PARTICIPANTS

Corporate Participants

Kenneth A. Brause – CFO-North American Commercial Finance, CIT Group, Inc.
John A. Thain – Chairman & Chief Executive Officer, CIT Group, Inc.
Barbara A. Callahan – Senior Vice President & Head-Investor Relations, CIT Group, Inc.
Scott T. Parker – Chief Financial Officer & Executive Vice President, CIT Group, Inc.

Other Participants

Mark C. DeVries – Analyst, Barclays Capital, Inc.
Kenneth Bruce – Analyst, Bank of America Merrill Lynch
Brad G. Ball – Analyst, Evercore Partners (Securities)
Christopher C. Brendler – Analyst, Stifel, Nicolaus & Co., Inc.
Eric Beardsley – Analyst, Goldman Sachs & Co.
Sameer Gokhale – Analyst, Janney Capital Markets
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David S. Hochstim – Analyst, The Buckingham Research Group, Inc.
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Brian T. Schinderle – Portfolio Manager, Balyasny Asset Management LP

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to CIT's Fourth Quarter 2013 Earnings Conference Call. My name is Amy, 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 conference over to Ken Brause. Please proceed, sir.

Kenneth A. Brause, CFO-North American Commercial Finance Segment

Thank you, Amy, and good morning. Welcome to CIT's fourth quarter 2013 earnings conference call. As was announced last month, after nearly seven years heading Investor Relations for CIT, I'm transferring into a new role here. It's been a pleasure working with all of you through what I thought was a fascinating chapter in CIT's history. Barbara Callahan, who many of you know, has been with CIT since 1999 and has been a key member of the IR team for the past two years. While she has assumed responsibility for IR, I wanted one last opportunity to open an earnings call. So, here we go.

Our call will be hosted today 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 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 last 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. And on behalf of both Scott and I, Ken, we appreciate all of your efforts in your IR role. Of course, we now expect more from you in your new role, and welcome, Barbara, to your new role as well.

Barbara A. Callahan, Senior Vice President & Head-Investor Relations

Thank you.

John A. Thain, Chairman & Chief Executive Officer

So, thank you all for being on the call. Good morning. We reported a good quarter but with some noise in the numbers. We earned $130 million after tax which includes the effect of the Tax Agreement settlement and some other items which Scott will talk more about. Particularly in the quarter, we originated $3.1 billion of funded volume, that's $1.3 billion in our Corporate Finance business, $1.2 billion in our Transportation business and $711 million in our Vendor Finance business.

Our commercial assets grew 8% year-over-year and 2% quarter-over-quarter. The credit quality in our portfolio remains stable with metrics at cyclical lows. Our capital position and our liquidity both remained very strong. We returned capital both through share buybacks and dividends. And as you know, last week, we announced an additional $300 million buyback plus the incremental little piece that was left from last year's buyback and our quarterly dividend as well. We continue to grow CIT Bank. CIT Bank now funds more than 40% of our commercial assets. And we also continue to focus on our expenses. The corporate restructuring that we announced in December is designed both to better align our businesses with our customers but importantly, to also improve our operating effectiveness.

As we look out over 2014, we see gradual improvement in both the U.S. and the European economies. We do see continued pricing pressure in certain segments of our business. And what we're going to focus on is growing our assets and achieving our profitability targets, managing our expenses, growing CIT Bank and diversifying its funding, and continuing to return capital to our shareholders.

So, with that, I'll turn it over to Scott.

Scott T. Parker, Chief Financial Officer & Executive Vice President

Thank you, John, and good morning, everyone. We continued to make progress on our strategic initiatives and delivered another quarter of solid operating performance.

Here are some highlights. As John mentioned, fourth quarter net income was $130 million or $0.65 a share, bringing full year net income to $676 million or $3.35 a share. Our commercial portfolio grew 2% sequentially and 8% from a year ago. We made further progress on our efforts to rationalize sub-scale platforms. Credit metrics remained at cyclical lows, and we repurchased nearly 3 million shares this quarter, bringing total shares repurchased, since we started the buyback program in June, to slightly over 4 million.

While our results were impacted by the cost of settling the Tax Agreement and a few other noteworthy items, which are detailed on page three of the presentation, our operating performance was as expected.

The sequential increase in commercial financing and leasing assets reflected the $3.1 billion of new business volume, which included about $500 million of scheduled aircraft deliveries. Partially offsetting that volume was the sale of about $400 million of Vendor Finance assets, primarily the remaining Dell Europe portfolio, contractual run-offs and refinancings of corporate loans.

We achieved 8% annual growth despite selling $600 million of assets related to our portfolio optimization efforts. Corporate Finance grew $1.7 billion from a year ago, reflecting the success of some of our growth initiatives such as commercial real estate and equipment finance, as well as the Flagstar portfolio acquisition in the first quarter.

And in Transportation Finance, the $300 million growth in the loan portfolio from a year ago included the contribution of Maritime Finance.

As noted in the press release, in the fourth quarter we transferred our remaining $3.4 billion of student loan portfolio to assets held for sale. We expect that our portfolio optimization efforts will continue to be a headwind to asset growth.

The net finance margin declined to the midpoint of the target range as the elevated benefits of suspended depreciation on assets held for sale, as well as yield-related fees and interest recoveries on loan prepayments, are now largely gone. Some of the sequential quarter decline in the finance margin was a result of market dynamics and competitive pressures, especially in our commercial air business. And given we have a particularly high number of aircraft lease renewals in 2014, there could be further pressure on the finance margin if some of these trends continue.

Additionally, with the transfer of the student loan portfolio to assets held for sale, we will no longer be recognizing the FSA loan accretion associated with it. This in turn will reduce the finance margin by about 10 basis points until this portfolio is sold.

As I previously discussed, we are building cash in advance of the 2014 and 2015 debt maturities, which will also continue to constrain the finance margin.

Our funding costs were relatively flat this quarter. We will continue to focus on optimizing our funding sources both in the Bank and the Holding Company to ensure that we have efficient funding for the new asset originations.

Our non-spread revenue was higher this quarter due to the net benefit from several items including: a $17 million gain on the sale of a leveraged lease that had a corresponding $13 million tax expense; a $19 million gain on a workout-related claim; and a $29 million gain on the sale of the

final tranche of the Dell Europe portfolio. These gains were partially offset by $22 million of impairments recorded on assets held for sale related to our international rationalization efforts.

Fee revenue improved. We won more lead agency roles, which resulted in higher capital markets fees in the quarter. And in 2013, we made good progress in our middle market lending business, winning back market share and being awarded more agency roles. The gains on sale of commercial aircraft were lower in the fourth quarter and as I said last quarter, we expect that trend to continue given the current market environment. In summary, non-spread revenue should continue to be around 100 basis points of average-earning assets.

We continue to make progress on our expense initiatives in order to position the company for the future. In the fourth quarter, we reduced head count by an additional 140. We completed the sale of several subscale platforms. And as John mentioned, we announced a reorganization that will better align our business with our customers and streamline our processes. We expect to reinvest savings from this reorganization in growth initiatives. Overall, our focus remains on improving our expense ratio towards the target range through a combination of cost reductions and asset growth.

Moving on to taxes, the utilization of the U.S. NOL remains a key priority, and we are executing various initiatives to improve our U.S. taxable income. However, our NOL increased in 2013, driven by adjustments to prior year tax filings.

I know you are interested in the process and potential timing of a reduction of the valuation allowance on our domestic net deferred tax asset. We do not yet have three years of cumulative normalized book taxable income, the primary test for determining whether the valuation allowance can be reversed. This profitability measure has been improving over the last few years, and we expect to meet this criteria by the end of 2014, at which time we will focus on the other evidence to evaluate the amount and timing of any potential full or partial reversal of the valuation allowance.

In the near-term, our GAAP tax expense will be driven by international earnings and state taxes in the U.S. And for 2014, it is likely that our tax provision will remain around $20 million per quarter.

We continue to diversify our funding profile. CIT Bank completed a $750 million vendor equipment securitization, with an average coupon just over 100 basis points, in the fourth quarter. Deposits grew to $12.5 billion, consistent with our asset growth. The average rate of our deposits is a little over 150 basis points and consists of a mix of term CDs and savings accounts sourced from online and broker channels. Our deposit strategy is designed to match liabilities with our asset profile. And as a result, the weighted average duration of our deposits has lengthened as we continue to originate longer-term assets such as Railcars and other Transportation assets in the Bank.

We continue to make progress generating cash at the Holding Company to pay off some of the $2.8 billion of debt maturities over the next 15 months. And we recently extended our revolving credit facility and reduced the commitment from $2 billion to $1.5 billion, given the changing mix of assets between the Holding Company and the Bank.

In summary, we made good progress on our 2013 priorities.

We grew commercial assets by 8%, while maintaining strong underwriting discipline, as we grew our core commercial franchises organically, invested in new initiatives like Commercial Real Estate, Equipment Finance and Maritime Finance, placed new orders for and took delivery of air and railcar equipment, and purchased portfolios such as the Flagstar loan portfolio.

We expanded CIT Bank's assets and deposit franchises. The Bank now represents over 40% of total commercial assets, and deposits increased to 36% of total funding. Essentially, all new U.S. business is being originated in the Bank. And last week, it took delivery of its first two aircraft, which have been leased to a domestic carrier.

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We achieved our pre-tax ROA target and we will continue to look for opportunities to deploy our capital at attractive returns.

And lastly, we returned nearly $220 million of capital to our shareholders through both share repurchases and dividends. And John mentioned that the board authorized an additional $300 million share repurchase in 2014.

As we enter 2014, we are better aligned to deliver our full range of financial solutions to our target customer groups. And we will share more about our new organization and progress at our next Investor Day, which will be on June 25 in New York City. The Investor Relations team will be sending out details of that event shortly. I look forward to seeing many of you then.

With that, I'll turn it back over to Amy and we'll take your questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Mark DeVries at Barclays.

<Q – Mark DeVries – Barclays Capital, Inc.>: Yeah. Thanks. I apologize if you addressed this in your prepared remarks, but could you talk about what the impact will be on your pro forma balance sheet capital ratios and earnings from the acquisition of the European railcar leasing business that you referenced in the release?

<A – Scott Parker – CIT Group, Inc.>: Well, the portfolio is around €500 million. So, the risk-weighted assets would be 100% of that. So, the impact will be consistent with our asset growth and with the sale of the student loans that will kind of take down our risk-weighted assets.

<Q – Mark DeVries – Barclays Capital, Inc.>: Okay. And any kind of guidance on earnings accretion from that?

<A – Scott Parker – CIT Group, Inc.>: No, we cannot provide that. First we're focused on getting that closed, and then we can talk about it most likely in the first quarter.

<Q – Mark DeVries – Barclays Capital, Inc.>: Okay, got it. And just one other unrelated follow-up, should we assume that the authorization the board granted for 2014 is meant to cover the entire year, or could you potentially use that up and then go back to them at some point in the year and ask for an additional authorization?

<A – Scott Parker – CIT Group, Inc.>: I mean the authorization was set for 2014, but there's a possibility depending on what events happen that we could do something different. But I think really the intent was for 2014.

<Q – Mark DeVries – Barclays Capital, Inc.>: Okay. Thanks.

Operator: Our next question comes from Ken Bruce, Bank of America.

<Q – Ken Bruce – Bank of America Merrill Lynch>: Thank you. Good morning.

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

<Q – Ken Bruce – Bank of America Merrill Lynch>: First of all, yeah, good morning Ken. Congratulations on your new role.

<A – Ken Brause – CIT Group, Inc.>: Thanks.

<Q – Ken Bruce – Bank of America Merrill Lynch>: We'll miss you here in IR. So, first question, is there any way to dimensionalize what the commercial air lease renewals, what's coming up either in 2014 in the entirety or over the next couple of quarters? Is there any way to look into how that may impact that margin that you mentioned?

<A – Scott Parker – CIT Group, Inc.>: I would say that the renewals are spread out evenly through the quarters as it stands today, and we have an increase over 2013. We have about 50% more renewals than we did in 2013. And as I mentioned, it's really dependent on the combination of two things. One supply/demand, and the pricing at that particular point, and also the type of aircraft that is renewing.

So in general, Ken, there's some aircraft that are coming off that will renew above the rates they are coming off and there'll be others that will come in below. And what we're saying right now based on our current look and forecast that that will be continued pressure on the margin.

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<Q – Ken Bruce – Bank of America Merrill Lynch>: Thanks. And then, probably a different direction, Europe has been talked about as a potential opportunity for some time. There's been a lot of discussion around maritime assets in particular with some of the European banks. John or Scott, can you comment at all in terms of what opportunities you see within that theater and how we should be looking at that as a growth driver for 2014?

<A – John Thain – CIT Group, Inc.>: So, I think you should consider that as something that's still to be determined. It is true that there are very large portfolios of maritime assets in the European banks. To the extent that they come for sale, we will look at them. The history recently has been not very much as ever actually traded because most of the time, the prices that they would trade at are significantly below par, and so then the banks won't sell them because they don't want to take the loss.

So, very little has traded so far. To the extent that stuff actually comes for sale and trades, we will look at it, but that's really been the constraint in the last year or so.

<Q – Ken Bruce – Bank of America Merrill Lynch>: Okay. Thank you and I'll jump back in queue. Appreciate it.

Operator: Our next question comes from Brad Ball with Evercore.

<Q – Brad Ball – Evercore Partners (Securities)>: Thanks. I also wanted to ask about capital return. Could you talk a little broadly about your strategy for capital return? With the 16.7% Tier 1 common ratio, it seems like that's about $2 billion of excess capital. You've also moved a significant amount of assets into held-for-sale. I wondered if you could talk about the timing of that potential sale. And would that potentially free up capital for you to be more aggressive with the buyback program relative to what you've done so far?

<A – Scott Parker – CIT Group, Inc.>: Brad, I'll start. So, the student loans, as we've talked before, have a low risk-weighted asset versus our core commercial business. So, it will free up some capital. But given our asset growth, the net of that will be something we'll look at. But as we've stated before, we've made good progress over the last six months since we started to return capital. So, with two buybacks and a dividend, we feel good about what we've been able to achieve. We're mindful of the industry guidelines out there. Our progress in 2014 is higher than what we did in 2013. And we'll continue to evaluate the kind of market environment conditions, and we are definitely focused on our capital ratios and getting down to our target capital ratios as we move forward.

<Q – Brad Ball – Evercore Partners (Securities)>: And what level of payout would you target?

<A – Scott Parker – CIT Group, Inc.>: I think it's hard to be specific. I'd like to look at where the industry is and get to that level. That would be something that we aspire to get to.

<Q – Brad Ball – Evercore Partners (Securities)>: Okay. And my follow-up is on expenses. Scott, we used to talk about targeting $215 million of quarterly run rate expenses. Are we still targeting that? Is that still achievable? And what areas do you still have room to cut costs?

<A – Scott Parker – CIT Group, Inc.>: Yes. It's still something that we've talked about as what we're focused on for 2014. The piece that's still moving is the international platforms, as you saw in the quarter, we moved several of those into held-for-sale and took the mark on those. So, the timing of executing on those subscale platform rationalizations will be the key driver of our expense reduction to get down to the $215 million. But we're always continuing to look at opportunities to gain efficiencies, as John mentioned, and we'd like to reinvest some of that in growth areas that we

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see within the business. So, part of it will get us down to the $215 million and then part will be reinvested in growth.

<Q – Brad Ball – Evercore Partners (Securities)>: Would you see getting to the $215 million this year?

<A – Scott Parker – CIT Group, Inc.>: It's really contingent on the exit of the international platforms. So, if that happens sooner than expected, but I think about second half as more likely.

<Q – Brad Ball – Evercore Partners (Securities)>: Thank you.

Operator: Our next question comes from Chris Brendler at Stifel.

<Q – Chris Brendler – Stifel, Nicolaus & Co., Inc.>: Hi. Thanks. Could you give us a little more color on the current conditions in the Corporate Finance business? It sounds like more of the same, not seeing a whole lot of new origination activity, also an elevated level of prepayments. But as I'm looking at the numbers this morning, it looks like the prepayments kicked up quite a bit in the quarter. Can you maybe give us a general sense of the competitive environment and what you're seeing in the Corporate Finance business? Thanks.

<A – Scott Parker – CIT Group, Inc.>: Yes. I think the overall industrysaw that the market in Corporate Finance continues to have a lot of refinancings and prepayments. The overall loan volume is not growing much. And so, based on some of the economic news, it would be helpful to get a little bit more M&A and buyouts, which will provide opportunities to counteract the refinancing piece. But our volume for the quarter and year-over-year is really a testament that we are winning the business that we want to be in. The pricing is at lower levels than it was a year ago, but it's been consistent with third quarter and, of course, given the current environment, there's a lot of competition for the loan volume that's out there.

<Q – Chris Brendler – Stifel, Nicolaus & Co., Inc.>: Right.

<A – Scott Parker – CIT Group, Inc.>: I think we're doing a really good job of leveraging our relationships and winning the business that we think fits our target returns.

<Q – Chris Brendler – Stifel, Nicolaus & Co., Inc.>: Yes. I agree. The origination side looks solid. Any uptick in buyout activity? Are there reasons for optimism there? And then an unrelated question would be just some additional color on the factoring business. That continues to feel like it's not really a business that's doing that well. Is it competitive? Is the industry condition that retailers aren't interested in factoring anymore? Can you just give us a little bit more color there too? Thanks.

<A – Scott Parker – CIT Group, Inc.>: Yes, to your first point, Chris, in regards to what would be that catalyst, I think that's been a topic of conversation probably for the last 18 months. There's definitely money in the space looking at transactions. I think most of the owners of those companies are looking to improve the efficiency and profitability of their business. And I think as for the catalyst for when activity increases, I can't really give you a sense right now. We haven't seen much, but if it's a good transaction, those will happen.

With respect to the factoring business, I think it's consistent with overall environment for retail. I think we're doing a really good job of credit discipline. And we are holding our own in regards to the factoring commissions with respect to the market. And there are a few players in that marketplace that are definitely very competitive. And we have continued to focus on leveraging our historical relationships, and knowledge, to offset some of that kind of competitive pricing in regards to our customer sales.

<Q – Chris Brendler – Stifel, Nicolaus & Co., Inc.>: Okay, great. Thanks, Scott.

Operator: The next question comes from Eric Beardsley of Goldman Sachs.

<Q – Eric Beardsley – Goldman Sachs & Co.>: Hi. Thank you. Just if you look at your liquidity path to 2014 and 2015 maturities, what's the right amount of cash for you to be holding on the balance sheet?

<A – Scott Parker – CIT Group, Inc.>: I guess, Eric, the way that we do our cash forecasting of liquidity is based on numerous activities. But my expectation would be is the cash at the Bank Holding Company would really be dependent on the size of the assets we have there, the commitments we have in regards to kind of the aircraft order placements that we would need, and then having a buffer to protect ourselves in the event of any disruption in the capital markets.

The level of cash in the Bank has been relatively constant at around 18%, 20% of total assets, which is not inconsistent with the industry. I think the thing that we are continuing to evaluate is there an opportunity to invest some of that cash in safe investment securities that would provide a little bit more yield than we currently get on our cash. But in the Bank, I think that the range of our overall liquidity is not different than the industry. It's just the mix of cash and investment securities.

<Q – Eric Beardsley – Goldman Sachs & Co.>: Got it. And just on another topic, are you done with reserve releases? I know that you've said that you feel like you're at cyclical lows for credit, but you held the allowance for loan losses flat here. Just wondering what your thoughts are from reserve adequacy moving forward?

<A – Scott Parker – CIT Group, Inc.>: Yes. I think if you look at our reserves for the last couple quarters, we've stayed in that range of around 2%. Our reserve methodology is more than a one year reserve policy. And it's really based on the portfolio mix, the trends in the portfolio and also new originations. So, as we grow the portfolio, we will continue to provide for new business. And some of the reduction we've had in the past really had been older assets that had higher reserve levels that were rolling off versus us changing anything in regards to our practices and our methodology. So, I think where we are today, the trend in the reserve will be commensurate with the credit quality of the portfolio, as well as provisioning for new business.

<Q – Eric Beardsley – Goldman Sachs & Co.>: Okay, great. Thank you.

Operator: Our next question comes from Sameer Gokhale at Janney Capital.

<Q – Sameer Gokhale – Janney Capital Markets>: Hi. Thank you. And firstly, I'd like to congratulate Ken, as well, on his new role. It's well deserved. And best of luck in your new role, Ken.

<A – Ken Brause – CIT Group, Inc.>: Thank you very much, Sameer.

<Q – Sameer Gokhale – Janney Capital Markets>: I had a couple of questions. Firstly, on the railcar business, Scott, you didn't want to get into specifics for accretion, but I was just trying to get a better handle on how to think about the profitability of the European railcar business. I mean, should we assume that the pre-tax ROEs in that business are relatively consistent with what you have currently in your railcar business, let's say, 4 to 5% or so pre-tax ROE, is that reasonable or should we assume that that business in Europe generates a lower return than that?

<A – Scott Parker – CIT Group, Inc.>: I think it's a lot to assume before we actually take the assets on. What I would say is that part of it's when it closes, how much impact that would have in 2014. Number two; you'll have some costs for integration of the platform that will again mute some of the go-forward profitability. But I would say that the decision for purchasing the assets was based

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on our target ROE. So, the ROE is in the range that we wanted it to be and I think that's the best way to model it.

<Q – Sameer Gokhale – Janney Capital Markets>: And should we assume that should additional opportunities arise, you would be interested in expanding your presence in Europe within the railcar business or would you take a more measured approach? Because this acquisition, I think, adds about 10% to your railcar fleet. So how should we think about your future plans there in Europe, for the railcar business specifically?

<A – John Thain – CIT Group, Inc.>: I think the answer to that is if there were opportunities to expand that business, we would look to do that. This is an area that we see growth opportunities in, and in the U.S., we have been ordering new railcars. But today, the railcar manufacturers are sold out into the future, and so this is an opportunity to add earning assets and get them on our books and earnings faster than we could if we just order them in the U.S. So if we saw opportunities in Europe, we would certainly look at them.

<Q – Sameer Gokhale – Janney Capital Markets>: Great. And then, just one quick question on a different note, in terms of the outlook for C&I loans and growth, you talked about some of the competitive pressures and volumes and the like. But I was trying to get a sense for, with your existing customers, what are you seeing in terms of utilization rates? I mean, the commentary from banks, generally, has been somewhat mixed. Some banks seeing an increase in their utilization rates; others not. So when you look at your existing customer base, are you seeing them drawing down on commitments and utilization rates going up, or do you think that that could potentially be another tailwind if the economy improves, and then there's more of a need for them to draw down on commitments? So just a little commentary around utilization rates would be helpful.

<A – Scott Parker – CIT Group, Inc.>: Yes, Sameer. So, I'd say, the utilization on our asset-based lending hasn't changed for the last couple of years since we've been here. So, those are potential opportunities that people have the facilities in place to draw on and our utilization is pretty low relative to some of your peer groups depending on the collateral and the receivables behind that.

So, that if the economy picks up, that would probably be one of the areas that those customers would go to get capital quickly to reinvest in growth, but we haven't seen any change and that would be something that would be an indicator for us in the portfolio that the manufacturing base is investing in growth.

<A – John Thain – CIT Group, Inc.>: Yeah, Sameer, the other thing is as the economy improves, that will provide a greater degree of confidence on the part of middle market companies. And then the hope, although we haven't seen it yet, but the hope is that you would start seeing more M&A activity.

<Q – Sameer Gokhale – Janney Capital Markets>: Okay. Got it. Thank you.

Operator: Our next question comes from Moshe Orenbuch at Credit Suisse.

<Q – Moshe Orenbuch – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks. In terms of the air portfolio, you had some growth in deliveries in the fourth quarter. Just two things, number one is, would you expect to accelerate either deliveries or sale leasebacks in 2014 given all that's gone on in the industry? And also the yield on your total Transportation portfolio is probably around 9% now, had been 10%-ish or a little higher, so where do you think that levels out, maybe talk about that, and I've got one quick follow-up after that?

<A – Scott Parker – CIT Group, Inc.>: Moshe, our order book for 2014 has already been locked in, so that scheduled deliveries are something that were placed many years ago. So, that will come in. We are looking at the sale leaseback market. We've talked about that, and looking at where we

might be able to add additional assets in our current order book in the sale leaseback market. So, the pricing is commensurate with our return hurdles. That's something that we're looking at very actively. And so, with respect to the yields, I think, in general, the new delivery yields on aircraft are in that range, and then as we talked about on some of the renewals, it really is based on kind of the situation with respect to those. But they wouldn't be too far off from that.

<Q – Moshe Orenbuch – Credit Suisse Securities (USA) LLC (Broker)>: Got it. The follow-up is you had some discussion before about M&A and buyouts. There was a journal article last week about how the regulators are kind of pressuring the banks on specific transactions. And I was just wondering if you're either feeling the same pressure, or whether that represents an opportunity in the M&A space?

<A – John Thain – CIT Group, Inc.>: I think those are on the large, highly leveraged transactions, and that's a space that we don't really play in the way that the big banks do because those are big deals. Our middle market space, I think, that's less of an issue.

<Q – Moshe Orenbuch – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Thanks a lot.

Operator: Our next question comes from David Hochstim at Buckingham Research. David, please go ahead with your question.

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Sorry. Hi, good morning. Are there likely to be any additional expenses associated with the reorganization or are we seeing those already in the fourth quarter?

<A – Scott Parker – CIT Group, Inc.>: Well, we took the majority of restructuring charge in the fourth quarter, but there'll be some that trails into the first quarter but not at the same magnitude.

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Okay. And then could you just talk about the decision to consider selling the student loan portfolio now as opposed to before or later and what's changed?

<A – Scott Parker – CIT Group, Inc.>: It really was a combination of our continued capital management framework as well as looking at the market environment and we thought that based on the combination of those two items that the decision to move those in the fourth quarter was the correct decision.

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Okay. And could you give us any sense of the magnitude of those aircrafts that you've put in the Bank?

<A – Scott Parker – CIT Group, Inc.>: Magnitude from what perspective?

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Dollars.

<A – John Thain – CIT Group, Inc.>: Well, we put two in there, so they were 737s.

<A – Scott Parker – CIT Group, Inc.>: Yeah. So, they'd be less than $100 million.

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Okay. New 737's?

<A – John Thain – CIT Group, Inc.>: Yeah. The 737-800.

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Okay. And finally, can you give us any additional help on the nice chart that you gave on, slide three that shows the

breakdown of the items in Q4 in terms of per share impact, because some of the things are outside U.S. and some are not?

<A – Scott Parker – CIT Group, Inc.>: No. I would say that the only thing that was outside really was some of the stuff related to the international platforms. But most of the other stuff is U.S. based.

<Q – David Hochstim – The Buckingham Research Group, Inc.>: Okay, all right. Thanks a lot.

Operator: The next question comes from Eric Wasserstrom of SunTrust Robinson Humphrey.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Thanks very much. Scott, can you just remind us, once you achieved the accounting criteria that potentially resulted in a DTA allowance, can you just remind us what that might mean for the 2015 tax rate?

<A – Scott Parker – CIT Group, Inc.>: Yeah. So, once we meet that primary test there are bunch of other criteria and evidence that you have to evaluate with respect to the valuation allowance. And so, I'll just give you hypothetical. So, depending on what decisions are made, if nothing happens, the tax rate will stay as it is today where we put no provision up for U.S. income taxes and then we provide for international taxes. In the event that some or all of the valuation allowance is not there, then it's easier to say, if it wasn't all there, then you would have to provide for U.S. tax expense as well as you'd have the added international tax. So, the tax rate would be not just the 35%-marginal, it would be that plus your international tax rate. Then if it's a partial, it's going to be in between those two. So, a partial would be determined based on the size of that change. Does that help?

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Great. Yeah, that does. And just one follow up, retuning to OpEx for a moment, I understand the target rate that you're attempting to achieve by year end, but over the course of next year, how do you envision your operating expenses relative to your longer-term guidance of 2% to 2.5%?

<A – Scott Parker – CIT Group, Inc.>: Well, our focus is to get into the target range, and then once you get inside the target range, it will be a combination of mix of businesses. So, the Transportation business versus North American Commercial Finance business have different expense parameters. And then, also potential for reinvestment and new growth initiatives. And then as we just talked about earlier, when you add on the railcar portfolio in Europe, that will be another dynamic that we'll have to factor in.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Okay. And the expenses of that will be evidenced early in this year?

<A – Scott Parker – CIT Group, Inc.>: Once it closes, we'll have whatever partial quarter impact that will have.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Thanks very much.

Operator: Our next question comes from Chris Kotowski at Oppenheimer.

<Q – Chris Kotowski – Oppenheimer & Co., Inc. (Broker)>: Yeah, it's small, but I'm just curious. You had a $5 million debt redemption charge, but we didn't actually see long-term debt go down. It looked like flat even through the quarter. And I'm curious, A: what debt was redeemed, and B: presumably you did it because you thought it would be a benefit to future net interest income, and then C: are there other liability opportunities like that, or in terms of liability management, should we be just thinking that the two debt maturities that are coming up over the next 15 months, the $2.8

billion, that's it in terms of your opportunity for liability management help on the net interest income side?

<A – Scott Parker – CIT Group, Inc.>: Okay. Chris, well, that's a good question. So, let me take you through. And so, the amount that we did was actually on secured debt. And it related to moving our small business loans into held-for-sale. And as we talked about, we expect to sell those in the first quarter. As part of that, we extinguished that debt in order to sell the assets. And that was the FSA associated with that secured debt.

In regards to going forward, as we moved the student loan assets into held-for-sale, as I mentioned, the loan accretion moved in and we curtailed that. Going forward, the debt that we have, the secured debt on that portfolio, that FSA mark was not moved in based on the accounting. So, when that portfolio is sold, we could have a FSA mark loss on that debt that could be about $20 million to $30 million depending on timing. And so, that will be something we'll talk about if that portfolio is sold sometime in the near future.

<Q – Chris Kotowski – Oppenheimer & Co., Inc. (Broker)>: Okay. And then in terms of liability management to improve net interest income, really it's the two debt maturities. That's really it?

<A – Scott Parker – CIT Group, Inc.>: Correct. It's the two net debt maturities at the parent company. And as I mentioned in the Bank, we'll continue to diversify our fundings, but we also have a bias for issuing some longer-term CDs which will mute the overall interest expense line. But when it's matched up against the assets we're putting in, it's a very good net margin impact.

<Q – Chris Kotowski – Oppenheimer & Co., Inc. (Broker)>: Okay. And you said the Bank took delivery of two aircrafts. I believe when you announced the deal, you said it was 14. Do those 14 come into a year, over the next seven years or does it come in quicker than that?

<A – Scott Parker – CIT Group, Inc.>: You're talking about specifically within the Bank?

<Q – Chris Kotowski – Oppenheimer & Co., Inc. (Broker)>: Yes. Correct.

<A – Scott Parker – CIT Group, Inc.>: Well, not all those deliveries will go into the Bank. Some of them will go into the Bank as we mentioned on the last call.

<Q – Chris Kotowski – Oppenheimer & Co., Inc. (Broker)>: Okay. All right. Thanks. That's it for me.

Operator: The next question comes from Bill Carcache at Nomura.

<Q – Bill Carcache – Nomura Securities International, Inc.>: Thank you. Good morning. My first question is on the adjusted finance margin. Scott, in looking at the trajectory from the fourth quarter of last year, we've seen a gradual decline now to the point where we've hit the 4% level that you've guided to. Just in terms of thinking ahead to the potential trajectory from here, you've cited the pricing pressures and competition and then different factors that could lead that to move lower. How much lower below 4% could we go and for how sustained a period could that be? And, I guess, is 4% still the right level to be thinking about as a longer-term level?

<A – Scott Parker – CIT Group, Inc.>: That's a good question, Bill. I think in the near term, because of the debt maturities and the cash that we're holding, I mentioned the impact of the student loans and the impact on the margin that will have. The way I would think about it is based on the current environment that I think, in the short term, we have some near-term pressure. How long that sustains is really a matter of how the market changes during the year. So I think that, at least in the near term, more pressure, and I think we'll continue to update you as we get further on how the market conditions change.

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<Q – Bill Carcache – Nomura Securities International, Inc.>: Okay. That's great. Thank you. As a follow-up, a broader strategic question for you, John. Your recent segment reporting change raised a number of questions among investors. One of the biggest ones that we got was just the broader question of why can't the Transportation Finance business exist separately from your North American Commercial Finance business? I was hoping that maybe perhaps you could talk about the strategic rationale of keeping those businesses together and whether you'd be open to ever potentially considering a spin-off.

<A – John Thain – CIT Group, Inc.>: So, the simple answer is they obviously can exist separately because there are both aircraft leasing companies that are publicly traded on their own and there's at least one publicly traded railcar leasing business. So the first part of your question is, they can exist separately. We believe we get a significant advantage in terms of our consolidated funding of those businesses. And in particular, today, almost all of our new railcars are going into the Bank or still being funded by the Bank. And so, even as we've bought new railcars, a significant portion of our total railcar fleet is now funded in the Bank.

And as you heard, we put two aircraft into the Bank. And so the Bank is starting to finance aircraft. We also make a significant number of loans in the transportation sector, which also go into the Bank. And all of the new Maritime loans have been originated by the Bank. So we think there's significant benefits to having the Transportation businesses together with the Bank.

<Q – Bill Carcache – Nomura Securities International, Inc.>: Thank you. That's really helpful. Perhaps if I could sneak in one last one on capital composition? Your capital consists substantially of Tier 1 common equity. Can you remind us what you're thinking from a capital optimization standpoint? Is it too early to expect any kind of action there? And that's it. Thanks.

<A – Scott Parker – CIT Group, Inc.>: Yes, Bill, it's definitely too early. I think the focus is to get down to our total capital target. Once we do that, then we can optimize the difference between common equity and other forms of capital.

<Q – Bill Carcache – Nomura Securities International, Inc.>: Okay. Thank you.

Operator: The next question comes from Cheryl Pate at Morgan Stanley.

<Q – Cheryl Pate – Morgan Stanley & Co. LLC>: Hi. Good morning. Another question, if we could turn back to capital for a moment and potential opportunities to redeploy some of the excess. Number one, could you maybe talk a little bit about the environment for portfolio purchases? Are there any particular areas that are more or less attractive? And then, secondly, potential opportunities to either buy or build retail branches or a bank?

<A – Scott Parker – CIT Group, Inc.>: On the first one, Cheryl, each one of our businesses is constantly looking at ways to bolt on portfolios into their businesses and we look at that all the time. And if the transactions meet our hurdles, we go after those. I would say that the level of activity is probably less than it has been a year ago at least. And so, I think that one, we continue to be looking at it and if we are successful, that would be very beneficial to our capital deployment.

With respect to the bank franchise, again, same message, we're constantly looking to see which opportunities would be beneficial to our strategy and beneficial to building out our kind of deposit franchise in the Bank. And at this point, we haven't found something that meets the criteria we're looking at, but we're still continuing to look at opportunities.

<Q – Cheryl Pate – Morgan Stanley & Co. LLC>: Okay. And then just second one for me. You had an earlier comment, Scott, on diversifying funding sources as one of the objectives in 2014. Can you maybe just give us a little bit more color on what you're thinking there specifically?

<A – Scott Parker – CIT Group, Inc.>: I think a lot of it has to do with the Bank. We're continuing to build out our capabilities that we have. I mentioned that we did a securitization in the Bank, which again, is another funding source for the Bank. And as we build out the different asset classes, we want to make sure we're able to match fund each one of the assets that we have. So we feel good about that. Also, in the fourth quarter, I don't know if you saw it, but we did roll out our mobile banking for CIT Bank. So, if you happen to get a chance to look at that, we will continue to build out our product offerings to our customers, so that we can continue to grow that retail franchise also.

<Q – Cheryl Pate – Morgan Stanley & Co. LLC>: Great. Thank you.

Operator: The next question comes from Daniel Furtado at Jefferies.

<Q – Dan Furtado – Jefferies LLC>: Good morning, everybody. Thank you for the opportunity.

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

<Q – Dan Furtado – Jefferies LLC>: Good morning. First question is just, you made a comment in the press release regarding some portfolio management activities in the commercial air that resulted in lower net spread revenue in the quarter. What were those activities?

<A – Scott Parker – CIT Group, Inc.>: That's the renewal activity.

<Q – Dan Furtado – Jefferies LLC>: Oh, okay. Gotcha. And then the second question...

<A – Scott Parker – CIT Group, Inc.>: Well, so there's two pieces, Dan. There's one is what we talked about in regards to the impact around some of that renewals. And the second piece was, as I mentioned last quarter, that the level of asset sales and gain on sales in the commercial air have come down and we expect that trend to continue. So, those are two parts I think of the question.

<Q – Dan Furtado – Jefferies LLC>: Okay. Great. Thank you. And then the other question is simply, what percent of your other income comes from prepayment fees and I'm just kind of wondering what type of risk, if any, from potential slowdown of prepayments if the ten year continues to move higher? Thank you.

<A – Scott Parker – CIT Group, Inc.>: The prepayment; it actually goes through the margin line. So, as we mentioned, that was one of the things that was being elevated because those deferred fees are kind of amortized within the yield line over the term of the loan. And if it's prepaid, then those are accelerated and that will show up in the margin line, not in the non-spread line.

<Q – Dan Furtado – Jefferies LLC>: Okay. And how much does that represent in the margin line?

<A – Scott Parker – CIT Group, Inc.>: As I've mentioned, those were things that were elevated during 2013. And as of the end of the year, both the suspended depreciation and the benefits of those yield-related fees have largely gone away.

<Q – Dan Furtado – Jefferies LLC>: Okay, great. Thank you.

Operator: The next question comes from Brian Schinderle at Bank of America (sic) [Balyasny Asset Management].

<Q – Brian Schinderle – Balyasny Asset Management LP>: Yeah. Hi, it's actually Brian Schinderle from Balyasny Asset Management. Sorry. Quick question for you guys. I'm curious as to the path with the rating agencies. I mean, you're still BB-. You're on positive watch at one of the agencies. And what thresholds or what milestones do you believe you need to hit in order to get to

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a better ratings profile and how you view balancing that with the distributions to equity both in the form of dividends and share buybacks and how you're looking at that?

<A – Scott Parker – CIT Group, Inc.>: Yeah. What I would say is that we continue to have constructive dialogs with all of our rating agencies, and I think we're being recognized for the improvements that we're making. I wouldn't say that there's any item that we haven't talked about before that are some of the criteria. We've continued to build out the Bank both from a funding and asset perspective. Two is around our core franchises. We've continued to build our core franchises. We have reduced significantly our cost of funds, and our underwriting credit discipline has been solid.

So, I think those are the items in regards to when the change in the ratings will happen. It's dependent on their processes. But what we do feel good about is, if you look at our bond trading, our fixed income investors have rewarded us for the progress we've made. And what we'd like to do is get our ratings commensurate with the fixed income investors, so once we get closer to investment grade, it just opens up a broader array of investors and products that we can issue at the bank holding company.

<A – John Thain – CIT Group, Inc.>: Yeah. And let me just add that based upon our level of capital as well as our earnings, capital return should not be a concern at all to the rating agencies.

<Q – Brian Schinderle – Balyasny Asset Management LP>: Okay. Thanks, guys.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Barbara Callahan, Head of Investor Relations, for any closing remarks.

Barbara A. Callahan, Senior Vice President & Head-Investor Relations

Thank you, Amy. We thank you all for joining us this morning, and please join me in wishing Ken the best of luck in his new role. And as a reminder, our next Investor Day will be on June 25 in New York City and we will be sending out a save-the-date for the event shortly. In the meantime, I'm looking forward to working with all of you, and if you have any follow-up questions, please call me or Rahul in Investor Relations, and we will be happy to answer them. Thank you very much.

Operator: That concludes today's call. Thank you for participating.

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