S&P Global
Ratings

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CIT Group Inc. (Holding Company)

CIT Bank N.A. (Lead Bank)

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SACP	bbb-	+	Support	0	+	Additional Factors	0

Anchor	bbb+	
Business Position	Moderate	-1
Capital and Earnings	Strong	+1
Risk Position	Moderate	-1
Funding	Below Average	-1
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
BBB-/Stable/--

Bank Holding Company ICR
BB+/Stable/B

Major Rating Factors

Strengths:	Weaknesses:
• Strong regulatory and S&P Global Ratings risk-adjusted capital ratios • Focus on secured lending and good asset performance in recent years • Adequate liquidity	• Focus on relatively higher-risk middle-market lending and leasing • Weaker funding profile than higher rated U.S. banks

Outlook: Stable

The stable outlook reflects S&P Global Ratings' expectation that over the next 12 months CIT Group Inc. will look to reduce its capital ratios--mostly through shareholder distributions--but will maintain a risk-adjusted capital (RAC) ratio above 10%. We also expect it to continue to report low net charge-offs amid the currently benign economic conditions and take further steps to improve its funding and the strength of its franchise. We expect its net charge-offs to rise somewhat above those of more traditional bank peers over the next few years.

Downside scenario

We could lower the ratings if CIT's capital adequacy deteriorates and its RAC ratio falls below 10%, particularly if that occurs before the company can significantly strengthen its business position and funding, and demonstrate a longer track record of solid credit quality. Also, we could lower the ratings if credit losses unexpectedly spike. A one-notch downgrade in the group credit profile would result in a two-notch downgrade of the holding company.

Upside scenario

An upgrade is not likely in the next 12 months. Longer term, we could raise the ratings if CIT maintains strong capitalization and ample liquidity, improves its risk-adjusted profitability and deposit funding, and demonstrates a longer track record of credit losses only somewhat above those of more traditional bank peers.

Rationale

The ratings reflects CIT's strong capital and adequate liquidity, balanced by a weaker funding profile and higher risk assets than higher rated U.S. banks, in our view. CIT is executing its transition to a national bank for lending and leasing to the middle market and small businesses. Significant steps in this transition include the acquisition of One West Bank, the disposition of international businesses, and the sale of CIT Commercial Air, which significantly reduced leasing assets outside of its banking subsidiary. Deposits have increased to 78% of funding, and assets in CIT Bank have increased to 84%.

Anchor: Reflects our view of economic and industry risk in the U.S.

Our anchor for a bank operating mainly in the U.S. is 'bbb+', based on an economic risk score of '3' and an industry risk score of '3'. We view the trends for both economic risk and industry risk as stable. The U.S.'s diversified, high-income, and resilient economy underpins our assessment of economic risk. However, lending areas that have grown quickly in recent years--such as auto and corporate lending--represent potential risks. Our view of industry risk in the U.S. balances the regulatory enhancements made since the financial crisis, its high levels of core deposits, and deep capital markets against the risks and competition that come with the country's large nonbank financial system.

Table 1

CIT Group Inc.--Key Figures

	--Fiscal year ends Dec. 31--				
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	49,339	48,751	63,323	66,182	47,283
Customer loans (gross)	29,835	30,600	31,544	34,051	20,220

Table 1

CIT Group Inc.--Key Figures (cont.)					
		--Fiscal year ends Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted common equity	5,632	6,298	8,790	8,737	8,466
Operating revenues	1,277	2,468	2,354	2,765	2,502
Noninterest expenses	838	1,917	1,789	2,107	1,811
Core earnings	236	508	178	1,024	1,026

*As of June.

Business position: Deposit funded, national bank for lending and leasing to the middle market

CIT is a bank holding company (BHC) and a financial holding company (FHC) with $49.9 billion in assets as of June 30, 2018. CIT provides a full range of banking and related services to commercial and retail customers through its banking subsidiary, CIT Bank N.A., which includes 69 branches located in Southern California, and its online bank. The company provides financing, leasing and advisory services, equipment financing, and leasing solutions to a wide variety of industries, in North America. It has a large national footprint in the U.S., and has railcar leasing operations in Canada. The commercial loan portfolio is well diversified, with its largest single-state exposure being California (17.2% of commercial loans and leases), but its consumer lending portfolio is relatively concentrated in the state (72%).

We expect CIT's revenues to be relatively stable because net financing revenue, which fluctuates less than more market-sensitive revenues, accounts for the majority of revenues. However, we believe in the event of an economic downturn that nonaccrual loans for CIT could be higher than commercial-lending-focused peers because of CIT's focus on middle-market and small business lending. The majority of customers are small and midsize companies, which may be more volatile than larger companies through the credit cycle. Middle-market lending is both fragmented and highly competitive, creating a commodity-like business where price competition is important. Also, CIT's cost of funds may be more subject to competitive conditions and confidence sensitivity than peer banks. Online deposits account for 46% of deposits while brokered deposits account for 11% and commercial sources account for 6%.

CIT is executing its transition to a national bank for lending and leasing to the middle market and small businesses. Significant steps in this transition include the acquisition of One West Bank, the disposition of international businesses, and the sale of CIT Commercial Air, which significantly reduced leasing assets outside of its banking subsidiary. On Oct. 4, 2018, CIT closed the sale of its European railcar leasing business (NACCO). Deposits have increased to 78% of funding and assets in CIT Bank have increased to 84%.

Table 2

CIT Group Inc.--Business Position					
		--Fiscal year ended Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Loan market share in country of domicile	0.3	0.3	0.3	0.4	0.2
Deposit market share in country of domicile	0.2	0.2	0.3	0.3	0.1
Total revenues from business line (currency in millions)	1,300.8	2,502.4	2,383.2	2,840.5	2,585.1
Commercial & retail banking/total revenues from business line	97.6	99.0	95.2	96.1	95.0
Trading and sales income/total revenues from business line	0.9	(0.3)	3.8	3.1	4.3

Table 2

CIT Group Inc.--Business Position (cont.)					
		--Fiscal year ended Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Corporate finance/total revenues from business line	0.7	0.3	0.0	0.0	0.1
Brokerage/total revenues from business line	0.0	0.0	0.0	0.0	0.0
Insurance activities/total revenues from business line	0.6	0.5	0.5	0.5	0.4
Agency services/total revenues from business line	0.0	0.0	0.0	0.0	0.0
Payments and settlements/total revenues from business line	0.3	0.4	0.4	0.3	0.3
Return on average common equity (%)	6.5	5.4	(8.1)	10.3	12.6

*As of June.

Capital and earnings: Currently strong capital position, but we expect returns of capital

CIT has a strong capital positon in our view, although we anticipate significant returns of capital to shareholders. The S&P Global Ratings RAC ratio for CIT was 12.1% as of June 30, 2018, which we expect to decline toward 10.0% as CIT makes returns of capital to shareholders to reach its target common equity Tier 1 (CET1) ratio. On June 28, 2018, CIT announced that its board of directors, consistent with the company's prior guidance to achieve a CET1 ratio of approximately 11.5%-12.0% by the end of 2018, approved a common equity capital return of up to $750 million. The company plans to reduce its CET1 ratio to about 11% by the end of 2019 from 13.2% as of June 30, 2018. On July 17, 2018, CIT announced a 56% increase in its dividend per common share to $0.25 from $0.16.

We believe CIT has adequate earnings capacity to support what we expect to be moderate organic growth. We expect the company's earnings to be relatively stable because net financing revenue, which fluctuates less than more market-sensitive revenues, accounts for the majority of revenues. At the same time, we expect initiatives to reduce expenses will continue to improve profitability. CIT's net efficiency ratio (adjusted to exclude noteworthy items) improved to 54% for the second quarter of 2018 compared to 59% in the prior year quarter.

Several noteworthy items affected net income during 2017 and 2016, including items related to discontinued operations, debt extinguishment costs, tax items, and goodwill impairments. During 2017, CIT incurred a $222 million (after tax) goodwill impairment in its Commercial Banking segment and $133 million (after tax) of debt extinguishment costs, partially offset by a $140 million tax benefit related to the restructuring of an international legal entity. During 2016, CIT incurred an $847 million tax provision related to Commercial Air, a $319 million goodwill impairment in its Consumer Banking segment, a $175 million (after tax) charge for the interest curtailment reserve related to its discontinued Financial Freedom operation, and a $147 million (after tax) charge for the termination of a total return swap.

Table 3

CIT Group Inc.--Capital And Earnings					
		--Fiscal year ended Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	13.9	15.2	14.0	12.8	14.5
S&P RAC ratio before diversification	12.1	13.0	9.9	10.1	11.3
S&P RAC ratio after diversification	12.0	12.9	9.9	11.5	12.2

Table 3

CIT Group Inc.--Capital And Earnings (cont.)					
		--Fiscal year ended Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted common equity/total adjusted capital	94.5	95.1	100.0	100.0	100.0
Double leverage	112.6	110.8	90.4	99.5	106.4
Net interest income/operating revenues	42.9	46.0	51.3	16.9	7.5
Fee income/operating revenues	0.7	0.7	0.6	0.4	0.3
Market-sensitive income/operating revenues	4.2	(0.1)	5.2	0.4	3.7
Noninterest expenses/operating revenues	65.6	77.6	76.0	76.2	72.4
Preprovision operating income/average assets	1.8	1.0	0.9	1.1	1.5
Core earnings/average managed assets	1.0	0.9	0.3	1.8	2.2

*As of June.

Risk position: Higher risk-assets than peer banks, but good asset performance in recent years

CIT generally targets higher-risk assets than the typical bank, in our view. CIT's commercial finance loan portfolio includes cash flow loans, and its real estate finance portfolio includes construction and transitional loans, while we believe railcar leasing and maritime finance may be exposed to cyclical volatility. Also, the majority of CIT's customers are small and midsize companies, which may experience greater credit volatility through downturns than larger companies. Consistent with the generally benign economic and financial conditions in recent years, CIT's charge-offs have been near cyclical lows with gross charge-offs of 0.55% of average loans for the six months ended June 30, 2018, and 0.47% for the year ended Dec. 31, 2017.

CIT's commercial finance assets generally are well diversified by industry and geographically, although its residential mortgage loan portfolio is concentrated in Southern California. Positively, from a risk-management perspective, CIT has taken steps to simplify its business, and we anticipate moderate organic growth. The company is asset-sensitive, so we anticipate CIT will benefit from rising interest rates. Based on the company's simulation modeling, an immediate 100-basis-point parallel increase in interest rates from the forward curve, net interest income (including rental income) would increase by 3.8%; conversely a 100 basis-point-decrease would result in a 4.3% decrease in net interest income.

Table 4

CIT Group Inc.--Risk Position					
		--Fiscal year ended Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	(5.0)	(3.0)	(7.4)	68.4	(11.1)
Total managed assets/adjusted common equity (x)	8.9	7.8	7.3	7.7	5.7
New loan loss provisions/average customer loans	0.7	0.4	0.6	0.6	0.4
Net charge-offs/average customer loans	0.4	0.4	0.3	0.5	0.5
Gross nonperforming assets/customer loans + other real estate owned	2.4	1.9	2.2	2.4	0.8
Loan loss reserves/gross nonperforming assets	66.2	73.0	61.2	43.3	204.4

*As of June.

Funding and liquidity: Nontraditional funding profile, but ample liquidity

We view CIT's funding as a weakness relative to other U.S. banks. Wholesale debt and Federal Home Loan Bank borrowings account for 14% and 8% of funding, respectively. Also, online deposits account for 46% of deposits, the stickiness of which has not been fully tested in a rising rate environment. At the same time, brokered and commercial sources account for 11% and 6% of deposits, respectively. Positively, CIT extended its maturity profile with the March issuance of a combined $1 billion of senior unsecured notes due in 2021 and 2025. In April 2018, CIT redeemed $500 million of its 3.875% notes and the remaining $383 million of its 5.500% notes, both due in February 2019 using the proceeds from the March 2018 issuances. In September 2018, CIT redeemed the remaining $500 million of its 3.875% notes due February 2019, with proceeds from its August issuance of $500 million of senior unsecured notes due 2024. CIT had an S&P Global Ratings net stable funding ratio of 107% as of June 30, 2018.

Liquidity remains sufficient, with an S&P Global Ratings broad-liquid-assets to short-term wholesale funding ratio of 6.1x and well-staggered unsecured debt maturities. CIT had S&P Global Ratings broad liquid assets of $7.4 billion as of June 30, 2018, and has a $500 million revolving credit facility with no outstanding borrowings at June 30, 2018. Over time, we believe CIT's liquidity metrics may decline as it deploys excess liquidity and returns capital to shareholders, but we expect it to remain adequate.

Table 5

CIT Group Inc.--Funding And Liquidity

		--Fiscal year ended Dec. 31--			
(Mil. $)	**2018***	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	76.9	75.1	64.4	61.0	43.6
Customer loans (net)/customer deposits	94.7	103.3	98.8	106.8	132.8
Long term funding ratio	97.4	96.0	95.0	94.2	93.7
Stable funding ratio	106.8	102.0	99.6	98.4	98.2
Short-term wholesale funding/funding base	3.0	4.8	5.9	6.8	7.8
Broad liquid assets/short-term wholesale funding (x)	6.1	3.3	3.0	2.3	2.7
Net broad liquid assets/short-term customer deposits	24.9	18.3	23.1	18.7	38.7
Short-term wholesale funding/total wholesale funding	12.6	18.5	16.6	17.5	13.9

*As of June.

Support: None

We do not view CIT as systemically important, and we believe that the likelihood of CIT receiving extraordinary support from the U.S. government is low.

Additional rating factors: None

No additional factors affect this rating.

Related Criteria

- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of October 12, 2018)

CIT Group Inc.	
Issuer Credit Rating	BB+/Stable/B
Preferred Stock	B+
Senior Unsecured	BB+
Subordinated	BB
Issuer Credit Ratings History	
04-Dec-2015	BB+/Stable/B
12-Feb-2013	BB-/Positive/B
09-Mar-2012	BB-/Stable/B
Sovereign Rating	
United States	AA+/Stable/A-1+
Related Entities	
CIT Bank N.A.	
Issuer Credit Rating	BBB-/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.