CIT Bank, N.A.

Dodd-Frank Act Stress Test
2017 Results Disclosure

October, 2017

I. Introduction: Dodd Frank Act Stress Testing ("DFAST") Overview and Requirements

CIT Bank, N.A. ("CIT Bank" or the "Bank") is a wholly-owned subsidiary of CIT Group Inc. ("CIT"). The Bank sources deposits primarily through a retail branch network in Southern California, direct-to-consumer (via the Internet) and from institutional customers through commercial channels, and, to a lesser extent, through broker channels. CIT Bank's suite of deposit products includes checking and savings accounts, money market, individual retirement accounts and certificates of deposit. CIT Bank provides lending, leasing and other financial and advisory services, primarily to small and middle-market companies across select industries. The Bank also offers residential mortgage lending products to its retail customers. At year-end 2016, CIT Bank had $42.2 billion of total assets.

CIT Bank is regulated by the Office of the Comptroller of the Currency (OCC) and is also subject to regulation and examination by the Federal Deposit Insurance Corporation (FDIC). Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires national banks and federal savings associations with total consolidated assets of more than $10 billion to conduct annual stress tests. The OCC's annual stress test rule (12 CFR 46) sets out definitions and rules for scope of application, scenarios, reporting, and disclosure. The rule requires that covered institutions conduct an annual stress test using a nine quarter forward-looking planning horizon, beginning with financial data as of December 31 of each calendar year, and assess the potential impact to capital applying hypothetical economic scenarios provided by the OCC. At a minimum the OCC would provide baseline, adverse, and severely adverse scenarios.

This disclosure document summarizes the results of the severely adverse scenario for CIT Bank over the nine quarter period from Q1 2017 to Q1 2019 and provides a forward-looking perspective on potential impacts to capital under this scenario. Per the regulatory requirements, this disclosure provides a summary of the types of risks included in the stress test, a general description of the methodologies used in the stress test, estimates of stressed financial forecasts and other key metrics as well as an explanation of the most significant causes for changes in regulatory capital ratios. The estimates included in the disclosure reflect results from the severely adverse scenario, a hypothetical scenario. Therefore, these estimates are not forecasts of expected losses, revenues, income before taxes or capital ratios.

II. Primary Risks to which CIT Bank, N.A. is exposed and included in DFAST:

CIT Bank is subject to a variety of risks that may arise through the Bank's business activities, including the following principal forms of risk that are incorporated in our enterprise stress testing:

- Credit risk is the risk of loss (including the incurrence of additional expenses) when a borrower does not meet its financial obligations to the Bank. Credit risk may arise from lending, leasing, and/or counterparty activities.
- Asset risk is the risk to earnings, capital or business caused by a decline in operating lease rates or asset utilization rates, which arises from fluctuations in the supply and demand for the underlying leased equipment.
- Market risk is the risk to earnings, capital or business caused by adverse movements in market variables such as interest rates.
- Liquidity risk is the risk to earnings, capital or business arising from the Bank's inability to maintain adequate cash resources and funding capacity to meet its obligations when they become due, including under stress scenarios.
- Operational risk is the risk of financial loss, potential damage to the Bank's reputation, or other adverse impacts resulting from inadequate or failed internal processes and systems, people or external events. The assessment of

operational risk for stress testing incorporates risk exposures such as legal and regulatory compliance, information security and fraudulent activities.

- Strategic risk is the risk to earnings or capital arising from adverse strategic business decisions, improper implementation of strategic decisions, or lack of responsiveness to changes in the industry.

III. Stress Test Methodologies

CIT Bank uses a combination of quantitative models and other estimation approaches to prepare stress forecasts. Other estimation approaches can include simple assumptions, expert judgment and complex calculations. Models are generally used for the Bank's material portfolios. Different methodologies are typically used to forecast revenues and credit losses on the commercial and consumer portfolios.

Pre-provision net revenue (PPNR) is derived through a combination of models and other estimation approaches. The size and composition of the balance sheet impacts most components of PPNR.

- Net Interest Income: Interest income is generated mainly by the loan portfolio and to a lesser degree cash and investments. Commercial loan balance forecasts leverage a modeling approach for new business volume, prepayments and pricing while other estimation approaches are used to forecast line draws on unused commitments and asset sales. Stress forecasts for the retail loan portfolio generally leverage business-as-usual models combined with other estimation approaches for sub-segments of the portfolio (e.g., jumbo mortgage new business volume). Investment strategy together with the interest rate forecast determines the interest income from the cash and investment portfolio. Interest expense is derived from deposits as well as other borrowings, which are primarily FHLB advances. CIT Bank's deposit portfolio is segmented by product and a combination of models and other estimation approaches are used to generate forecasts for balances and cost.
- Non-Interest Income: The largest component of CIT Bank's non-interest income is rental income from operating leases. A modeled approach is used to forecast volumes and pricing for the railcar operating lease portfolio. The other main component of non-interest income is fee income from the commercial business, which is forecast using an other estimation approach.
- Non-Interest Expense: Mainly comprised of operating expenses (e.g., compensation and benefits, marketing expense), operational risk expenses, and expenses related to CIT Bank's railcar operating lease portfolio (e.g., depreciation and maintenance expenses). These expenses are generally forecast using other estimation approaches.

CIT Bank's forecast losses in stress testing are predominantly driven by credit losses on the loan portfolio.

- For the commercial loan portfolio, models are used to project probability of default and loss given default while an other estimation approach is used to forecast exposure at default. The Bank leverages the business-as-usual methodology to generate the forecast for the allowance for loan and lease losses (ALLL) on the commercial loan portfolio. Expert judgment is also used to establish the ALLL balances and coverage levels in the stress scenarios. The loss provision amount is ultimately determined by the net charge-off and ALLL forecasted amounts.
- CIT Bank's consumer portfolio is primarily comprised of consumer mortgages and the related stress loss forecasts are derived through a combination of internally-developed and third party models. For the portion of the portfolio that was purchased credit impaired (PCI), the ALLL is forecast to account for lifetime loss expectations while for non-PCI loans in the portfolio the net charge-off forecast, applied over a loss emergence period, is used to forecast

the ALLL balance in the stress scenarios. Similar to the commercial loan portfolio, the loss provision amount is ultimately determined by the loss and ALLL forecasted amounts.

- The losses on the investment portfolio in the stress scenarios are related to the non-agency mortgage backed securities. A modeled approach is used to forecast the losses on this segment of the investment portfolio.

Changes in CIT's capital position are driven by net income, dividends to CIT Group and changes in accumulated other comprehensive income. To arrive at regulatory capital ratios additional items are deducted from shareholders' equity per the Basel III capital definitions while the standardized risk-weighting methodology is applied to the Bank's on and off-balance sheet assets.

IV. CIT Bank, N.A. Results of the Severely Adverse Scenario from January 1, 2017 through March 31, 2019

The severely adverse scenario reflects a severe global recession with acute stress in corporate loan markets and commercial real estate. In this scenario, U.S. real GDP contracts in the first five quarters of the scenario while the unemployment rate peaks at 10% in the second half of 2018. U.S. short-term treasury rates hover at 0.1% while 10-year treasury yields remain below 2%.

The table below shows CIT Bank's 9-quarter projected loss before taxes for the period beginning Q1 2017 through Q1 2019. Revenues are negatively impacted in the severely adverse scenario due to a reduction in loan and lease balances combined with lower yields on the portfolio. There is a corresponding benefit from a reduction in interest expense but in total there is a reduction in net interest income in the stress scenario. Non-interest income declines as lower volumes reduce fee income and gains on asset sales are eliminated. Increases in operational risk expenses also reduce PPNR in the scenario. The increase in provisions is caused by higher loan losses, as shown in Table 2, and an increase in the level of reserves given the severity of the scenario.

Table 1: CIT Bank, N.A.: Cumulative 9-quarter projected losses, revenue and income / (loss) through Q1 2019

Item	Billions of dollars	Percent of average assets
Pre-provision net revenue	1.11	2.8%
Provisions	(2.10)	
Realized losses/ gains on securities	(0.01)	
Other losses/ gains	(0.08)	
Income / (loss) before taxes	(1.08)	(2.7%)
Net Income / (loss)	(0.71)	(1.8%)

Table 2 shows CIT's 9-quarter cumulative loss rates. Loan losses are concentrated in the commercial portfolio (commercial & industrial and commercial real estate), driving a total loss rate of 4.6% for the Bank. Other loans are concentrated in the commercial portfolio and include items such as loans to non-depository financial institutions and small-ticket finance leases.

Table 2: CIT Bank NA: Projected loan losses, by type of loan, Q1 2017 – Q1 2019

Loan Type	Billions of dollars	Percent of average assets
First lien mortgages, domestic	0.04	0.8%
Junior liens and HELOCs, domestic	0.00	0.0%
Commercial and industrial	0.62	5.9%
Commercial real estate, domestic	0.45	6.8%
Credit cards	0.00	0.0%
Other consumer	0.00	0.0%
Other loans	0.14	3.1%
Total projected loan losses	1.25	4.6%

Table 3 illustrates the change in risk-weighted assets over the 9-quarter forecast as well as projected regulatory ratios.

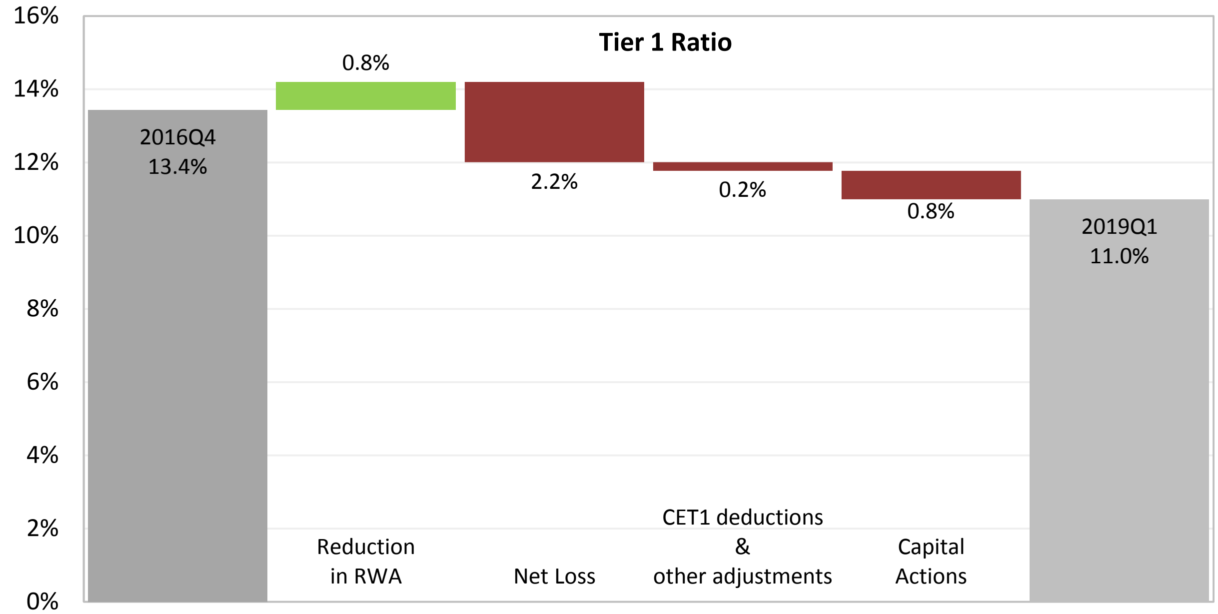
Table 3: CIT Bank, N.A.: Projected RWA and Stressed Capital Ratios through Q1 2019

$ billions	Actual Q4 2016	Projected Q1 2019
Risk-weighted assets	34.4	32.6

Regulatory Ratios	Actual Q4 2016	Projected Ratios	
		Ending	Minimum
Common equity tier 1 capital ratio	13.4%	11.0%	9.6%
Tier 1 risk-based capital ratio	13.4%	11.0%	9.6%
Total risk-based capital ratio	14.7%	12.3%	10.9%
Tier 1 leverage ratio	10.9%	9.4%	8.6%

Table 4 details the most significant drivers of the cumulative change in CIT Bank's capital levels in the severely adverse scenario over the 9-quarter planning horizon. CIT Bank's tier 1 capital ratio declines by 2.4% over the 9-quarter planning horizon. The Bank's risk-weighted assets are forecast to decline by almost $2 billion from $34.4 billion to $32.6 billion, increasing the tier 1 capital ratio by 0.8%. CIT Bank's cumulative net loss over the 9-quarter forecast horizon reduced the tier 1 capital ratio by 2.2%. PPNR totaled $1.1 billion and provisions were $2.1 billion. Tier 1 deductions and other adjustments include changes in items such as goodwill and intangible assets, accumulated other comprehensive income as well as deferred tax assets from net operating loss and tax credit carryforwards. Dividends assumed to be paid to CIT Group reduce the tier 1 capital ratio by an additional 0.8%.

Table 4: CIT Bank, N.A.: Components of Changes in Capital Ratios



Forward Looking Statements:

This supplemental disclosure contains forward-looking statements within the meaning of applicable federal securities laws that are based upon our current expectations and assumptions concerning future events, which are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "commence," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of those words or similar expressions is intended to identify forward-looking statements. All statements contained in this supplemental disclosure, other than statements of historical fact, including without limitation, statements about our plans, strategies, prospects and expectations regarding future events and our financial performance, are forward-looking statements that involve certain risks and uncertainties. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and our actual results may differ materially. Important factors that could cause our actual results to be materially different from our expectations include, among others, the risk that CIT (i) is unsuccessful in implementing its strategy and business plan, (ii) is unable to react to and address key business and regulatory issues, (iii) is unable to achieve the projected revenue growth from its new business initiatives or the projected expense reductions from efficiency improvements, or (iv) becomes subject to liquidity constraints and higher funding costs. We describe these and other risks that could affect our results in Item 1A, "Risk Factors," of our latest Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission. Accordingly, you should not place undue reliance on the forward-looking statements contained in this disclosure. These forward-looking statements speak only as of the date on which the statements were made. CIT undertakes no obligation to update publicly or otherwise revise any forward-looking statements, except where expressly required by law.