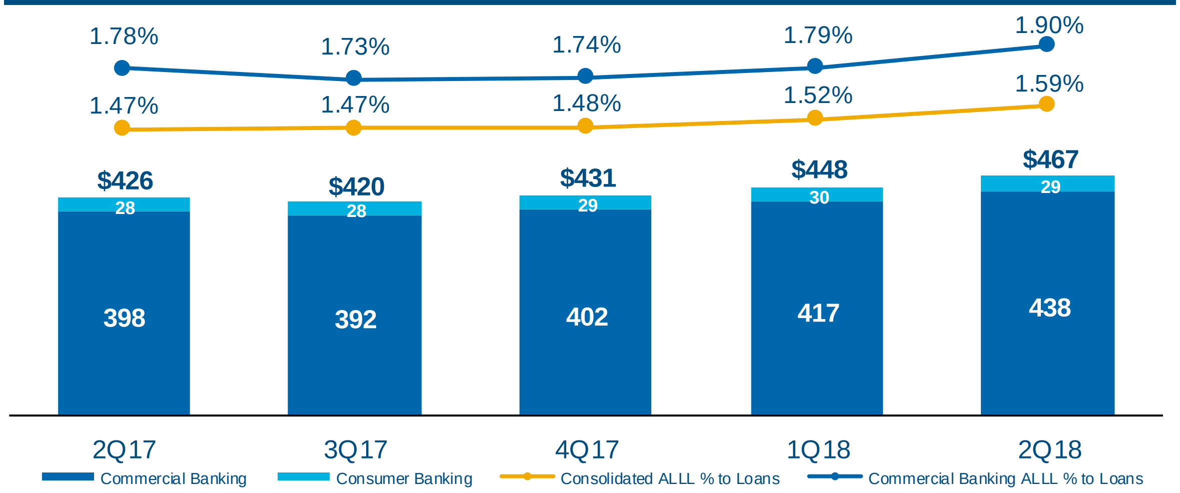
Certain balances may not sum due to rounding.
(1) Reflects a $1,735 adjustment in 2Q17 related to the timing of the completion of the Commercial Air related debt repayment.
(2) Interest expense and average earnings assets are exclusive of noteworthy items; see appendix page 42 for details on noteworthy items.

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

Non-accrual Loans & Net Charge-offs



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

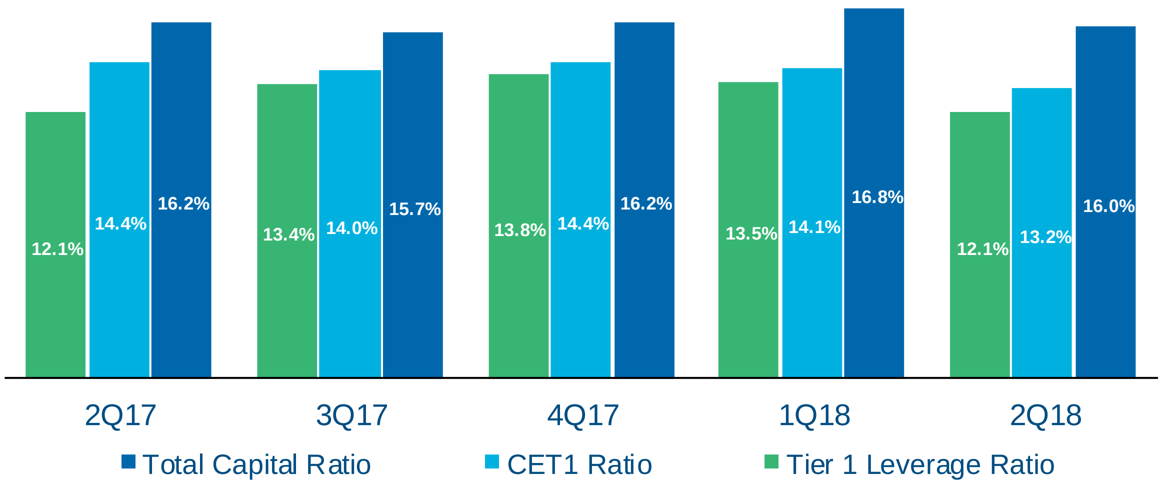
vs. Year-ago Quarter

- 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

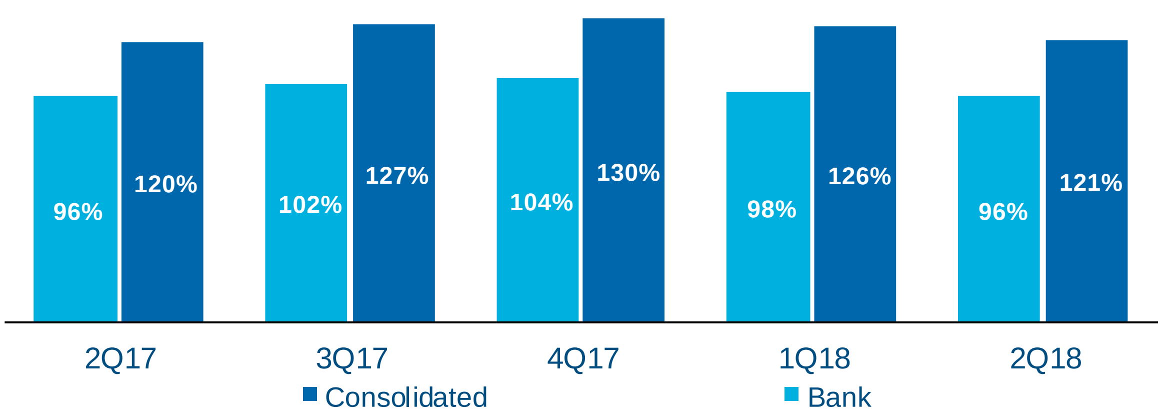
(1) See appendix page 42 for details on noteworthy items.
(2) As a percent of average loans, excluding loans held for sale, and excluding charge-offs related to the transfer of reverse mortgages to held for sale in 3Q17.

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.

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 page 42 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.

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.