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-

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

+

Support	0

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

+

Additional Factors	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, although declining • Increasing emphasis on secured lending • Adequate liquidity	• Focus on relatively higher-risk middle-market lending and leasing • Weaker funding profile than higher rated U.S. banks • Moderate profitability

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 is not offset by the company significantly strengthening its business position (which could be evidenced by improving profitability) and funding, while demonstrating 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. We assess CIT's capital as strong, although we anticipate significant returns of capital to shareholders to continue, consistent with its plan to reduce its common equity Tier 1 (CET1) ratio to 11% by the fourth quarter of 2019. CIT's cost of funds may be more subject to competitive conditions and confidence sensitivity than peer banks. Online deposits accounted for 53% of deposits and brokered deposits 9% as of March 31, 2019. The majority of CIT's customers are small and midsize companies, which may experience greater credit volatility through downturns than larger companies. CIT's commercial finance loan portfolio includes cash flow loans, and its real estate finance portfolio includes construction and transitional loans. We believe railcar leasing and maritime finance may be exposed to cyclical volatility.

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					
	--Year ended Dec. 31--				
(Mil. $)	2019*	2018	2017	2016	2015
Adjusted assets	50,348	48,101	48,751	63,323	66,182
Customer loans (gross)	31,528	31,100	30,600	31,544	34,051
Adjusted common equity	5,071	5,133	6,298	8,790	8,737
Operating revenues	580	2,390	2,468	2,354	2,765
Noninterest expenses	402	1,633	1,917	1,789	2,107
Core earnings	113	419	508	178	1,024

*Quarter ended March.

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 $50.8 billion in assets as of March 31, 2019. 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 over 60 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 (17.3% of commercial loans and leases), but its consumer lending portfolio is relatively concentrated in the state (69.6%).

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 53% of deposits and brokered deposits 9% as of March, 31 2019.

CIT is executing its transition to a national bank for lending and leasing to the middle market and small businesses. While it is a national lender, it has higher deposit costs and lacks the scale of larger banks.

Table 2

CIT Group Inc.--Business Position					
	--Year ended Dec. 31--				
(Mil. $)	2019*	2018	2017	2016	2015
Loan market share in country of domicile	N/A	0.3	0.3	0.3	0.4
Deposit market share in country of domicile	N/A	0.2	0.2	0.3	0.3
Total revenues from business line (currency in millions)	596.0	2,468.1	2,502.4	2,383.2	2,840.5
Commercial & retail banking/total revenues from business line	96.6	101.0	99.0	95.2	96.1
Trading and sales income/total revenues from business line	2.3	(2.7)	(0.3)	3.8	3.1

Table 2

CIT Group Inc.--Business Position (cont.)					
	--Year ended Dec. 31--				
(Mil. $)	**2019***	**2018**	**2017**	**2016**	**2015**
Corporate finance/total revenues from business line	0.4	0.8	0.3	0.0	0.0
Insurance activities/total revenues from business line	0.7	0.6	0.5	0.5	0.5
Payments and settlements/total revenues from business line	0.1	0.2	0.4	0.4	0.3
Investment banking/total revenues from business line	2.6	(1.9)	0.0	3.8	3.1
Return on average common equity	8.5	6.8	5.4	(8.1)	10.3

*Quarter ended March. N/A--Not applicable.

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 11.4% as of Dec. 31, 2018, which we expect to decline toward 10.0% as CIT makes returns of capital to shareholders to reach its target CET1 ratio. The company is targeting a CET1 ratio of 11% by the fourth quarter of 2019, compared to 12.0% as of Dec. 31, 2018, and March 31, 2019. In January 2019, the company received a nonobjection from the Federal Reserve Bank of New York to repurchase up to $450 million of common stock through September 2019 and had repurchased $257 million through April, leaving $193 million remaining under the repurchase authorization. On April 16, 2019, CIT declared a quarterly cash dividend of $0.35 per common share, which was a 40% increase from the first-quarter dividend.

While CIT's profitability is somewhat lower than peer banks, in our view, 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 was 58% for the first quarter of 2019.

Several noteworthy items affected net income during 2018 and 2017, including items related to discontinued operations, debt extinguishment costs, tax items, and goodwill impairments. Income from continuing operations available to common shareholders, excluding noteworthy items, of $480 million in 2018 was down $24.5 million, or 5%, compared to 2017. The decrease reflected a decline in net finance revenue and an increase in the provision for credit losses, partially offset by lower operating expenses, higher noninterest income, and a lower effective tax rate.

Income from continuing operations available to common shareholders, excluding noteworthy items, of $119 million in the first quarter of 2019 increased $22 million, or 23% from the prior year quarter. The increase was mainly due to the $22 million charge-off of a single commercial exposure in the prior-year quarter. The net financing margin, excluding noteworthy items, of 3.20% in the first quarter of 2019 declined 17 basis points from the prior-year quarter, reflecting lower net yields on operating leases, higher deposit rates, and a greater portion of earning assets in cash and investment securities, partially offset by increases in yields on loans and cash and investment securities from rising rates.

Table 3

CIT Group Inc.--Capital And Earnings					
	--Year ended Dec. 31--				
(Mil. $)	**2019***	**2018**	**2017**	**2016**	**2015**
Tier 1 capital ratio	12.7	12.7	15.2	14.0	12.8
S&P Global Ratings' RAC ratio before diversification	N.A.	11.4	13.0	9.9	10.1
S&P Global Ratings' RAC ratio after diversification	N.A.	11.2	12.9	9.9	11.5
Adjusted common equity/total adjusted capital	94.0	94.0	95.1	100.0	100.0
Double leverage	N.A.	106.0	110.8	90.4	99.5
Net interest income/operating revenues	48.6	45.5	46.0	51.3	16.9
Fee income/operating revenues	0.4	0.7	0.7	0.6	0.4
Market-sensitive income/operating revenues	3.2	(0.0)	(0.1)	5.2	0.4
Noninterest expenses/operating revenues	69.2	68.3	77.6	76.0	76.2
Preprovision operating income/average assets	1.4	1.5	1.0	0.9	1.1
Core earnings/average managed assets	0.9	0.9	0.9	0.3	1.8

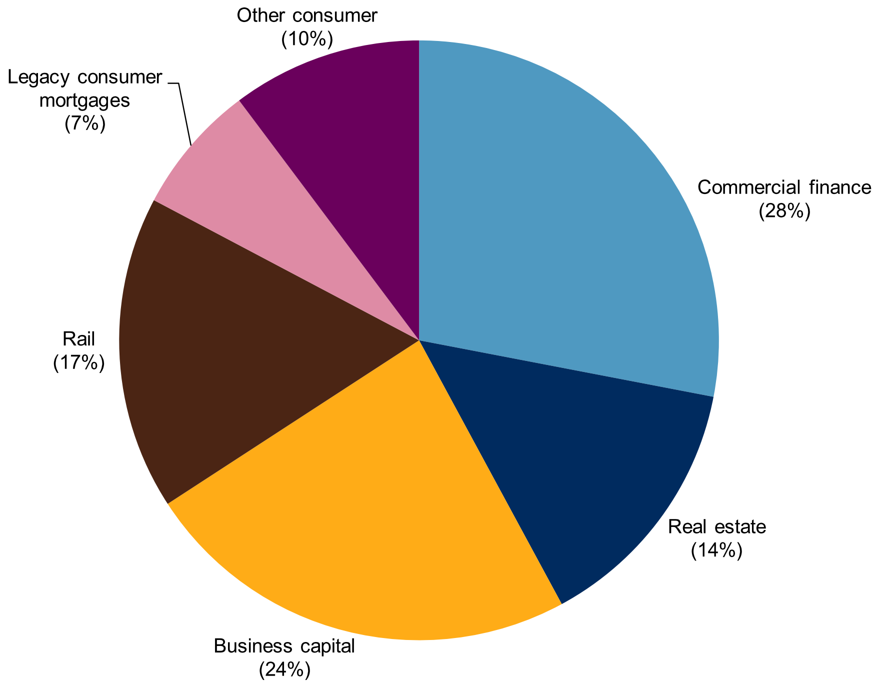
*Quarter ended March. N.A.--Not available.

Risk position: Higher risk-assets than peer banks, but good risk-adjusted 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 about 30% 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, with a high degree of exposure to energy within railcars. 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 0.48% and 0.47% of average loans for the years ended Dec. 31, 2018 and 2017, respectively.

More than 80% of CIT's loans and leases are commercial, including commercial finance, rail, real estate, and business capital. The remainder are consumer, mainly consisting of residential mortgages.

Loans And Leases As Of March 31, 2019



Source: Company reports. Includes loans held for sale.

CIT's commercial assets generally are well diversified by industry and geographically, although its residential mortgage loan portfolio is concentrated in Southern California.

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 would increase by $62 million; conversely, a 100-basis-point-decrease would result in a $86 million decrease in net interest income as of March 31, 2019.

Table 4

CIT Group Inc.--Risk Position

	--Year ended Dec. 31--				
(Mil. $)	**2019***	**2018**	**2017**	**2016**	**2015**
Growth in customer loans	5.5	1.6	(3.0)	(7.4)	68.4
Total managed assets/adjusted common equity (x)	10.0	9.5	7.8	7.3	7.7
New loan loss provisions/average customer loans	0.4	0.6	0.4	0.6	0.6
Net charge-offs/average customer loans	0.4	0.4	0.4	0.3	0.5
Gross nonperforming assets/customer loans + other real estate owned	2.0	1.9	1.9	2.2	2.4
Loan loss reserves/gross nonperforming assets	79.2	82.7	73.0	61.2	43.3

*Quarter ended March.

Funding and liquidity: Nontraditional funding profile, but ample liquidity

We view CIT's funding as a weakness relative to other U.S. banks. The stickiness of online deposits (53% of deposits) has not been fully tested in a rising rate environment. At the same time, brokered and commercial sources account for 9% and 5% of deposits, respectively. Also, certain assets, such as factoring receivables and some leasing assets, are not held in the bank and require nondeposit funding, although the amount of these assets outside of the bank have declined. Positively, CIT extended its maturity profile with the March 2018 issuance of a combined $1 billion of senior unsecured notes with $500 million due in 2021 and $500 million due in 2025, and in August issued $500 million of senior unsecured notes due 2024. CIT had an S&P Global Ratings net stable funding ratio of 109.7% as of March 31, 2019. Also, CIT's use of brokered deposits has been declining, and the majority have maturities with greater than one year remaining.

Liquidity remains ample, with a high S&P Global Ratings broad-liquid-assets to short-term wholesale funding ratio of 91.2x and well-staggered unsecured debt maturities. CIT had S&P Global Ratings broad liquid assets of $7.5 billion as of March 31, 2019, and has a $400 million revolving credit facility with $38 million utilized for letters of credit as of March 31, 2019. Over time, we believe CIT's liquidity metrics may decline as it deploys excess liquidity and returns capital to shareholders, but we expect its liquidity to remain adequate.

Table 5

CIT Group Inc.--Funding And Liquidity

	--Year ended Dec. 31--				
(Mil. $)	**2019***	**2018**	**2017**	**2016**	**2015**
Core deposits/funding base	83.1	78.7	75.1	64.4	61.0
Customer loans (net)/customer deposits	89.0	98.3	103.3	98.8	106.8
Long-term funding ratio	99.8	99.7	96.0	95.0	94.2
Stable funding ratio	109.8	106.9	102.0	99.6	98.4
Short-term wholesale funding/funding base	0.2	0.3	4.8	5.9	6.8
Broad liquid assets/short-term wholesale funding (x)	91.2	52.1	3.3	3.0	2.3
Net broad liquid assets/short-term customer deposits	26.7	25.2	18.3	23.1	18.7
Short-term wholesale funding/total wholesale funding	1.1	1.4	18.5	16.6	17.5

*Quarter ended March.

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

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

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 May 23, 2019)*

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/--

Ratings Detail (As Of May 23, 2019)*(cont.)

*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.