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PARTICIPANTS

Corporate Participants

Kenneth A. Brause – Executive VP & Director-Investor Relations, CIT Group, Inc.
John A. Thain – Chairman & Chief Executive Officer, CIT Group, Inc.
Scott T. Parker – Chief Financial Officer, Treasurer & Executive VP, CIT Group, Inc.

Other Participants

Brad G. Ball – Analyst, Evercore Partners
Moshe A. Orenbuch – Analyst, Credit Suisse
Chris C. Brendler – Analyst, Stifel Nicolaus
Mark C. DeVries – Analyst, Barclays
Chris M. Kotowski – Analyst, Oppenheimer Securities
David S. Hochstim – Analyst, Buckingham Research
Sameer Gokhale – Analyst, Janney Montgomery
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Matthew C. Schultheis – Analyst, Boenning & Scattergood
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Jordan Neil Hymowitz – Co-Founder, Philadelphia Financial Management of San Francisco LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to CIT's Second Quarter 2013 Earnings Conference Call. My name is Laura 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. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the call over to Ken Brause, Director of Investor Relations. Please proceed, sir.

Kenneth A. Brause, Executive VP & Director-Investor Relations

Thank you, Laura, and good morning. Welcome to CIT's Second Quarter 2013 Earnings Conference Call. Our call today will be hosted by John Thain, our Chairman and CEO; and Scott Parker, our CFO. After their prepared remarks, we will have a question-and-answer session.

As a courtesy to others on the call, we do ask that you limit yourself to one question and a follow-up and then return to the call queue if you have additional questions. We'll do our best to answer as many questions as possible in the time we have this morning.

Elements of this call are forward-looking in nature and may involve risks, uncertainties and contingencies that may cause actual results to differ materially from those anticipated. Any forward-looking statements relate only to the time and date of this call. We disclaim any duty to update these statements based on new information, future events, or otherwise.

For information about risk factors relating to the business, please refer to our 2012 Form 10-K that was filed with the SEC in March. Any references to non-GAAP financial measures are meant to provide meaningful insights and are reconciled with GAAP in the press release.

For more information on CIT, please visit the Investor Relations section of our website at www.cit.com.

I'd like to now turn the call over to John Thain.

John A. Thain, Chairman & Chief Executive Officer

Thank you, Ken. Good morning, everyone. Thank you all for being on the call this morning. I'll make some opening comments and I'll turn the call over to Scott. We had a good quarter. We earned $184 million of net income, $0.91 a share. Our commercial assets grew 9% from a year ago. CIT Bank funded over $1.8 billion of new volume. Virtually all of our U.S. lending and leasing businesses were originated in the Bank. The Bank's deposits are over $11 billion now. The average rate on those deposits is about 1.5%. And the Bank now represents about 35% of our total financing.

We're seeing progress on our focus in bringing down our expenses. Our credit metrics remained at economic cycle lows. Our capital and liquidity remain strong, and we began the process of returning capital to our shareholders. Overall, our view of the U.S. economy is that it continues to grow at a modest rate. If you look across our businesses, we see that. In our railcar business, 98% of our railcars are on lease. In our Corporate Finance business, we funded $1.3 billion of volume in the quarter. In our factoring business, our volumes were up from a year ago. And in Vendor, our financing and leasing assets grew 11% from a year ago.

When we look globally, in our commercial aircraft business our planes were 100% leased. And in our international Vendor business, we saw volume growth in China and Mexico. So overall good solid quarter. And I will turn it to Scott for the details.

Scott T. Parker, Chief Financial Officer, Treasurer & Executive VP

Thank you, John, and good morning, everyone. We reported another solid quarter, as we continue to make progress on our strategic initiatives, while staying disciplined on our underwriting and portfolio management. And as John mentioned, we began to return capital to our shareholders.

Some highlights for the quarter. Net income was $184 million or $0.91 a share. Our commercial portfolio grew 9% from a year ago and 1% sequentially. Net finance margin was stable and well over 4%. Credit metrics remain near cycle lows. Our operating expenses improved and pre-tax ROA was above 250 basis points.

My comments this morning will focus on the business environment, key financial drivers and capital and funding. Our commercial financing and leasing assets increased about 1% sequentially. This reflected growth of $2.9 billion of new business volume, which was across all our business segments, including about $360 million in scheduled aircraft deliveries.

However, our asset growth was muted by normal portfolio collections, higher prepayments and asset sales. We saw an elevated level of loan prepayments in Corporate Finance, mainly from refinancings, where we chose to limit our participation due to price or structure. We continue to make progress building relationships with middle market customers in our target industries where the risk-adjusted returns meet our hurdle rates. In addition, we sold almost $500 million of assets, mostly in Transportation Finance.

As a part of our review of subscale platforms, we moved about $450 million of assets into held for sale. We also expect to close the sales of the $400 million Dell European portfolio, which along with the other assets held for sale will be some headwind to asset growth in the second half of the year.

Turning to margin. The adjusted net finance margin was essentially unchanged from the prior quarter at 4.62%. You can see the trend and components on Page 5 and 6 of the presentation. We had a modest benefit in funding costs, as we increased the proportion of deposit funding. As we previously discussed, we had lower interest recoveries in Corporate Finance on non-accrual loans, which reduced yield by about 10 basis points. We expect our margin to drift towards the midpoint of our target range as the Dell European portfolio is sold and pricing pressures continue on certain new volume and lease renewals.

Generally higher interest rates are beneficial to our business over the long-term. An increase in short-term rates would positively impact our margin, as we are asset sensitive, with most of our floating rate assets priced off LIBOR. Therefore, the recent increase in the 10-year rates have not had much impact on CIT.

Our core non-spread revenue increased from the first quarter and exceeded 1% of average earning assets, benefiting from higher fees and gain on equipment sales. We had a few lead agency transactions that generated capital markets fees this quarter. We are pleased with the progress we are making, but maintaining a higher level of fees will primarily be dependent on a recovery in M&A in capital markets. And as you know, the summer months tend to be slow, so we are not expecting this level to repeat in the third quarter.

The gains on equipment sales this quarter primarily related to the sale of over $300 million of commercial aircraft as part of our normal portfolio management activities. In addition, other non-spread revenue included losses related to the sale of certain international platforms, most of which was the recognition of foreign currency translations that were previously recorded in other comprehensive income.

Turning to operating expense. We continue to make progress on our expense reduction initiatives, and are on track to achieve our target quarterly run rate of about $215 million in 2014. This quarter, we reduced head count by an additional 70, we sold two subscale platforms, and we are actively working on several others.

As a result of these international platform rationalizations, we recorded a valuation allowance on certain deferred tax assets, which totaled a little over $20 million, and increased the tax provision this quarter. So looking at the second half of the year, we expect the tax provision, excluding discrete items, to be at levels comparable to the first six months.

With respect to funding, we continue to enhance our funding profile. We expanded our deposit offerings, and extended duration to match our asset profile. And we renewed and extended our vendor U.S. and UK conduits at more attractive terms.

Now turning to capital. During the quarter, we commenced the repurchase of shares under the $200 million plan authorized by the Board of Directors at the end of May. Also based on our interpretation of the Basel III rules, which will be effective for CIT in 2015, we do not expect much of an impact on the regulatory capital ratios. We will use the standardized approach to calculating risk-weighted assets, and we do not currently have many of the items that will be deducted from regulatory capital under Basel 3.

In summary, we are making good progress on our near-term priorities. Our pre-tax ROA is within our target range and we continue to focus on prudently growing assets. In our Transportation

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Finance business, we are investing in new equipment and expanding our lending initiatives, while managing through the re-pricing of certain renewals.

In Trade Finance, we are focused on expanding our client base, while maintain strong credit discipline. In the Vendor Finance business, we are focused on growing platforms where we have scale to create operating leverage. And in Corporate Finance, the competition for loans has continued to impact spreads and structures. Here we are maintaining our discipline and focusing on building relationships with customers in the middle market, as well as on our new initiatives in Real Estate Finance and Equipment Finance.

With that, I'll turn the call back over to Laura and we will take your questions.

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QUESTION AND ANSWER SECTION

Operator: At this time, we will begin the question-and-answer session. [Operator Instructions] And our first question comes from Brad Ball of Evercore.

<Q – Brad Ball – Evercore Partners>: Thanks. Hi, Scott.

<A – Scott Parker – CIT Group, Inc.>: Good morning, Brad.

<Q – Brad Ball – Evercore Partners>: Yeah. I wonder if you can give us some of the moving parts in the net finance margin? How much was from suspended depreciation this quarter? And how do you see the progression to the 4% or the middle of the 3.50% to 4.50% range that you mentioned?

<A – Scott Parker – CIT Group, Inc.>: Suspended depreciation still is in the 30 basis point range, Brad. And as the portfolio transitions in the second half of the year, I can't give you a by quarter split, but we expect that to go away by the end of the year. As we've talked about on the elevated prepayments and interest recoveries, that was about 20 basis points in the past. We had about 10 basis points in the quarter come down. So I'd expect over the second half that would come down. I can't give you exact timing, but we expect that to come down as refinancings slow and interest recoveries go away.

<Q – Brad Ball – Evercore Partners>: Okay. And so the elevated prepays actually go down to zero at some point in future?

<A – Scott Parker – CIT Group, Inc.>: It won't be exactly zero, but it will be very episodic based on that activity.

<Q – Brad Ball – Evercore Partners>: Okay. And then my follow-up on the OpEx line, you've targeted $60 million - $80 million. You said you're on track to get to that level. Do you see an opportunity with some of the subscale international offices to maybe go beyond that as you get into next year? Or further cost saves beyond the $80 million?

<A – Scott Parker – CIT Group, Inc.>: We continue to look at our operating expenses and a part of it, as you know, we've continued to invest in new growth initiatives and new ways to add assets. And we'll balance that with kind of our operating expense target. So we're trying to get in the range on the operating expense and if things change, the environment changes, economic growth changes, we will have to continue to revisit our operating expenses.

<Q – Brad Ball – Evercore Partners>: Got you.

<A – Scott Parker – CIT Group, Inc.>: But right now, at least based on what we know today, we feel that we're on target.

<Q – Brad Ball – Evercore Partners>: Good. Okay. Thanks, Scott.
Ken Brause
Operator: Next is Moshe Orenbuch of Credit Suisse.

<Q – Moshe Orenbuch – Credit Suisse>: Great. Thanks. I'm hoping you can kind of flesh out a little bit your plans for kind of growth by segment and maybe talk a little about the competitive environment? You mentioned Corporate Finance, but can you talk a little about Vendor, Transportation, things like that?

<A – Scott Parker – CIT Group, Inc.>: Yeah, I think I'll start with Transportation. As you know, we placed the order book and those scheduled deliveries will kind of continue to come through. The railcar stuff is shorter, so it's coming in every quarter. On the aircraft it's a much longer kind of order

book. The ways that we will supplement that is some of the lending initiatives we've had, both in the Maritime as well as in the aircraft space around lending that we're doing out of the Bank, as opportunities to continue to grow that business. And the way to grow the operating lease business would be in sale-leaseback where we continue to look at that market, and if they meet our return expectations and for assets that we like, those would be other ways to grow the Transportation segment.

On the Vendor business, the U.S. business is doing very well. And as John mentioned on the call, some of the other international platforms where we have good presence, but we're also seeing good growth there. So I think that if the growth on that one is going to be really kind of CapEx spending on the products that we finance, as well as overall economic growth.

On the Trade business, we continue to focus on new customers, diversifying our portfolio into some non-apparel areas to give us some diversification on that front. And then in the Corporate Finance area, the market overall, as I mentioned in my opening statement, is almost half the market right now that we play in is refinancings. So what we have done is passed on certain of the refinancing, but we've been able to build good customer relationships. And as you saw from the strong volume, that we're finding places to place capital where we think the risk-return equation makes sense for us.

So I think that we're staying up with the marketplace and to get above that would require both economic growth as well as additional initiatives or other areas to focus on in the Corporate Finance area.

<Q – Moshe Orenbuch – Credit Suisse>: Okay, great. Just as a follow up, you had mentioned kind of last quarter talking about the possibility of looking at some deposit acquisitions of branches and the like. Do you have any further thoughts there?

<A – John Thain – CIT Group, Inc.>: No. We continue to look at deposits and branches and if we find some that we can acquire at attractive prices, we would continue to try to do that.

<Q – Moshe Orenbuch – Credit Suisse>: Okay. Thank you.

Operator: And the next question is from Chris Brendler of Stifel, Nicolaus.

<Q – Chris Brendler – Stifel Nicolaus>: Good morning. Can you just talk quickly about the assets you sold this quarter? I think you mentioned Transportation $500 million. I was just surprised to see the loss show up on the income statement on the sale of assets.

<A – Scott Parker – CIT Group, Inc.>: Well, there's two components, Chris. I mean, if you look at the gain on sale of leasing equipment, which was the Transportation side, that was positive. So that's the line that's $33.8 million. So that would be our Vendor end of term residual realization, as well as the sale of the aircraft. The negative that's in the gain on loan and portfolio sales relates to the platform sales that I mentioned. And that's really the foreign exchange items that were in OCI. So the negative was hit in OCI and when we sold those platforms, that booked through the P&L.

<Q – Chris Brendler – Stifel Nicolaus>: Got it.

<A – Scott Parker – CIT Group, Inc.>: So that's really what drove the change in the gain on loan and portfolio sales.

<Q – Chris Brendler – Stifel Nicolaus>: Okay. And then on the buyback, just a little bit surprised that the pace was kind of slow, I know you only had a partial month and you may have ran into a quiet period. Is the outlook that you can accelerate the buyback activity? Or is there anything we should take away from the relatively modest pace you've had so far?

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<A – Scott Parker – CIT Group, Inc.>: I think you pointed out what was the challenge, given the timing of that and the calendar. So I think that we'll continue to focus on the buyback over the next couple quarters.

<Q – Chris Brendler – Stifel Nicolaus>: Okay, great. Thank you.

Operator: And next, we have a question from Mark DeVries of Barclays.

<Q – Mark DeVries – Barclays>: Yeah, thanks. Just a follow up on the buyback, at a higher level, could you just talk about how you think about your ability to return capital, now that the Written Agreement has been lifted and technically you have no limitations? Though, I guess presumably you won't want to do anything that's too aggressive if the Fed becomes concerned. Is there a maximum payout ratio that you'd feel comfortable with?

<A – Scott Parker – CIT Group, Inc.>: Well, as you said, I think given where we have been we are definitely going to be very prudent on how we approach capital returns. We're very mindful of some of the guidelines that are out there, and I don't think that we're going to be at those levels in the near-term. So we kind of look at our capital return both from the stress testing and the activities that we look at, and we will continue to be committed to returning excess capital to our shareholders in a prudent way.

<Q – Mark DeVries – Barclays>: Got it. And just a follow-up on that, it looks like the capital that was created this quarter and your earnings net of what you paid out was kind of effectively deployed in loan commitments. Is a lot of that your forward order book in Transportation Finance? Or are they kind of commitments in your Corporate Finance business, and if so, is there any kind of visibility on the probability that that borrowers will draw on those commitments?

<A – Scott Parker – CIT Group, Inc.>: Yeah, so the two biggest drivers of our kind of commitments are both the rail and aircraft orders, as well as the unfunded commitments on our asset based lending product. So we haven't seen, Mark, a big change in the utilization rates on our revolvers since I've been here. So it's been steady, and with economic growth and people's confidence, that's usually the first indicator of kind of people drawing that down. But right now, we haven't seen a lot of movement there, so that's the unfunded out there that you're seeing in the financial statements.

<Q – Mark DeVries – Barclays>: Okay, great. Thank you.

Operator: And next, we have a question from Chris Kotowski of Oppenheimer.

<Q – Chris Kotowski – Oppenheimer Securities>: Yeah, I wonder if we could decompose a little bit on the net financing margin? And I guess my question specifically is if you look at your average loans, they were up $700 million from $21.6 billion to $22.3 billion, but you look up the gross interest revenues generated by the loan portfolio, it went down by $5 million from $349 million to $345 million. And I was wondering, is that the effect of the lower recoveries? Or is that the effect of just general spread compression. Could you dissect that for us a bit?

<A – Scott Parker – CIT Group, Inc.>: Yeah, it's mainly from the lower interest recoveries on that front.

<Q – Chris Kotowski – Oppenheimer Securities>: Okay.

<A – Scott Parker – CIT Group, Inc.>: So I think the yields right now have held stable. But as I mentioned, the amount of new business coming up versus the overall portfolio, you won't see that kind of make a big impact on a quarter-by-quarter basis, so it will be something that will be gradual.

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<Q – Chris Kotowski – Oppenheimer Securities>: Okay.

<A – Scott Parker – CIT Group, Inc.>: So the basic items are the suspended depreciation and the prepayment and interest recovery items that I mentioned.

<Q – Chris Kotowski – Oppenheimer Securities>: Okay. And the recoveries are now virtually nil? Or what were they in the quarter?

<A – Scott Parker – CIT Group, Inc.>: We still have some that will come down over the second half, as I mentioned to Brad. So there's probably about 5 - 10 basis points more that will come down as a part of the natural portfolio churn.

<Q – Chris Kotowski – Oppenheimer Securities>: Okay. And then you mentioned that there's $8 million accelerated FSA accretion, so does that mean in coming quarters we should expect – all things being equal, with that caveat obviously – that your interest expense would be $8 million a quarter less?

<A – Scott Parker – CIT Group, Inc.>: Yeah, so that was just the redemption of the retail notes that we did in the first quarter, so that would not repeat. So the only change would be as most of the other FSA that we have on the debt side really is related to our student loans and the secured financing we have around those.

<Q – Chris Kotowski – Oppenheimer Securities>: Okay. And then, you look at the period-end loans $21.7 billion versus the average $22.3 billion and that's the $450 million that you moved into AFS? The fact that the period-end loans were down.

<A – Scott Parker – CIT Group, Inc.>: Yes.

<Q – Chris Kotowski – Oppenheimer Securities>: Okay. And then, finally, can you say how much of the federal deferred tax asset you used this quarter?

<A – Scott Parker – CIT Group, Inc.>: I can't, as you know, tax is something that we don't do a hard close on a quarterly basis, but as I mentioned last quarter, based on our continued performance, we were tax income positive. I can't give you the magnitude of that. It will be more a year-end type item that we can talk about.

<Q – Chris Kotowski – Oppenheimer Securities>: Okay. That's it from me. Thank you.

Operator: And our next question is from David Hochstim of Buckingham Research.

<Q – David Hochstim – Buckingham Research>: Yeah. Hi. Thanks. Good morning. Could you just expand a little bit on what you were saying was happening in terms of pricing and competition? You said you passed on some refinancings of Corporate Finance assets, just wondered - the commercial assets?

<A – Scott Parker – CIT Group, Inc.>: Yeah. I think in the Corporate Finance as we've talked about it, the kind of the market we feel hasn't changed much from the first quarter and we're just remaining disciplined on our approach. So I don't know if it's a general trend in the marketplace we're seeing, but every deal that you look at, if it doesn't fit our profile, we will pass on that. And we're focused on originating assets that fit our profile. I think that's probably the simple answer. I mean, the overall market as I mentioned was mainly refinancing, so there's not a lot of new asset growth happening in our core middle market.

<Q – David Hochstim – Buckingham Research>: Okay. And then, could you just clarify what you were saying about the taxes, the provision for taxes going forward somewhere between the $15 million and $32 million, is that in the second half of the year?

<A – Scott Parker – CIT Group, Inc.>: Yeah, so what we said is, we had about a $20 million discrete item in the quarter, so that $32 million would take you down to, on a core basis probably more like $12 million. And if you look at the first quarter, it was kind of around $20 million. So that's two pieces. If you look at it on a year-to-date basis, that's probably a better indication of the tax provision going forward, excluding any discrete items.

<Q – David Hochstim – Buckingham Research>: Okay. And then just to clarify, have you bought any shares in July, since the end of the second quarter?

<A – Scott Parker – CIT Group, Inc.>: We were in a quiet period. So our quiet period goes another two days.

<Q – David Hochstim – Buckingham Research>: Okay. All right, thanks.

Operator: And the next question is from Sameer Gokhale of Janney Capital Markets.

<A – Scott Parker – CIT Group, Inc.>: Hey, Sameer. How are you doing?

<Q – Sameer Gokhale – Janney Montgomery>: Okay. Good morning. I had just a couple of questions, the first thing I wanted to ask was, as you think about the use of the NOL, and how much taxable income you can generate in the U.S. And if you think about that vis-à-vis portfolio acquisitions, and maybe making those acquisitions more aggressively, possibly bidding a little bit more for them than your competitors, but then generating the income that will allow you to utilize the NOL, is that something that comes into consideration?

Do you take that into account when saying: it's going to take us a long time to use the NOL on our own, maybe we can afford to go out and get more aggressive with portfolio acquisitions? Do you feel you're at that point yet where we might expect more acquisitions from you on that front?

<A – Scott Parker – CIT Group, Inc.>: I think, Sameer, the answer to your question it is definitely a consideration that we take into account. But that's one factor in the overall factors of what the assets that are there, what the dynamics of those assets and would that help us get over the hurdle? I think it gives us some uplift, but at least in the marketplace and some of the deals that have traded, that would have helped. So the deals that we do, we take that into consideration.

<Q – Sameer Gokhale – Janney Montgomery>: Okay. That's helpful. And then the other question I had was when you talked about the middle market and you talked about the competitive environment, it's clearly, it is pretty intense. But we're hearing that that's more true and has been true probably more of the broadly syndicated market. If you go further down in terms of the types of credits, then it seems like deals are more structured there. There still seem to be attractive pricing opportunities on a relative basis. So do you have an appetite? I mean, I know you said, you want to maintain your risk parameters and it doesn't sound like you really want to go further downstream. But it does also feel like you might be leaving money on the table if there are these pockets. So is that something that you might consider doing at some point in time? Or do you just feel that the market is overall so frothy it's not worth really stretching to get there?

<A – Scott Parker – CIT Group, Inc.>: I think, Sameer, your assessment is kind of consistent with what we see. So I think the broadly syndicated market is much more competitive. And as we talk about the plain vanilla ABL is kind of something that doesn't meet our risk return. Just to clarify, we did $1.3 billion of funded volume in the Corporate Finance business. So we are finding transactions and your general assessment of the middlemarket is correct. I think, in general, there's the

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discipline has been pretty well. And so our viewpoint is it becomes more of a transaction by transaction where there could be pockets of players that are in that, that are not mainstream in all the overall middle market transactions.

So I don't think we're leaving anything on the table. We're trying to manage both kind of the portfolio properly, as well as making sure that we're doing good deals. And if they fit our parameters, then we will do the deal.

<Q – Sameer Gokhale – Janney Montgomery>: Okay. And then just the last question was, in your Vendor Finance business you provided some commentary, and you've been trying to rationalize some of the subscale platforms and the like. But it seems like that's one area that's been an area of strength for CIT in the past. So what should we expect out of that business. Are you planning to announce more partnerships in that area? Are you pursuing additional partnership opportunities more aggressively there? And should we expect to hear more on that front? I mean, how do we reconcile that with the rationalization of certain platforms that you've been doing?

<A – Scott Parker – CIT Group, Inc.>: I would; my sense would be, as John mentioned, that the asset growth year-over-year in the Vendor business has been pretty strong. So we, of course, are always out looking for new partnership arrangements and new client relationships through the business. And part of that also is expanding into different collateral, which takes a little of bit time to work through.

I wouldn't confuse that with some of the platforms we're talking about because it's really not going to be a big impact on either assets or revenue. It's really kind of a simplification activity, as well as the cost to serve some of those markets in the current environment are just too onerous to maintain. So it's not an indication of the business model, it's just kind of doing some selective pruning.

<Q – Sameer Gokhale – Janney Montgomery>: Yeah. Okay, perfect. Thank you.

Operator: And our next question will come from David Hilder of Drexel Hamilton.

<Q – David Hilder – Drexel Hamilton>: Good morning. Thank you. First, any updated thoughts on the timing of potentially reversing the valuation allowance on the DTA?

<A – Scott Parker – CIT Group, Inc.>: We never kind of gave out timing on that aspect; I mean, others have, but I don't see any movement on that during 2013.

<Q – David Hilder – Drexel Hamilton>: Okay. And if I could ask the capital return question, I guess in a different way. Any guidance you could provide on the timing of when you might be in a position to make additional announcements about capital return?

<A – Scott Parker – CIT Group, Inc.>: Look, we look at this continuously. And whatever decisions we make will be public, so you'll kind of get the feel for that. But, May was just six weeks ago, seven weeks ago. So I think we're going to continue to focus on it and I hope to have future conversations with you over time.

<Q – David Hilder – Drexel Hamilton>: Thanks very much.

Operator: And next, we have a question from Bill Carcache of Nomura.

<Q – Bill Carcache – Nomura Securities>: Thanks, good morning. Scott, I was hoping you could share your thoughts on the exposure draft that the FASB and IASB issued a couple of months ago? My understanding is that it basically would require companies to recognize assets and liabilities for leases, and so effectively operating leases that got off balance sheet treatment would be brought

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on balance sheet. I guess that's more of an accounting change, but would there potentially be any kind of economic impact to the leasing industry in general to the extent that maybe one of the attractive features of an operating lease to a borrower is off balance sheet treatment? Just general thoughts on that would be helpful.

<A – Scott Parker – CIT Group, Inc.>: Yeah. I'll make some general thoughts because it is something that's been in discussion and continue to have comments on the implications of some of the changes on the accounting side. Those proposals are going to take effect, I think latest one was somewhere around 2017. So we have a dedicated team. We have a lot of experts in-house as well as leveraging some of the industry bodies around this of what the implication that will be on our customers, what will the implications be on the leasing industry, those type of things.

My sense would be is that a lot of this information is already disclosed in people's financial statements and I would say that it's not economic. It's not an economic decision, I think it really becomes kind of the administration and how to account for this and all the information needed to do that. The larger companies, that's something that they can put systems in place. I think as you get into the smaller middle market, there may be a bigger cost burden on that. But it's still too early to kind of say how that will change, but we are very focused on it and have a team that's actively working that. So we'll continue to keep you posted on that.

<Q – Bill Carcache – Nomura Securities>: Okay. Thank you. That's very helpful. On deposits, they're now at about 35% of your funding. You've seen obviously some very healthy growth there. Absent acquisitions, can you talk about what you plan to do to continue to drive and sustain some of the growth in deposits that we've seen so far?

<A – Scott Parker – CIT Group, Inc.>: Yeah, we continue to diversify our product offerings where we spend a lot of time in regards to growing our relationships with our existing customers, measuring how many multiple accounts we have with customers and providing products that support that. So the online banking, retail banking activity has been very successful for us. We see there's still much room to grow on that to support our asset growth. But we also will be supplementing that deposit growth with other forms of funding in the bank, as we diversify the bank funding model. So there'll be other forms, as we mentioned. The conduit that I talked about is at the Bank. And we think it would be good to have other contingent liquidity and other sources of funding as part of the overall Bank funding model.

<Q – Bill Carcache – Nomura Securities>: Great. Thanks for taking my questions.

Operator: And the next question is from Matt Schultheis of Boenning & Scattergood.

<Q – Matt Schultheis – Boenning & Scattergood>: Good morning.

<A – Scott Parker – CIT Group, Inc.>: Hey, Matt.

<Q – Matt Schultheis – Boenning & Scattergood>: Hey, actually it's sort of follow-up to the deposit question. I think it was a year ago for your Investor Day, you said that 2013 looked like the year you were going to roll out business deposit and arguably cash management services. And I wanted to see where you are in that development, understanding that in my opinion a self-funded loan book is a wonderful thing. So just where you are with business checking, cash management and the development of those?

<A – Scott Parker – CIT Group, Inc.>: Well, since you kind of had that closing piece about that, so as we saw it's one of the things that we've talked about, one of the capabilities that we would like to have. We have been focused on growing the kind of consumer side and, as I've just mentioned, been pretty successful.

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We are looking at the business banking and cash management activity, but I would say that's probably not a 2013 item. It's a lot more capabilities and infrastructure than some of the infrastructure we have put in place for the online deposit side. So we are still focused on doing that and think it will help us build our customer relationships. But it's not going to be most likely a 2013 item.

<Q – Matt Schultheis – Boenning & Scattergood>: Okay. Thank you very much.

Operator: And our next question is from Cheryl Pate of Morgan Stanley.

<Q – Cheryl Pate – Morgan Stanley>: Hi, good morning. Scott, you spoke to the asset sensitive nature of the balance sheet, but commented that the recent change in the ten year hasn't had much impact yet. Can you help us on how we should think about the impact of rising rates on the asset yields over time? Is it a quarter or two lag that we should be thinking about? And just more generally, the potential offset against some of the headwinds in terms of lower interest recoveries, et cetera, on the back half of the year.

<A – Scott Parker – CIT Group, Inc.>: Yeah, so, Cheryl, most of our portfolio is kind of one month LIBOR; part is three month LIBOR. So as you know regarding the re-pricing with our customers, there will be lag between short-term rates. So we're very focused on short-term rates, if LIBOR goes up, not the long end of the curve. And my sense would be that that's probably going to be a 30, 60 day kind of lagging process, depending on the nature of the underlying billing cycle with those customers.

<Q – Cheryl Pate – Morgan Stanley>: Okay, great. And then just on the deposit side, deposit growth slowed a little bit on the online channel this quarter, and you spoke to some of the attractive renewal durability in the conduit business, et cetera. I'm just wondering was there any change in strategy or change in pricing on the online channel, in terms of, are you consciously slowing the growth a little bit there?

<A – Scott Parker – CIT Group, Inc.>: Yes. We built the platform. We had some excess cash at the end of the year. We used some of that with Flagstar. So we're at a point now where the Bank is fairly mature in our view, and given the liquidity we have, we felt we could try to improve the matching of asset growth with deposit growth. So from that point of view, we're not changing kind of our core strategy, but we also want to see if we can moderate those two elements. So in June, we did lower the rates on our high-yield savings account, given the overall market, and some of the competitors also did that. So that was something that didn't impact the deposits going down much, but it will lower the cost and keeps us within the competitive environment. We feel we have pretty good levers on how to moderate our deposit growth consistent with our asset growth, so that we can manage our cash balance.

So as you saw our cash balance was about $2.5 billion, and we want to continue to make sure we have plenty of liquidity in the Bank, but we'd like to optimize that a little bit more.

<Q – Cheryl Pate – Morgan Stanley>: Okay, great. Thanks very much.

Operator: [Operator Instructions] And our next question will come from Daniel Furtado of Jefferies.

<Q – Dan Furtado – Jefferies>: Good morning, everybody. Thank you for the opportunity. I just had two I think relatively simple questions. The first is approximately what percent of originations in the quarter and in the last 12 months were refinances? And then number two, how should investors think about the backup in high yield as it relates to your business? Thank you.

<A – Scott Parker – CIT Group, Inc.>: I'll estimate. Remember, most of the refinancings is in the core Corporate Finance business and I would probably say it was about 40% to 50% refinancing.

<Q – Dan Furtado – Jefferies>: Thank you.

<A – Scott Parker – CIT Group, Inc.>: So I guess your second question was the backup in the high yield. Are you kind of talking about it from a perspective of our Corporate Finance customers?

<Q – Dan Furtado – Jefferies>: Yeah, I'm just kind of thinking that I know that some of those Corporate Finance customers aren't quite large enough to access that market, but if that was presenting an opportunity for you guys? Or if it was more of a risk to refinances in this space?

<A – Scott Parker – CIT Group, Inc.>: Like I said, backup in the high yield would be two things. It could slow down the refinancing activity for the marketplace. And number two, it could be beneficial on the pricing side, as you kind of look at the alternatives that are out there between our leverage lending versus the high yield.

<Q – Dan Furtado – Jefferies>: Understood. Thank you for the time.

<A – Scott Parker – CIT Group, Inc.>: Okay. Thank you.

Operator: And next, we have a question from Jordan Hymowitz of Philadelphia Financial.

<Q – Jordan Hymowitz – Philadelphia Financial Management of San Francisco LLC>: Hi, thanks just for taking my question. Can you talk at all about your rail business, specifically, your tank car business? There's been an increasing amount of backlog in the tank car business and increasing talks of compliance costs related to modernizing fleet. I know that tanks aren't the majority of your fleet, but if you could talk a little bit about the profitability of rail and specifically tank?

<A – John Thain – CIT Group, Inc.>: No. It's not true that the tanks are a majority of our fleet.

<Q – Jordan Hymowitz – Philadelphia Financial Management of San Francisco LLC>: No, no. I'm saying they're not a majority of your fleet. They're a small portion.

<A – John Thain – CIT Group, Inc.>: Yeah. Tanks are a relatively small portion of our fleet. But actually tank cars have been in high demand right now. A lot of the fracking activity has led to the need to move natural gas liquids. And so if anything right now, the tank car market is good.

<A – Scott Parker – CIT Group, Inc.>: Good for us.

<A – John Thain – CIT Group, Inc.>: Right.

<A – Scott Parker – CIT Group, Inc.>: I mean, because, Jordan, we kind of bought a lot of those in the 2011 through now. And so I think those are the new technology that may be different than some of the older tank cars. In regards to the overall profitability of the rail business as we've talked about, it has been one where the overall business has been doing very well. As we kind of came out of the cycle of 2009 with high utilization and also upward trajectory on lease rates both for the new equipment that we have, but also some of the equipment that was renewing and pricing at higher rates. So the business is performing very well for us.

<Q – Jordan Hymowitz – Philadelphia Financial Management of San Francisco LLC>: Thank you.

Operator: And this will conclude our question-and-answer session. I'd like to turn the conference back over to management for any closing remarks.

Kenneth A. Brause, Executive VP & Director-Investor Relations

Well, we thank you all for joining us this morning and if you have any further questions, please either call me or anybody else in the Investor Relations team. Thank you very much. And have a good day.

Operator: And that concludes today's call. Thank you for participating. You may now disconnect your lines.

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