Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 28, 2020 (January 28, 2020)

CIT GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-31369**	**65-1051192**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

11 W. 42nd Street,
New York, New York 10036

(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (212) 461-5200
Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CIT	New York Stock Exchange
5.625% Non-Cumulative Perpetual Preferred Stock, Series B, par value $0.01 per share	CITPRB	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

This Current Report on Form 8-K includes as an exhibit a press release, dated January 28, 2020, reporting the financial results of CIT Group Inc. (the "Company") as of and for the quarter and full year ended December 31, 2019. The press release is attached as Exhibit 99.1. This press release includes certain non-GAAP financial measures. A reconciliation of those measures to the most directly comparable GAAP measures is included as a table to the press release. The information reported under this Item 2.02, including Exhibit 99.1, shall be considered furnished, not filed, for the purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Section 7 – Regulation FD

Item 7.01. Regulation FD Disclosure.

In addition, this Form 8-K includes a copy of the Company's presentation to analysts and investors of its financial results for the quarter and full year ended December 31, 2019, which is attached as Exhibit 99.2. The information included in Exhibit 99.2 shall be considered furnished, not filed, for purposes of the Exchange Act. The Company also provides supplementary financial information on its website, which is not incorporated by reference in this Form 8-K.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by CIT Group Inc. on January 28, 2020 reporting its financial results as of and for the quarter and full year ended December 31, 2019.
99.2	Presentation by CIT Group Inc. on January 28, 2020 regarding its financial results for the quarter and full year ended December 31, 2019.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

Forward-Looking Statements

This Form 8-K 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,” “will,” “would,” “could,” “should,” “believe,” “potential,” “continue,” or the negative of any of those words or similar expressions is intended to identify forward-looking statements. All statements contained in this Form 8-K, 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. In particular, any projections or expectations regarding the acquisition by CIT Bank of Mutual of Omaha Bank, our future revenues, expenses, earnings, capital expenditures, deposits or stock price, as well as the assumptions on which such expectations are based, are such forward-looking statements reflecting only our current judgment and are not guarantees of future performance or results. 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, including planned or potential acquisitions or divestitures; (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; (v) the parties to a transaction do not obtain regulatory or other approvals or satisfy closing conditions to the transaction on a timely basis, or at all, or approvals are subject to conditions that are not anticipated; (vi) CIT Bank experiences difficulties and delays in integrating CIT Bank’s and Mutual of Omaha Bank’s respective businesses or fully realizing cost savings and other benefits; or (vii) changes in asset quality and credit risk, interest rates and capital markets or other economic conditions. We further 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, 2018, 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 Form 8-K. These forward-looking statements speak only as of the date on which the statements were made. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, except where expressly required by law.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 28, 2020

CIT GROUP INC.
(Registrant)

By: /s/ John Fawcett
Name: John Fawcett
Title: Executive Vice President & Chief Financial Officer

(Back To Top)

Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

CIT Announces Fourth Quarter and Full Year 2019 Results

NEW YORK – Jan. 28, 2020 – CIT Group Inc. (NYSE: CIT) today reported fourth quarter and full year 2019 results.

Financial Results

Fourth quarter net income available to common shareholders of $121 million or $1.27 per diluted common share.

Full year net income available to common shareholders of $511 million or $5.27 per diluted common share.

Excluding noteworthy items, full year net income available to common shareholders of $491 million or $5.06 per diluted common share[1].

Chairwoman and CEO Commentary

“We continued to deliver solid performance on our strategic plan in 2019 and laid the foundation for future value creation through the accelerated completion of the Mutual of Omaha Bank acquisition,” said CIT Chairwoman and Chief Executive Officer Ellen R. Alemany. “We achieved our core asset growth target, exceeded our operating expense goal, optimized our funding mix, improved our credit profile and grew earnings per diluted share by 28 percent, excluding noteworthy items.”

Alemany continued, “CIT enters 2020 as a stronger company, and we are poised to build momentum in the business through the addition of a lower-cost, leading homeowner association deposit channel and the expansion of relationship-based middle market banking teams. Looking ahead, we are focused on successful integration of our new franchises, steady execution of the next phase of our plan and creating sustainable long-term shareholder value.”

Strategic Pillars	
Grow Core Businesses	•Acquisition of Mutual of Omaha Bank on Jan. 1, 2020 provides lower-cost stable HOA[2] deposits and builds on our commercial banking strengths. Adds 34 middle market bankers. •Average loans and leases in 2019 up 1% from 2018. Average core loans and leases[3] in 2019 up 7% from 2018.
Optimize Balance Sheet	•Issued $100 million in 4.125% subordinated debt due 2029 and $200 million in 5.625% preferred stock to fund a portion of the Mutual of Omaha Bank transaction. •Average deposits grew 15% from the year-ago quarter and represent 86% of funding. •Average outstanding deposit costs decreased 14 bps from the prior quarter. Increased online customers by 45% in 2019.
Enhance Operating Efficiency	•Continued disciplined expense management. •Met our operating expense reduction target of at least $50 million a full year early[4]. •Additional $50 million in cost reductions for 2021.
Maintain Strong Risk Management	•Maintained strong credit performance and disciplined underwriting standards. •Reduced criticized assets by 28% in 2019.

•Credit reserves strong at 1.56% of total portfolio and 1.89% of Commercial banking portfolio.

[1] Net income available to common shareholders excluding noteworthy items is a non-GAAP measure. See “Non-GAAP Measurements” at the end of this press release for a reconciliation of non-GAAP to GAAP financial information.

[2] Homeowner association.

[3] Average core loans and leases is a non-GAAP measure. Core portfolios are total loans and leases net of credit balances of factoring clients, NACCO assets held for sale, Legacy Consumer Mortgages (LCM) and Non-Strategic Portfolios (NSP). See “Non-GAAP Measurements” at the end of this press release for a reconciliation of non-GAAP to GAAP financial information.

[4] Excludes impact of lease accounting changes and merger and integration costs associated with the Mutual of Omaha Bank acquisition.

Selected Financial Highlights:

Select Financial Highlights*				4Q19 change from						2019 change*
($ in millions)	4Q19	3Q19	4Q18	3Q19		4Q18		2019	2018	from 2018
Net finance revenue[1]	$ 350	$ 353	$ 374	$ (3)	-1%	$ (24)	-6%	$ 1,433	$ 1,543	$ (110)
Non-interest income	111	101	48	10	10%	64	NM	415	374	41
Total net revenue[1]	461	454	421	7	1%	40	9%	1,848	1,917	(68)
Operating expenses and loss on debt extinguishment	259	311	274	(52)	-17%	(15)	-5%	1,114	1,109	5
Income from continuing operations before credit provision	203	143	148	59	41%	55	37%	735	808	(73)
Provision for credit losses	23	27	31	(4)	-15%	(9)	-28%	111	171	(60)
Income from continuing operations before provision (benefit) for income taxes	180	117	117	63	54%	63	54%	624	637	(13)
Provision (benefit) for income taxes	49	(26)	25	75	NM	24	98%	95	165	(70)
Income from continuing operations	131	143	92	(12)	-9%	39	42%	529	472	57
Income from discontinued operations, net of taxes	-	-	0	-	NM	-	-	1	(25)	26
Net income	131	143	92	(12)	-9%	39	42%	530	447	83
Preferred stock dividends	10	-	10	10	NM	-	0%	19	19	-
Net income available to common shareholders	$ 121	$ 143	$ 82	$ (22)	-15%	$ 39	47%	$ 511	$ 428	$ 83
Income from continuing operations available to common shareholders	$ 121	$ 143	$ 82	$ (22)	-15%	$ 39	47%	$ 511	$ 453	$ 57
Noteworthy items[2]	-	(20)	45	20		(45)		(20)	26	(47)
Income from continuing operations available to common shareholders, excluding noteworthy items[1] [2]	$ 121	$ 123	$ 127	$ (1)	-1%	$ (6)	-5%	$ 490	$ 480	$ 11
Per common share										
Diluted income per common share	$ 1.27	$ 1.50	$ 0.78	$ (0.23)	-15%	$ 0.49	63%	$ 5.27	$ 3.61	$ 1.67
Diluted income per common share, excluding noteworthy items	$ 1.27	$ 1.29	$ 1.21	$ (0.02)	-1%	$ 0.06	5%	$ 5.06	$ 3.94	$ 1.12
Average diluted common shares outstanding (in thousands)	95,143	95,018	105,149	125	0%	(10,006)	-10%	96,921	118,777	(21,856)
Tangible book value per common share (TBVPS)[1]	$ 56.77	$ 55.60	$ 51.15	$ 1.16	2%	$ 5.62	11%	$ 56.77	$ 51.15	$ 5.61
Balance Sheet										
Average loans and leases (includes HFS and net of credit balances)	$ 37,241	$ 37,133	$ 35,878	$ 107	0%	$ 1,363	4%	$ 36,851	$ 36,384	$ 468
Average core loans and leases (includes HFS and net of credit balances)	35,081	34,798	33,002	284	1%	2,079	6%	34,379	32,019	2,360
Average earning assets (AEA)[1]	46,504	46,245	44,113	259	1%	2,390	5%	46,267	45,214	1,053
New business volume	3,619	3,369	3,575	250	7%	43	1%	13,082	12,223	860
Key performance metrics, continuing operations										
Net finance margin[1]	3.01%	3.06%	3.39%	-5bps		-38bps		3.10%	3.41%	-31bps
Net efficiency ratio[1]	54.8%	63.8%	59.8%	NM		NM		58.2%	54.6%	NM
Net charge-offs	0.40%	0.34%	0.32%	6bps		8bps		0.39%	0.39%	0bps
Return on AEA (ROAEA)[1]	1.04%	1.24%	0.75%	-20bps		29bps		1.10%	1.00%	10bps
Return on tangible common equity (ROTCE)[1]	9.41%	11.39%	6.67%	NM		NM		10.20%	8.20%	NM
Key performance metrics, continuing operations excluding Noteworthy Items										
Net finance margin[1][2]	3.01%	3.06%	3.39%	-5bps		-38bps		3.10%	3.35%	-25bps
Net efficiency ratio[1][2]	54.8%	57.5%	54.1%	NM		69bps		56.6%	54.6%	NM
Net charge-offs	0.40%	0.34%	0.32%	6bps		8bps		0.39%	0.39%	0bps
ROAEA[1][2]	1.04%	1.06%	1.15%	-2bps		-11bps		1.06%	1.06%	0bps
ROTCE[1][2]	9.41%	9.82%	10.12%	-41bps		-71bps		9.81%	8.66%	NM

[1] Net finance revenue, total net revenue, TBVPS, AEA, net finance margin, net efficiency ratio, ROAEA and ROTCE are non-GAAP measures that management uses to evaluate the performance of the business. See "Non-GAAP Measurements" at the end of this press release for a reconciliation of non-GAAP to GAAP financial information, descriptions of the non-GAAP measures, and noteworthy items. TBVPS is detailed on page 16.

[2] We exclude noteworthy items due to their episodic nature and size. See "Non-GAAP Measurements" at the end of this press release for a reconciliation of non-GAAP to GAAP financial information and noteworthy items.

*Certain balances may not sum due to rounding.

Unless otherwise indicated, all references below relate to continuing operations.

Fourth Quarter Financial Highlights:

- Net finance margin of 3.01% was down 5 bps from the prior quarter, primarily reflecting lower yields on loans and investment securities from lower market rates.
- Other non-interest income increased $10 million from the prior quarter to $111 million, primarily driven by gains on sale of loans in Legacy Consumer Mortgages (LCM).
- Operating expenses, excluding noteworthy items in the prior quarter and intangible asset amortization, decreased $8 million from the prior quarter to $253 million, primarily from lower advertising and marketing costs.
- Net efficiency ratio excluding noteworthy items of 55% improved from 57% in the prior quarter, primarily reflecting the decrease in operating expenses and the increase in other non-interest income.
- Provision for credit losses was $23 million, down from $27 million in the prior quarter.
- Net charge-offs of $32 million (0.40% of average loans), essentially all in the Commercial Banking segment. Non-accrual loans increased $29 million and represents 1.05% of loans.
- Effective tax rate of 27%, which includes true-ups for 2019 related to state and local taxes and other discrete items.
- Loans and leases to deposit ratio was 94% at CIT Bank and 109% at CIT Group, both up modestly from the prior quarter.
- Tangible book value per share of $56.77 increased 2.1% from the prior quarter.
- CET1 ratio increased to 12.0%, reflecting quarterly earnings and a decrease in risk weighted assets (RWA).
- ROTCE was 9.4%. ROTCE normalized for the preferred dividend[5], was 9.8%.

Noteworthy Items

There were no noteworthy items in the current quarter.

[5] ROTCE, normalized for the preferred dividend, is a non-GAAP measure. See “Non-GAAP Measurements” at the end of this press release for a reconciliation of non-GAAP to GAAP financial information.

2019 Financial Highlights:

- Net finance margin, excluding noteworthy items, of 3.10% was down 25 bps from the prior year, primarily reflecting higher deposit rates and lower net yields in Rail.
- Other non-interest income, excluding noteworthy items, increased $16 million from the prior year to $415 million, primarily driven by higher fee income and higher gains on sales of loans and leasing equipment.
- Operating expenses, excluding noteworthy items and intangible asset amortization, was unchanged from the prior year despite the gross up of property taxes, lease accounting changes and $17 million in costs related to the Mutual of Omaha Bank transaction, all in 2019.
- Net efficiency ratio excluding noteworthy items of 57%, up from 55% in the prior year, primarily reflecting the decrease in net finance revenue.
- Provision for credit losses was $111 million, reflecting a decrease of $60 million from the prior year.
- Net charge-offs of $122 million (0.39% of average loans) increased by $7 million from the prior year, primarily from an increase in the Business Capital division of the Commercial Banking segment. Non-accrual loans increased $44 million and represents 1.05% of loans.
- Effective tax rate before noteworthy and tax discrete items of 25%, down from 26% in the prior year.
- Loans and leases to deposit ratio was 94% at CIT Bank and 109% at CIT Group, both down from year-end 2018, reflecting strong deposit growth as a portion of total funding.
- Tangible book value per share of $56.77 increased 11% from year-end 2018.
- CET1 ratio of 12.0%, unchanged from year-end 2018.
- ROTCE excluding noteworthy items was 9.8%.

Noteworthy Items

Financial results for 2019 included the following noteworthy items, all which occurred in the third quarter:

- $53 million ($0.55 per diluted common share) positive tax provision resulting from the assertion of indefinite reinvestment of undistributed earnings in our Canadian operations.
- $22 million (after tax) ($0.22 per diluted common share) impairment related to the sale of our Livingston, NJ, office building.
- $11 million (after tax) ($0.12 per diluted common share) restructuring charge related to our strategic initiatives to support operating efficiency improvement.

Income Statement Highlights:

Net Finance Revenue

Net Finance Revenue*				4Q19 change from			
($ in millions)	4Q19	3Q19	4Q18	3Q19		4Q18	
Interest income	$ 481	$ 503	$ 492	$ (22)	-4%	$ (11)	-2%
Net operating lease revenue							
Rental income on operating leases	215	212	230	4	2%	(15)	-6%
Depreciation on operating lease equipment	76	76	80	0	1%	(3)	-4%
Maintenance and other operating lease expenses	41	42	53	(1)	-3%	(12)	-23%
Total net operating lease revenue[1]	98	94	97	4	5%	1	1%
Interest expense	230	244	216	(14)	-6%	14	7%
Net finance revenue [2]	$ 350	$ 353	$ 374	$ (4)	-1%	$ (24)	-6%
Average earning assets	$ 46,504	$ 46,245	$ 44,113	$ 259	1%	$ 2,390	5%
Net finance margin[2]	3.01%	3.06%	3.39%	-5bps		-38bps	

[1]Net operating lease revenue is a non-GAAP measure, and is reconciled in the table as a combination of GAAP balances, rental income on operating leases less depreciation on operating lease equipment and maintenance and other operating lease expenses. Net operating lease revenue is used by management to monitor portfolio performance and returns on purchased equipment.

[2]These balances and metrics are non-GAAP measures used to measure the profitability of our earning assets. See "Non-GAAP Measurements" at the end of this press release for a reconciliation of non-GAAP to GAAP financial information.

*Certain balances may not sum due to rounding.

- Net finance revenue was $350 million, down from $353 million in the prior quarter.
  - Lower income on loans and investment securities from lower market rates.
  - Higher net operating lease income in Rail, primarily driven by higher rental income from excess mileage charges.
  - Lower deposit costs from lower rates, primarily in online non-maturity deposits.
  - Lower borrowing costs, primarily driven by lower average balances and lower rates on FHLB borrowings, partially offset by a full quarter impact from the $550 million in Bank notes issued in September.
- Net finance margin (net finance revenue as a percentage of average earning assets) was 3.01%, a 5 bps decrease from 3.06% in the prior quarter, driven by the trends noted above.
- Net finance revenue decreased $24 million compared to the year-ago quarter.
  - Higher interest costs driven by a higher level of deposits and higher deposit rates, partially offset by lower average secured and FHLB balances, as well as lower FHLB rates.
  - Lower interest income on loans from lower market rates.
- Compared to the year-ago quarter, net finance margin decreased 38 bps, driven by the trends noted above.

Other Non-Interest Income

Other Non-Interest Income*				4Q19 change from			
($ in millions)	4Q19	3Q19	4Q18	3Q19		4Q18	
Fee revenues	$ 29	$ 29	$ 22	$ 0	0%	$ 8	36%
Factoring commissions	26	25	26	1	2%	(0)	-1%
Gains on leasing equipment, net of impairments	20	18	18	2	9%	2	9%
BOLI income	8	8	6	(0)	-1%	2	31%
Gains on investment securities, net of impairments	1	2	5	(1)	-44%	(4)	-81%
Property tax income	5	5	-	0	2%	5	NM
Other revenues	23	14	(29)	9	61%	52	NM
Total other non-interest income	111	101	48	10	10%	64	NM
Noteworthy items[1]	-	-	44	-		(44)	
Total other non-interest income, excluding noteworthy items[2]	$ 111	$ 101	$ 92	$ 10	10%	$ 19	21%

[1]See "Non-GAAP measurements" for a listing of Noteworthy items.

[2]Total other non-interest income, excluding noteworthy items is a non-GAAP measure and is reconciled to the GAAP balance, total other non-interest income, in the table above. Total other non-interest income, excluding noteworthy items is used by management to monitor the underlying level of income.

*Certain balances may not sum due to rounding.

- Other non-interest income was $111 million, compared to $101 million in the prior quarter, primarily driven by $9 million in gains on sale of loans from the LCM portfolio.
- Excluding noteworthy items, which impacted other revenues in the year-ago quarter, other non-interest income increased by $19 million compared to the year-ago quarter.
  - Higher capital markets fees.
  - Higher gains on sale of loans from the LCM portfolio.
  - Lower gains on investment securities, driven by sales of legacy private label MBS in the year-ago quarter.
  - Higher property tax income from the adoption of the lease accounting standard in 2019.

Operating Expenses

Operating Expenses*				4Q19 change from			
($ in millions)	4Q19	3Q19	4Q18	3Q19		4Q18	
Compensation and benefits	$ 142	$ 138	$ 130	$ 5	3%	$ 12	9%
Technology	35	34	34	0	1%	0	1%
Professional fees	20	21	20	(1)	-6%	0	1%
Insurance	11	13	14	(2)	-15%	(3)	-24%
Net occupancy expense	16	45	17	(29)	-64%	(1)	-8%
Advertising and marketing	7	14	11	(7)	-51%	(4)	-34%
Property tax expense	6	6	-	0	2%	6	NM
Restructuring costs	-	15	-	(15)	-100%	-	NM
Intangible asset amortization	6	6	6	-	0%	(0)	-2%
Other expenses	17	20	26	(3)	-14%	(9)	-36%
Total operating expenses	259	311	258	(52)	-17%	1	0%
Noteworthy items	-	44	-	(44)	-100%	-	NM
Intangible asset amortization	6	6	6	-	0%	(0)	-2%
Operating expenses, excluding noteworthy items and intangible asset amortization[1]	$ 253	$ 261	$ 252	$ (8)	-3%	$ 1	0%
Net efficiency ratio[2]	54.8%	63.8%	59.8%	NM		NM	
Net efficiency ratio, excluding noteworthy items and intangible asset amortization[2]	54.8%	57.5%	54.1%	NM		69bps	

[1]Operating expenses excluding intangible asset amortization is used by management to compare period over period expenses, absent the strategic nature of the adjustments. Due to the exclusion of intangible amortization, this is considered a non-GAAP measure, as reconciled to total operating expenses in the table.
[2]These metrics are non-GAAP measures. See "Non-GAAP Measurements" at the end of this press release for details on the calculation and description of the use of the metric. See non-GAAP disclosures for reconciliation of total net revenues.
*Certain balances may not sum due to rounding.

- Operating expenses, excluding noteworthy items (which impacted net occupancy expense and restructuring costs in the prior quarter) and intangible asset amortization, was $253 million, down from $261 million in the prior quarter.
  - Lower advertising and marketing costs, primarily driven by lower costs related to deposit gathering.
  - Higher employee costs.
  - Includes $7 million in professional fees related to the Mutual of Omaha Bank transaction, compared to $8 million in the prior quarter.
- Operating expenses excluding intangible asset amortization increased by $1 million compared to the year-ago quarter.
  - Higher employee costs.
  - The gross-up of property taxes and the expensing of lease origination costs previously capitalized due to the adoption of the new lease accounting standard in 2019.
  - Lower advertising and marketing costs, primarily driven by lower costs related to deposit gathering.
  - Lower other expenses, primarily from lower other expenses in the Consumer Banking segment.
  - Includes $7 million in professional fees related to the Mutual of Omaha Bank transaction.
- The net efficiency ratio improved to 55% from 64% in the prior quarter.
- The net efficiency ratio excluding noteworthy items and intangible asset amortization improved to 55% from 57% in the prior quarter.

- o The improvement was driven by the decrease in operating expenses and the increase in other non-interest income.
- The net efficiency ratio was 60% in the year-ago quarter.
- The net efficiency ratio excluding noteworthy items and intangible asset amortization was 54% in the year-ago quarter.
  - o The slight increase was driven primarily by the decrease in interest income.

Balance Sheet Highlights:

Average Earning Assets

Average Earning Assets*				4Q19 change from			
($ in millions)	4Q19	3Q19	4Q18	3Q19		4Q18	
Interest-bearing cash	$ 1,404	$ 1,378	$ 1,791	$ 26	2%	$ (388)	-22%
Investment securities and securities purchased under agreement to resell	7,859	7,733	6,426	126	2%	1,433	22%
Loans and loans held for sale (net of credit balances of factoring clients)	30,015	30,071	28,954	(56)	0%	1,061	4%
Operating lease equipment, net (including held for sale)	7,226	7,062	6,924	164	2%	302	4%
Indemnification assets	-	-	18	-	NM	(18)	-100%
Average earning assets (AEA)	$ 46,504	$ 46,245	$ 44,113	$ 259	1%	$ 2,390	5%

*All balances above are averages. Certain balances may not sum due to rounding.

- AEA increased $259 million from the prior quarter, primarily driven by growth in investment securities and operating leases.
  - o Average loans and leases increased slightly in the quarter, reflecting modest growth in the core portfolios.
  - o The LCM portfolio decreased from the sale of approximately $52 million of loans and continued portfolio run-off.
  - o Interest-bearing cash at year-end included $850 million in restricted cash in preparation for the Mutual of Omaha Bank transaction that closed on January 1, 2020.
- AEA compared to the year-ago quarter increased by $2.4 billion from growth in loans and investment securities.
  - o Average loans and leases in the core portfolio grew 6% compared to the year-ago quarter, primarily driven by growth in the Commercial Finance and Business Capital divisions of Commercial Banking and the Consumer and Community Banking division of Consumer Banking, partially offset by a reduction in Real Estate Finance loans.
  - o The LCM portfolio decreased by approximately $700 million from the sale and continued run-off of loans.

Deposits and Borrowings

Average Deposits and Borrowings* ($ in millions)	4Q19	3Q19	4Q18	4Q19 change from 3Q19		4Q19 change from 4Q18	
Interest-bearing checking	$ 1,217	$ 1,246	$ 1,650	$ (30)	-2%	$ (434)	-26%
Savings and money market	20,811	19,868	13,477	943	5%	7,334	54%
Time deposits	11,957	12,463	14,173	(507)	-4%	(2,217)	-16%
Non-interest bearing checking	1,605	1,533	1,564	72	5%	42	3%
Total deposits	$ 35,590	$ 35,111	$ 30,864	$ 479	1%	$ 4,725	15%
Online	$ 19,157	$ 18,890	$ 14,540	$ 267	1%	$ 4,617	32%
Branch	11,572	11,505	11,472	67	1%	100	1%
Commercial	1,943	1,866	1,918	77	4%	24	1%
Brokered	2,918	2,850	2,933	68	2%	(15)	-1%
Total deposits	$ 35,590	$ 35,111	$ 30,864	$ 479	1%	$ 4,725	15%
Secured borrowings	$ 1,447	$ 2,523	$ 4,049	$ (1,076)	-43%	$ (2,602)	-64%
Unsecured borrowings	4,418	3,841	4,083	576	15%	335	8%
Total borrowings	$ 5,865	$ 6,364	$ 8,132	$ (500)	-8%	$ (2,267)	-28%

*All balances above are averages. Certain balances may not sum due to rounding.

- Average deposits represented 86% of CIT's funding, up from 85% in the prior quarter and 79% in the year-ago quarter.
  - The 1% increase in average deposits from the prior quarter primarily reflects continued growth in consumer savings deposits, partially offset by a reduction in consumer term CDs.
- The weighted average rate on average outstanding deposits decreased 14 bps to 1.84% from 1.98% in the prior quarter, primarily from a decline in savings rates in the online channel and CDs resetting at lower rates in the retail channel.
- The weighted average rate on average outstanding deposits increased 16 bps from 1.68% in the year-ago quarter, primarily from growth in the online channel.
- The loans and leases-to-deposits ratio at CIT Bank was 94% at Dec. 31, 2019, up from 91% at Sept. 30, 2019, and down from 101% at Dec. 31, 2018.
  - The increase from the prior quarter was primarily due to lower deposits.
  - The decrease from the year-ago quarter resulted primarily from strong deposit growth as a portion of total funding.
- For CIT Group, the loans and leases-to-deposits ratio was 109% at Dec. 31, 2019, compared to 108% at Sept. 30, 2019 and down from 121% at Dec. 31, 2018.
  - The slight increase from the prior quarter was primarily due to lower deposits.
  - The decrease from the year-ago quarter resulted primarily from strong deposit growth as a portion of total funding.
- Average unsecured borrowings comprised 11% of the funding mix, up from 9% in the prior quarter, reflecting the issuance of subordinated debt in the current quarter and the issuance of bank notes that settled near the end of the prior quarter.

- The weighted average coupon on our unsecured senior and subordinated debt was 4.75% at Dec. 31, 2019 compared to 4.76% at Sept. 30, 2019, with a weighted average maturity of approximately 4.3 years and approximately 4.4 years, respectively.

- Average secured borrowings comprised 3% of the funding mix, down from 6% in the prior quarter, reflecting lower average balances in FHLB advances and ABL borrowings related to our Commercial Services business.

Capital

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Capital*				4Q19 change from			
($ in millions)	4Q19	3Q19	4Q18	3Q19		4Q18	
Preferred stock	$ 525	$ 325	$ 325	$ 200	62%	$ 200	62%
Common stockholders' equity	$ 5,814	$ 5,709					