



CIT Group

CIT Acquisition of Mutual of Omaha Bank
Investor Conference Call

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CORPORATE PARTICIPANTS

Ellen Alemany - *Chairwoman, Chief Executive Officer*

John Fawcett - *Chief Financial Officer*

Barbara Callahan - *Head of Investor Relations*

PRESENTATION

Operator

Good morning and welcome to the CIT Acquisition of Mutual of Omaha Bank Investor Conference Call. My name is Andrea and I will be your operator today. At this time, all participants are in a listen-only mode.

There will be a question and answer session later in the call. To ask a question, you may press Star, then 1 on your touchtone phone. To withdraw your question, please press Star, then 2. If at any time during the call you require assistance, please press Star, then 0 and an operator will be happy to assist you.

As a reminder, this conference call is being recorded. I would now like to turn the call over to Barbara Callahan, Head of Investor Relations. Please proceed, ma'am.

Barbara Callahan

Thank you, Andrea, Good morning and welcome to CIT's Investor Conference Call to discuss our acquisition of Mutual of Omaha Bank. Our call today will be hosted by Ellen Alemany, Chairwoman and CEO, and John Fawcett, our CFO. Also joining us for the Q&A discussion is our Chief Strategy Officer, Ken McPhail.

During this call, we will be referencing a presentation that is available on the Investor Relations section of our website at CIT.com. Our forward-looking statements disclosure and non-GAAP reconciliations are included in today's materials and within our SEC filing. These cover our presentation materials, prepared comments, and the question and answer segment of today's call.

I'll now turn the call over to Ellen Alemany.

Ellen Alemany

Thank you, Barbara. Good morning, everyone, and thank you for joining the call. We're pleased to announce the acquisition of Mutual of Omaha Bank, a full-service commercial bank, which will immediately bring CIT a new low-cost deposit channel and expand our middle market banking franchise and capabilities.

We are committed to maximizing value for our shareholders and have been looking for opportunities that would align with our strategic plan and accelerate CIT's next phase of growth. This transaction satisfies those objectives by enhancing our core businesses and diversifying and improving our deposit funding.

The acquisition includes their community association banking and commercial banking businesses, both of which are highly strategic to CIT. Mutual of Omaha Bank has \$6.8 of deposits with a cost of 73 basis points and \$8.3 billion of assets. The transaction does not include their mortgage banking operations called Synergy One.

Mutual of Omaha Bank's Community Association Banking Business is an established leader in the highly attractive homeowners' association industry, commonly referred to as HOA, with \$4.5 billion in HOA deposits and proprietary technology enabled solutions, which will immediately enhance our deposit funding strategy and support our commercial growth initiatives.

HOA deposits have several highly attractive attributes. They are low cost, stable, long duration, and scalable nationally with a significant growth opportunity. The commercial banking business includes \$3.9 billion in loans and \$2.3 billion in commercial and retail deposits, with 26 financial centers in attractive growth markets.

This business also brings several talented banking teams and commercial loans with a stronger risk profile than our existing middle market portfolio. This acquisition will reduce our cost of deposits by 20 basis points, reduce our loans and lease deposit ratio, and improve our ROTCE by 80 basis points in 2020, increasing to 100 plus basis points in two years, and accelerate our earnings as the transaction is accretive to 2020 EPS by 2 percent.

We believe Mutual of Omaha Bank is a good fit with CIT and that the implicit transaction multiples compare favorably to other recent precedent transaction, including a core deposit premium of 4 percent and a price to tangible book value multiple of 1.38. I'm very excited about this transaction, which accelerates our strategic plan and we believe will generate strong long term returns for our shareholders.

Before we get into the details of the transaction, I thought it would be helpful on Slide 2 to highlight where we are on our journey. Today, CIT is a national bank focused on commercial banking, fueled by consumer savings. With a high level of focus and disciplined execution, we recently completed a three-year transformation that positioned us as a leading national commercial bank.

We divested \$14 billion of non-core assets and optimized our funding and capital composition. We reduced operating expenses by \$150 million and improved our risk profile. Since 2015, we have returned \$6.4 billion of capital to shareholders and enhanced our management team with strong leaders and extensive experience in the banking industry. Today, we have leading positions in each of our core businesses and have put in place a number of growth strategies to enable us to expand our addressable market, improve our credit ratings, and lower our target capital ratios over time.

Turning to Slide 3, Mutual of Omaha Bank is a market leader in community association banking with a 9 percent market share, providing deposit, cash management, and lending solutions to community associations and property management companies, and a track record of entrepreneurship and growth. It also has a national middle market banking presence focused on traditional commercial banking.. There's C&I, Commercial Real Estate, and small business loan portfolio is highly diverse in terms of both type and geography. Mutual of Omaha Bank also provides its clients with a full suite of technology solutions and treasury management services that complement or improve CIT's capabilities.

This business has a strong financial profile with a net interest margin of about 3.4 percent, driven by its low cost of deposits and it also has low net charge offs. The core loan to deposit ratio is 60 percent, which excludes a \$1.8 billion portfolio of very high quality, low yield and correspondent mortgage loans that is being held to satisfy their qualified thrift lender status. We view these assets as effectively a liquidity portfolio and over time, we intend to replace them with higher yield in commercial loans.

The next four slides provide more detail into each of their capabilities and how we think about the opportunity. As highlighted on Slides 4 and 5, in this transaction, we are creating a new core deposit channel at CIT that will complement and further diversify our current branch and online

deposit channels. The transaction also includes a smaller amount of commercial and retail deposits.

The HOA market is large and highly fragmented and growing, with \$50 billion in total deposits today. This transaction will make us a leader in this market and relationships with more than 1,200 property management companies, serving over 31,000 community associations, primarily HOAs, and with four and a half million households nationwide.

The HOA deposits we are requiring are highly attractive for several reasons. They carry a cost of 63 basis points, which is well below our current cost of deposits and the duration of relationships average 10 years. They also will be a powerful deposit channel for us as HOA deposits are stable and highly scalable and we believe we have significant potential to acquire share.

Mutual of Omaha Bank's double-digit historical growth in this business and the stability of the deposit base have been driven by their proprietary, tech-enabled solutions embedded in their customers' payment and reporting systems that address their complicated collections and GL integration needs.

HOA's and PMC's generally rely on the bank to provide resources, guidance and tech integration, and Mutual of Omaha's expertise in this critical service component is a key reason for their market leadership position. Their strong client service culture is also a key differentiator. Recently, however, this business's growth has been constrained by its parent's desire to keep total assets below a regulatory threshold. As a result, they are serving only 5 of the 9 largest HOA markets and 8 of the next 12.

As part of CIT, this business will have access to the requisite resources to take advantage of strong industry tailwinds, significant underserved markets, and Mutual of Omaha Bank's strong capabilities. As a result, we believe we can double the current deposit base over the next 5-7 years.

As you can see, on Slide 6 and 7, this transaction is also highly complementary to CIT's commercial banking business. Mutual of Omaha Bank's commercial asset portfolio includes middle market, C&I loans, and commercial real estate loans in high growth markets, serving a broad corporate customer base of companies generally with \$10 to \$200 million in revenues. Their traditional banking model is focused on direct originations and relationships that lead with deposits and treasury management services.

The credit profile is of high quality, typical of a middle market bank portfolio. And, there is a strong cultural fit in terms of risk culture and customer and community focus, Mutual of Omaha Bank, as a talented team of commercial bankers, operating in attractive markets with strong demographics and sizeable relationship opportunities. The focus on the middle market expands CIT's addressable market and footprint. Conversely, this transaction also provides us the opportunity to bring CIT's differentiated value proposition to a whole new set of client relationships. Specifically, CIT's solution-based approach to client issues supported by our industry asset and capital markets expertise will set us apart from our competitors.

I will now turn it over to John to take you through the pro forma business mix and transaction details starting on Slide 8.

John Fawcett

Thanks, Ellen, and good morning, everyone. Mutual of Omaha Bank's balance sheet and business mix is low risk, liquid, and diversified. As noted on Slide 8, this transaction meaningfully lowers CIT's loan and lease to deposit ratio and immediately reduces our pro forma deposit costs by 20 basis points. We expect both metrics to continue to improve over time as we drive lower cost deposit growth through the HOA channel.

By reducing our cost of funds, we can compete for better credits, ultimately enabling us to lower our risk profile. This transaction also continues to shift our deposit mix from timed deposits to non-maturity deposits. On the loan and lease portfolio, this transaction brings the diversified portfolio of commercial loans with strong risk adjusted returns.

Turning to Slide 9, we believe this transaction is strategically compelling, financially attractive, and presents several opportunities to accelerate CIT's growth. It adds \$6.8 billion of stable and low-cost deposits, which immediately improves our funding costs. Our purchase price represents a 4 percent core deposit premium, materially lower than recent comparable transactions, and drives double digit EPS accretion over time. It also expands our return on tangible common equity by 80 basis points in the first year on a fully phased in basis with the opportunity to grow to more than 100 basis points over two years, as we continue to leverage our new capabilities and as cost synergies are realized.

We expect a strong growth in HOA deposits to accelerate, with a past to double this deposit channel in the next five to seven years. Our improved funding profile and access to new commercial markets will increase our addressable market, allow us to leverage CIT's core value proposition to more clients, and drive further commercial relationship opportunities.

Slide 10 provides a comprehensive snapshot of the transaction with additional details on Page 11. This will be a strategic deployment of our capital, with an 85 percent cash component and the remaining \$150 million of considerations to be paid in either cash or CIT stock at our option. We plan to finance the cash portion of the deal with the issuance of approximately \$550 million of senior notes, \$100 million of sub debt, and \$200 million of preferred stock. This mix takes into consideration our objective to remain well capitalized while optimizing our capital composition.

We estimate our common equity tier 1 ratio to be approximately 10 percent at closing. As a result, we have suspended share repurchases and will continue to do so until our common equity tier 1 ratio reaches our 10.5 percent target through our earnings retention.

The purchase price of \$1 billion represents a 4 percent core deposit premium, 11.6 times Mutual of Omaha Bank's 2020 estimated earnings, excluding Synergy One, and 1.38 times their June 30th, 2019 tangible book value, all of which we believe compare favorably to precedent transactions. The combination results in attractive financial returns for CIT, both near-term and over time. Assuming a full year impact and fully-phased in cost savings, we estimate 2 percent EPS accretion to our 2020 consensus estimates, accelerating to double digit accretion by 2023.

We calculate an earnback under the crossover method of 4.9 years. This calculation assumes 28 percent cost synergies substantially realized over two years, doubling the HOA deposits over five to seven years, growing the commercial banking business over the same period, and the funding and capital benefits achieved from diversification and de-risking. I recognize that without growth strategies, you may calculate a longer earnback.

Based on our extensive diligence and analysis, we expect this transaction to generate strong returns on our invested capital with an IRR of more than 20 percent. Our due diligence was robust, leveraging substantial internal resources and third-party experts. Our comprehensive review of Mutual of Omaha Bank's franchise and operations resulted in the conclusion that we are acquiring a well-managed, conservative commercial bank with uniquely attractive deposit characteristics.

And, with that, let me turn it back to Ellen.

Ellen Alemany

Thank you, John. The acquisition of Mutual of Omaha Bank's Community Association and Commercial Banking Businesses accelerates CIT's long-term growth strategy and, as illustrated on slide 12, is consistent with our strategic pillars we have previously outlined. It enables us to grow our deposit franchise by creating a new HOA channel and accelerates returns in our commercial business by expanding our middle-market capabilities.

It enhances our balance sheet with scalable, low cost and stable deposits that immediately reduce our funding costs, increases optionality to our existing channels and strategically deploys capital. Most importantly, the addition of Mutual of Omaha Bank's Community Association and Commercial Banking Businesses continues our path forward as a leading national commercial bank, lowers our funding costs, diversifies our risk profile, meaningfully expands our ROTCE and drives double-digit EPS growth over time.

With that, we are pleased to take your questions.

QUESTION AND ANSWER

Operator

We will now begin the question and answer session. To ask a question, you may press Star, then 1 on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press Star, then 2. At this time, we will pause momentarily to assemble our roster.

And, our first question will come from Moshe Orenbuch of Credit Suisse. Please go ahead.

Moshe Orenbuch

Great, thanks, and I guess a couple of questions about the estimates for accretion. I guess maybe just starting with the earnings outlook for the acquired company, you said so 11.6 times 2020. Just talk about the non-core loans and the assumption that you made with respect to whether they're growing, shrinking, and the purchase accounting and how that impacts that.

John Fawcett

Yeah, so the non-core loans--Moshe, this is John, obviously, are--it's about \$1.8 billion and so this is essentially a thrift. And, so to maintain its Charter, they had to maintain their qualified lending status, they had this channel of correspondent loans. We essentially view it as liquidity portfolio. They're marked. There's virtually no impact that's running through the P&L. We expect that over time, these will run down, and we'll replace them with higher yielding commercial lending, because obviously we're not going to need the QTL status as a part of CIT.

Moshe Orenbuch

Okay, and then from the overall earnings accretion standpoint, I mean you talk about suspending share repurchase, I know that from the second half of this year and next year, I mean, our estimates have something like \$700 million of share repurchase in them. Is the right way to think about the amount that you're going to be foregoing somewhere in the neighborhood of--I mean, it's hard to know, because I mean, 50 basis points, to accrete that would be about \$300 million. But, I guess you've also got the time between now and the closing of the deal. I mean, is that the way we should think about it, that time and then plus \$300 million?

John Fawcett

Yeah, look, I guess the way I think about it is our guidance has kind of gotten us down to 11 percent common equity tier 1 at the end of this year. So, we had \$100 million, \$110/\$112 million leftover from the last authorization that was approved by the Fed or not objected by the Fed and approved by our board.

Our expectation, absent this transaction, is that we would have gone back to the Fed for another request and the expectation there is that we probably would have returned another \$250 million, so call it \$330 or thereabouts \$360, thereabouts to get us down to a common equity tier 1 ratio of 11 percent at the end of the year. I think beyond that, we were going to probably imagine getting to about 10 and a half percent, which is the midpoint of our longer term stated range of 10 to 11 percent, and that was probably another couple hundred to \$300 million. And, so net net, I think your calculus is pretty spot on.

Moshe Orenbuch

So, I guess I mean if that's the middle of your range, and you're going to be at 10 at closing, why would you need to rebuild it? I mean, particularly if the stock looks attractive at that point.

John Fawcett

It's a conversation that we're going to have with the Fed. I mean, as part of the transaction, I think all of our messaging and communication with the Fed was is that we imagined we would have a hard stop at 10 and a half percent. And, so again, 11 percent at the end of this year and a hard stop at 10 and a half percent--and given where this company was relative to other regional bank peers, I think we always surmised that we'd probably need 100 basis points more than other regional banks, given the risk profile of the company.

Now, I think it opens up for conversation, but--and maybe I'm oversharing a little bit. But, one of the commitments we've made to the Fed is at closing, we will be around 10 percent common equity tier 1 and in the interest of living up to our commitments, we would grow back to 10 and a half percent.

I think we have to live a little bit at the 10 and a half percent. I think we have to demonstrate that we can integrate this, operate this as a good business. We think the assets that we're bringing in are actually better assets than what we have in our portfolio today. We have to demonstrate that we can actually grow the cap deposits and lever those cap cost benefits over time.

And, then I think its a conversation with the Fed that are we able to actually glide down off of a 10 and a half percent? And, so a lot of this is just inside baseball, but I think we have to wind up at 10 and a half percent. I think we can earn that back inside of a year.

Moshe Orenbuch

Got it, thank you.

John Fawcett

You're welcome.

Operator

Our next question comes from Ken Zerbe of Morgan Stanley. Please go ahead.

Ken Zerbe

Great, thanks, good morning. Maybe just starting for the nitty gritty question about the EPS accretion. I was just looking, the cost saves, it looks like you're at 30 percent of the cost saves done year one. I know you're seeing this EPS accretive in 2020, assuming fully baked in-cost saves. But, assuming that you're still going to have 70 percent of the cost saves that are not built in in 2020, I actually--it looks like it could be fairly dilutive EPS in 2020, just on a sort of actual basis, not a pro forma basis. Is that--I just want to make sure I'm thinking about that right.

John Fawcett

--Yeah, I know. Ken, your arithmetic is exactly right. Look, we're going to get 30 percent--and the way we've modeled this is that we're going to get 30 percent of the cost saves out in 2020. Obviously, as we work through integration, we're going to push that as hard as we possibly can.

But, 30 percent phased in expense benefit, excluding restructuring charges, you get an ROTCE that's essentially neutral on lower capital. Assuming the 30 percent is phased in and including full merger charges, your ROTCE impact is going to be down probably plus or minus around 75 basis points.

Ken Zerbe

Got you, understood, all right. And, then I guess how much would the longer-term EPS accretion is based on the expectation that you can double the HOA deposits over the five to seven years? I'm just trying to understand what drives the double-digit EPS accretion that you talk about long term.

John Fawcett

Well, look, it's a combination and its expense synergies, and so we've got to make this a pretty efficient trade. To the extent that HOA is something that's completely complementary, there's a little bit less in the way of expenses that can come out to the extent that this doesn't come with a data center. There's probably a little bit less to come out than what you might see in other trades.

Obviously, we believe that we can continue to grow the commercial business franchise. This gives us 26, I'm going to use the word branches, but commercial lending centers across the United States. And, then on the CAB deposits, we feel pretty good about the ability to actually grow, and it's a big part of the model.

So, some of the arithmetic is that if you looked at this business, these are very long-life relationships, 10 years with the PMCs, they've been growing this business at a compound annual growth rate of 11 percent from 2010 to--through now. And, to the extent that this is a bank that was housed inside of a mutual insurance company, they were actually a little bit constrained in terms of what growth they could actually put on the table.

So, we actually feel pretty good about our ability to kind of do all these things, growing better credits in the commercial space and more importantly, doubling up on these cap deposits, which is really the secret sauce. And, I think it goes without saying, this is a third or a fourth important

leg on our deposit stool and something that we were probably missing in terms of an ability to generate sustainable low-cost deposits that are actually scalable over time.

Ellen Alemany

And John, I think also the commercial banking. We're adding 33 relationship management teams across the country. These teams are really teams that lead with deposit taking that really understand cross sell, treasury management services, etc. And, so we believe that we'll have some good growth on the commercial banking side of the business and more cross sell of traditional treasury management products.

Also, because the growth of this company was constrained, we're really excited about--they're really excited about having the opportunity to deepen their relationships by selling some of the CIT leasing products to their customer base. There's some technology that they have that we could put up in small business solutions, the former direct capital at CIT. And, then also they'll be able to take larger positions and deals, access our capital markets, syndications, derivative opportunities that they don't have today.

Ken Zerbe

All right, great, thank you.

Operator

Our next question comes from Scott Valentin of Compass Point Research. Please go ahead.

Scott Valentin

Good morning, everyone. Thanks for taking my question. Just with regard to the final piece, the \$150 million, I guess you have optionality there, whether it's stock or cash. I was wondering what would drive that and if you choose cash, does that then require additional issuance of debtor preferred?

John Fawcett

I think it's going to be an arithmetic exercise in terms of where RWA's are at the end of the year. It was based on a 20 day VWAP prior to closing, so that number is about 48.50. So, it's really, to me, a function of where the balance sheets are and where we are from a liquidity perspective and the choices we make about capital allocation. But, it's up to \$150 [million] and I think where we sit right now, we expect it'll be modestly less than that.

Scott Valentin

Thanks. And, then just on the non-core assets, the \$1.8 billion of correspondent mortgage, is that strictly going to be run off or would you look to sell that if you could get good pricing for it?

John Fawcett

Yeah, it'll probably just glide off
Scott Valentin
All right, thanks for taking my questions.

John Fawcett

You're welcome, Scott.

Operator

Our next question comes from Chris Kotowski of Oppenheimer. Please go ahead.

Chris Kotowski

Yeah, good morning. I don't ever recall any other company highlighting an HOA business in quite this way. So, I've never seen one kind of stand alone. And, I guess just in a general way, can you describe what is the competition here like for the other major players in it? And, how does it differ from normal commercial deposits and what are the terms of competition with the major players?

Ellen Alemany

Sure. Chris, this is Ellen. So, I would say that the major--the one thing that really talks about this business openly is Western Alliance. Otherwise, I would say Pacific Premier Bank, US Bank, MUFG, they all have HOA businesses. It's really a very large industry. I mean, there's roughly 350,000 HOAs nationwide and they have over \$50 billion of deposits. And, today, more than 60 percent of new housing is really done in community associations and property management companies oversee these deposits. There's a lot of administrative pain.

I mean, I think you can think about this as like treasury management business, but we--there's a lot of value-added services as well that HOAs offer. And, this business in particular has some pretty good technology where you can directly integrate into their accounting systems and then there's also some payment tools as well in the industry.

But, I think in general, the deposits--these deposits have a weighted average cost of about 63 basis points. As John mentioned before, the industry has been--this business has been growing at high growth rates. I think last year, it slowed down a little just because of the constraints that the banks couldn't grow, which I think was part of the decision on why the Mutual decided to sell the bank.

And, the other thing about this business is we're going to be able to build out--in order to double the deposits over the next five to seven years, we can build out more in other cities where they're not in today. Their growth has been constrained. So, we plan to build out further in markets like Southern California, Florida, the Tristate region, and the business has also been known for their great customer service.

Chris Kotowski

Okay, and in the--when you look at the rate rising cycle of 2016 to 2018, was this kind of a normal 40/50 deposit beta--percent deposit beta kind of business, or did it--how did it compare to, say, either consumer or commercial deposits that we would normally see?

John Fawcett

It's typically a much lower beta, probably around 30 percent from the beginning of the cycle. What you're trading is cost for service.

Chris Kotowski

Okay, all right

John Fawcett

Hey Chris, and the other thing, I would just add to Ellen and reiterate some of the things she said. Look, this is a very fragmented market. It is a growing market. We think that there are adjacencies here in terms of markets, and Ellen touched on expanding and potentially over time, different product sets that we can lever from the HOA space. So, this is a big opportunity for us in the deposit space, and I think it gives us some diversity in terms of our deposit mix.

And, so it shouldn't be lost on anyone that there's some value here in terms of reducing some of the challenge in the online deposit space.

Ellen Alemany

I mean, we think of this as our fourth leg of the deposit stool. We raised our deposits through the branches, but frankly, our branches are running already at \$160/170 million of branch. The online bank, if we raise more deposits through the CAB business, we'll actually, in the future, be able to reduce the marketing expenses that we're spending on raising online bank deposits.

And, then this adds commercial, the other thing we didn't talk about is we're adding commercial and retail bank deposits as well through this franchise, and we'll be able to continue to raise more commercial deposits just by the nature of commercial banking business that these folks do.

Chris Kotowski

Okay, great. That's it for me. Thank you.

John Fawcett

Thanks, Chris.

Operator

Our next question comes from Don Fandetti of Wells Fargo. Please go ahead.

Don Fandetti

Hi, good morning.

John Fawcett

Hey, Don.

Don Fandetti

So, Ellen, over the years, I think there's been some thought process that CIT could ultimately sell and I think on the last quarter earnings call, you had mentioned some openness to a merger of equals and looking at the different options. How do you sort of--now you have a big deal here and you've got halting the buybacks. So, how did you weigh this with the potential for a sale of the company? And, maybe there just wasn't an opportunity to do that in your view.

Ellen Alemany

Yeah, so I would say that we have always been focused, the board and the management team, on maximizing shareholder value. We felt that this was a really unique opportunity for CIT because it enhances our deposit funding and middle market banking capabilities, which are strategic priorities for us.

If you think about we're investment grade now at the bank but not at the holding company, and if you read some of the reports out there, it's all about having--one is more profitability and second is it's more sustainable long-term source of deposits. And, we feel that this transaction helps us continue to become more profitable. We're going through a whole de-risking of the company that we've been talking about for a while, and this gets us more into traditional middle market banking space.

And, so we think that this is the path for investment grade rating at the company and we also think that the more we continue to de-risk the company and be like a traditional bank, we'll be

able to work with the regulators to have improved capital ratios. And, so we think that this transaction makes us actually more valuable to anyone.

That being said, we are prepared to consider all forms of strategic transactions that would further enhance shareholder value and we're very open to partners, etc. in the future. But, we felt this is a bird in hand. It was available. It really makes sense for us and helps us with the major strategic issues. We think we got this at a very attractive price, and we're going to work to integrate this as quickly as possible and it just makes us a stronger, better company.

Don Fandetti

Got it. And, then John, do you have a pro forma tangible book value?

John Fawcett

Pro forma tangible book value, on Page 14. Don, it's Page 14 in your deck. There's a tangible book value dilution calculation that should help.

Don Fandetti

Got it. Thanks, John.

Barbara Callahan

Operator, are there any other questions?

Operator

Again, if anyone would like to ask a question, please press Star, then 1. And, our next question will come from Derek Hewett of Bank of America. Please go ahead.

Derek Hewett

Good morning, everyone. How should we think about the prior ROTCE guidance, given that the gap relative to street expectations? Now, I realize that stock repurchase have been suspended, but do you think the core return on tangible assets during the fourth quarter of this year would still deliver the 11 percent ROTCE, assuming the kind of an 11 percent pro forma common equity tier 1 ratio?

John Fawcett

So, I think your question is, if we weren't doing this, would we get to 11 percent, and the answer is--our view has not changed from the guidance that we provided on the earnings call two weeks ago. I think if you fast forward, net impact of suspending share repurchases across the third quarter and the fourth quarter is probably going to have an adverse impact of circa 50 basis points. So, if you were looking for a hard target around 11 percent, it's 50 basis points less and you're kind of around 10 and a half.

Derek Hewett

Okay, great. Thank you.

John Fawcett

You're welcome.

Operator

This concludes our question and answer session. I would like to turn the conference back over to Barbara Callahan for any closing remarks.

CONCLUSION

Barbara Callahan

Great, thank you, Andrea, and thank you, everyone, for joining this morning. If you have any follow up questions, please feel free to contact the Investor Relations team and you can find our contact information along with other information at CIT.com. Thanks again for your time this morning and have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.