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, although declining • Improving business profile	• Focus on relatively higher-risk middle-market specialty 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 successfully close its announced acquisition of Mutual of Omaha Bank (MOB) and continue to report low net charge-offs amid the currently benign economic conditions. We expect CIT's capital ratios will decline as a result of the acquisition, but its common equity tier 1 (CET1) ratio is expected to recover to 10.5% within a year of closing, along with an S&P Global Ratings' risk-adjusted capital (RAC) ratio above 10%.

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 improving profitability could indicate) 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

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 higher than those of more traditional bank peers. We would view improved profitability in terms of return on assets as demonstrative of greater business stability and a more favorable business position.

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 expect it to decline to the low end of the range we consider to be strong when the acquisition of MOB closes. CIT's cost of funds may be more subject to competitive conditions and confidence sensitivity than peer banks. Online deposits accounted for 54% of deposits and brokered deposits 8% as of Sept. 30, 2019, although the majority of brokered deposits have maturities with over a year remaining. Positively, we expect the MOB acquisition to enhance CIT's funding profile, with the addition of about $6.8 billion of deposits. The majority of CIT's customers are small and midsize companies, which may experience greater credit volatility through downturns than larger companies, and we believe railcar leasing and maritime finance may be exposed to cyclical volatility. We view favorably CIT's increasing emphasis on secured lending.

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 leveraged lending--represent potential risks. Our view of industry risk in the U.S. balances the regulatory enhancements made since the financial crisis--notwithstanding some recent changes to those regulations--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 (see "Banking Industry Country Risk Assessment: U.S.," published Oct. 9, 2019).

Table 1

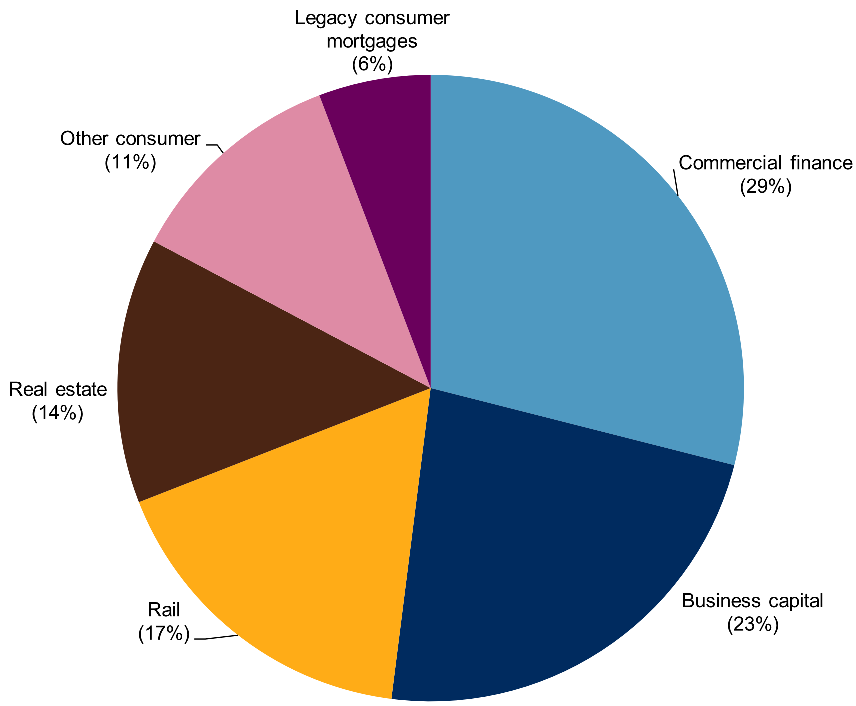
CIT Group Inc.--Key Figures					
(Mil. $)	**YTD Sept. 2019**	**2018**	**2017**	**2016**	**2015**
Adjusted assets	50,986	48,101	48,751	63,323	66,182
Customer loans (gross)	31,508	31,100	30,600	31,544	34,051
Adjusted common equity	5,192	5,133	6,298	8,790	8,737
Operating revenues	1,713	2,390	2,468	2,354	2,765
Noninterest expenses	1,212	1,633	1,917	1,789	2,107
Core earnings	363	419	508	178	1,024

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

CIT is a bank holding company and a financial holding company with $51.4 billion in assets as of September 30, 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. CIT has executed 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.

Chart 1

Loans And Leases Composition



Source: Company filings; includes loans held for sale.

On Aug. 13, 2019, CIT and Mutual of Omaha Bank (MOB) announced a definitive agreement for CIT's banking subsidiary, CIT Bank N.A., to acquire Mutual of Omaha's savings bank subsidiary, MOB, for $1 billion. The transaction is expected to close in the first quarter of 2020. We view MOB's loan portfolio as complementary to CIT's commercial banking business. The $6.1 billion MOB loan portfolio is comprised of 35% commercial real estate, 26% correspondent one-to-four family housing, 20% commercial & industrial, 10% homeowners association, and 9% other consumer. Over time, CIT intends to replace the correspondent mortgage loans, which had been held to satisfy qualified thrift lender status, with higher-yielding commercial loans. MOB's 26 commercial centers and retail branches complement its existing commercial lending business and supplement CIT's market presence.

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.

We believe CIT's cost of funds may be more subject to competitive conditions and confidence sensitivity than peer banks. Online deposits account for 54% of deposits and brokered deposits 8% as of Sept., 30 2019, although the majority of brokered deposits have maturities with over a year remaining. By adding a new relatively low-cost deposit homeowners association (HOA) deposit channel with the MOB acquisition, we believe CIT will temper its reliance on online deposits, which it expects to decline on a pro forma basis to 45% after the acquisition closes. CIT expects its deposit costs to improve by approximately 20 basis points (bps) upon closing.

CIT 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 (69.9%).

Table 2

CIT Group Inc.--Business Position

(%)	YTD Sept. 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 (mil. $)	1,761.2	2,468.1	2,502.4	2,383.2	2,840.5
Commercial & retail banking/total revenues from business line	97.1	101.0	99.0	95.2	96.1
Trading and sales income/total revenues from business line	1.5	(2.7)	(0.3)	3.8	3.1
Corporate finance/total revenues from business line	0.5	0.8	0.3	0.0	0.0
Insurance activities/total revenues from business line	0.8	0.6	0.5	0.5	0.5
Payments and settlements/total revenues from business line	0.0	0.2	0.4	0.4	0.3
Investment banking/total revenues from business line	2.0	(1.9)	0.0	3.8	3.1
Return on average common equity	9.2	6.8	5.4	(8.1)	10.3

N/A--Not applicable.

Capital and earnings: MOB acquisition accelerates reduction in capital ratios

We expect the MOB acquisition will weaken CIT's capital ratios when the transaction closes, but we expect that CIT will maintain an S&P Global Ratings' RAC ratio at the low end of our strong category (10%-15%) over the long term. CIT expects its CET1 ratio to decline to about 10.0% at closing from 11.6% as of Sept. 30, 2019, then recover to 10.5% within a year of closing through retained earnings. (Management has suspended share repurchases until its CET1 ratio returns to that level.) In November, CIT issued $200 million of preferred stock, which is eligible to receive intermediate equity credit under our hybrid capital methodology, thus further bolstering its RAC ratio. We expect that its RAC ratio (11.2% as of June 30, 2019) will generally follow a similar trajectory as CIT's regulatory capital ratios. We expect the implementation of new loss-accounting standards Current Expected Credit Loss methodology (CECL) to have a modest impact on capital ratios; management expects a decrease of approximately $50 million to $100 million in retained earnings (excluding impacts from the pending MOB acquisition) upon adoption. CIT expects its allowance for credit losses will increase by approximately $200 million to $300 million (about 40%-60%) upon adoption, with a significant portion of the increase due to purchased credit impaired loans that will be reclassified as purchased credit deteriorated loans with the credit related discount resulting in an increase to both the allowance for credit losses and the loan balances.

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 finance revenue, which fluctuates less than more market-sensitive revenues, accounts for the majority of revenues. We expect the relatively low-cost HOA deposits included in the MOB acquisition will bolster CIT's net finance margin; management expects deposit costs to improve by 20 bps upon closing. At the same time, we expect initiatives to reduce expenses will continue to improve profitability. CIT's net efficiency ratio was 59% for the first nine months of 2019.

Income from continuing operations available to common shareholders, of $389 million in the first nine months of 2019, increased $18 million, or 5% from the prior-year period, aided by a $53 million tax benefit in the third quarter. Several noteworthy items affected net income during 2018 and 2017, including items related to discontinued operations, debt extinguishment costs, tax items, and goodwill impairments.

Table 3

CIT Group Inc.--Capital And Earnings

(%)	YTD Sept. 2019	2018	2017	2016	2015
Tier 1 capital ratio	12.3	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	94.1	94.0	95.1	100.0	100.0
Double leverage	104.3	106.0	110.8	90.4	99.5
Net interest income/operating revenues	47.7	45.5	46.0	51.3	16.9
Fee income/operating revenues	0.6	0.7	0.7	0.6	0.4
Market-sensitive income/operating revenues	2.9	(0.0)	(0.1)	5.2	0.4
Noninterest expenses/operating revenues	70.8	68.3	77.6	76.0	76.2
Preprovision operating income/average assets	1.3	1.5	1.0	0.9	1.1
Core earnings/average managed assets	1.0	0.9	0.9	0.3	1.8

N/A--Not applicable.

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 0.49% and 0.48% of average loans for the first nine months of 2019 and year-ended Dec. 31, 2018, respectively. The MOB loan portfolio CIT plans to acquire has had relatively good credit performance with average net charge-offs of 12 bps per year over the last five years.

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

Southern California.

The company is asset-sensitive, which could weaken the profitability of the company in a lower interest rate environment. As of Sept. 30, 2019, based on the company's simulation modeling, a 100-bps parallel decrease in interest rates from the forward curve would result in an $89 million decrease in net interest income; conversely an immediate 100-bps parallel increase in interest rates would result in a $51 million increase.

Table 4

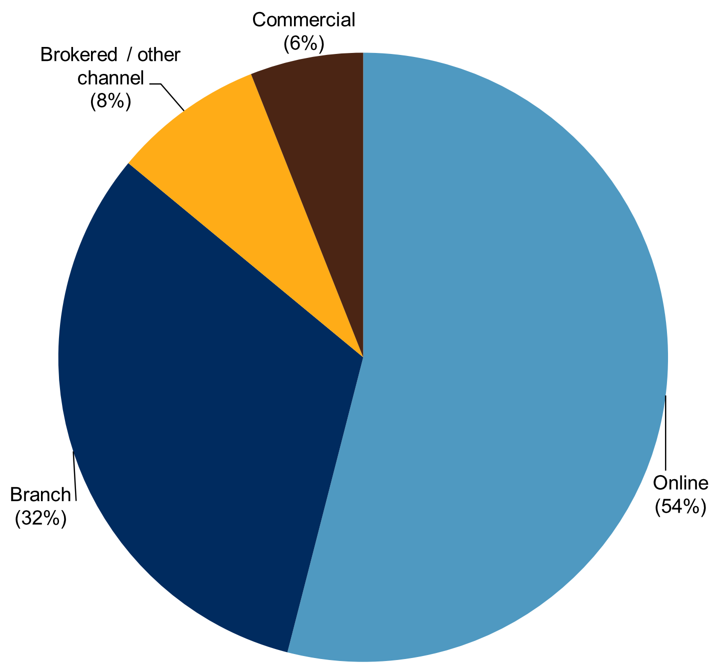
CIT Group Inc.--Risk Position					
(%)	**YTD Sept. 2019**	**2018**	**2017**	**2016**	**2015**
Growth in customer loans	1.7	1.6	(3.0)	(7.4)	68.4
Total managed assets/adjusted common equity (x)	9.9	9.5	7.8	7.3	7.7
New loan loss provisions/average customer loans	0.4	0.6	0.4	0.6	0.6
Net charge-offs/average customer loans	0.4	0.4	0.4	0.3	0.5
Gross nonperforming assets/customer loans + other real estate owned	1.5	1.9	1.9	2.2	2.4
Loan loss reserves/gross nonperforming assets	102.2	82.7	73.0	61.2	43.3

Funding and liquidity: Nontraditional funding profile but ample liquidity

We view CIT's funding as a weakness relative to other U.S. banks. Although CIT's direct bank deposit channel was resilient through the recent Fed tightening cycle, we believe online deposits (54% of CIT's total deposits) may be more prone to withdrawals than traditional branch deposits in a more prolonged or severe rising rate environment. At the same time, brokered and commercial sources account for 8% and 6% 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. At the same time, CIT Bank N.A. launched a $5 billion global bank note program in September, 2019. CIT's use of brokered deposits has been declining, and the majority have maturities with greater than one year remaining. CIT had an S&P Global Ratings' net stable funding ratio of 109% as of Sept. 30, 2019. We expect the acquisition of MOB and its $6.8 billion of deposits will enhance CIT's funding profile.

Chart 2

Deposits
As of Sept. 30, 2019



Source: Company filings.

Liquidity remains ample, with a high S&P Global Ratings' broad-liquid-assets to short-term wholesale funding ratio of 135x and well-staggered unsecured debt maturities, with no unsecured debt maturities until March 2021. CIT had S&P Global Ratings' broad liquid assets of $7.3 billion as of Sept. 30, 2019, and has a revolving credit facility that has a total commitment of $400 million, of which $362 million was available. Holding company cash and balances due from depository institutions was $739 million as of Sept. 30, 2019.

Table 5

CIT Group Inc.--Funding And Liquidity

(%)	YTD Sept. 2019	2018	2017	2016	2015
Core deposits/funding base	84.7	78.7	75.1	64.4	61.0
Customer loans (net)/customer deposits	86.5	98.3	103.3	98.8	106.8
Long-term funding ratio	99.9	99.7	96.0	95.0	94.2
Stable funding ratio	109.2	106.9	102.0	99.6	98.4
Short-term wholesale funding/funding base	0.1	0.3	4.8	5.9	6.8
Broad liquid assets/short-term wholesale funding (x)	135.0	52.1	3.3	3.0	2.3
Net broad liquid assets/short-term customer deposits	25.4	25.2	18.3	23.1	18.7
Short-term wholesale funding/total wholesale funding	0.8	1.4	18.5	16.6	17.5

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 December 16, 2019)*	
CIT Group Inc.	
Issuer Credit Rating	BB+/Stable/B

Ratings Detail (As Of December 16, 2019)*(cont.)	
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/--
Senior Unsecured	BBB-
Subordinated	BB+

*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.