Cardium Therapeutics, Inc.
Form 8-K
November 13, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

DATE OF REPORT (Date of earliest event reported): November 10, 2009

001-33635

(Commission file number)

CARDIUM THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**27-0075787**
(State of incorporation)	**(IRS Employer Identification No.)**
12255 El Camino Real, Suite 250	
San Diego, California 92130	**(858) 436-1000**
(Address of principal executive offices)	**(Registrant s telephone number)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01 OTHER EVENTS.

On November 10, 2009, Cardium Therapeutics, Inc. (Cardium) issued a press release reporting on its financial results for its third quarter ended September 30, 2009, and on recent developments and future outlook. With the adoption of EITF 07-05 and its substantial impact on our overall reported net losses, in particular certain non-cash liabilities reported for derivative securities that vary substantially based on changes in the underlying market value of Cardium s common stock, the Company believes it is also helpful for investors to receive additional information relating more specifically to the Company s operating results. Accordingly, the Company additionally provided a pro forma income statement and pro forma balance sheet which excludes the non-cash effects of EITF 07-05 on its financial results. The Company presents this information to investors as an additional tool for evaluating the Company s financial results in a manner that reflects ongoing operations and facilitates comparisons with operating results from prior periods. The presentation of this additional non-GAAP information is intended to provide investors with additional incremental tools for their review of the Company s results and is not meant to be considered in isolation or as a substitute for net income information prepared and provided in accordance with GAAP. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

99.1 Press Release of Cardium issued on November 10, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CARDIUM THERAPEUTICS, INC.

Date: November 10, 2009 By: /s/ CHRISTOPHER J. REINHARD
Christopher J. Reinhard
Chief Executive Officer

">, $26 million and $37 million in the current, prior and year-ago quarters, respectively. Essentially all accretion benefited interest income, with a small amount decreasing interest expense. (Purchase accounting accretion is depicted in tabular form in the Net Finance Revenue section). The current quarter, prior and year-ago quarters included $12 million, $12 million and $17 million, respectively, of PAA that was accelerated due to prepayments.

Gross yields were down compared to the prior quarter, reflecting declines in Rail and lower PAA in Commercial Finance and Real Estate Finance. Gross yields were up compared to the year ago quarter as lower Rail rentals and lower Commercial Finance and Real Estate Finance purchase accounting accretion were offset by the impact of higher interest rates.

See Select Segment and Division Margin Metrics table in Net Finance Revenue section for amounts of purchase accounting accretion and gross yields by division.

Net operating lease revenue, which is a component of NFR, is driven primarily by the performance of our rail portfolio. Net operating lease revenue was up from the prior quarter as lower depreciation, due to suspended depreciation on railcars transferred to held for sale at the end of the second quarter, offset lower renewal lease rates. Once a long-lived asset is classified as assets held for sale, depreciation expense is no longer recognized, and the asset is evaluated for impairment with any such charge recorded in other income, of which none was recorded in the quarter

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on these assets. Consequently, net operating lease revenue includes rental income on operating lease equipment classified as assets held for sale, but there is no related depreciation expense. Suspended depreciation on operating lease equipment in assets held for sale totaled $8 million for the current quarter, with no suspended depreciation in the prior periods. Excluding the suspended depreciation, the current quarter operating lease margin would have declined to 5.92%, from 6.33% in the prior quarter. Rental rates declined as average lease renewal rates continued to re-price down due to excess capacity in the market. We expect this rate to fluctuate depending on the number and types of cars renewing, and while there are signs of stabilization in certain car types, such as sand cars, demand for energy-related coal and tank cars remains weak.

Other non-interest income decreased from the year-ago quarter and prior quarter, reflecting the following:

Factoring commissions of $27 million were up from the prior quarter, reflecting the seasonal increase in volume and were down compared to the year-ago quarter, despite an increase in factoring volumes, as a reduction in the mix of higher risk receivables put downward pressure on pricing. Year to date, factoring commissions were $76 million, down from $79 million for the prior year.

Gains on asset sales (including receivables, equipment and investments) totaled $16 million, compared to $21 million in the prior quarter and $16 million in the year-ago quarter. The gains for the quarters were primarily driven by sales of rail cars. Year to date, gains totaled $51 million, up slightly from the prior year.

Fee revenue is mainly driven by fees on lines of credit and letters of credit, capital markets-related fees, agent and advisory fees and banking related fees, including cash management and account fees. Fee revenue was $24 million in the current quarter, down slightly from $26 million in the prior quarter and $26 million in the year-ago quarter. Year to date, fee revenue totaled $76 million, up slightly from $75 million in the prior year.

The provision for credit losses in the current quarter totaled $11 million, compared to a slight benefit for credit losses in the prior quarter and $44 million in the year-ago quarter. The provision this quarter was principally the result of changes in portfolio mix but still remaining below a normalized run rate. The decline from the year-ago quarter was in the Commercial Finance and Business Capital divisions reflecting lower provision amounts for the maritime sector and the Commercial Services business. Year to date, the provision for credit losses was down due to the decline in Commercial Finance and Business Capital divisions, driven by the maritime and the Commercial Services businesses discussed above.

Net charge-offs were $22 million (0.39% of average loans), essentially flat with $22 million (0.38%) in the year-ago quarter and down from $27.0 million (0.48%) from the prior quarter. The decrease from the year-ago quarter was driven by the Commercial Finance division, mostly in the energy portfolio. Year to date, net charge-offs were $76 million (0.45%) in 2017 and $88 million (0.51%) in 2016.

Non-accrual loans were $241 million (1.06% of loans), compared to $229 million (1.03%) at June 30, 2017, and $251 million (1.11%) at December 31, 2016. The decrease from December 31, 2016 reflected a reduction in the Real Estate Finance division, while the increase from the prior quarter was in Commercial Finance.

Operating expenses declined $8 million from the prior quarter and $24 million from the year ago quarter, primarily driven by tax reserve releases in the current quarter as well as lower employee related costs. Year to date, operating expenses decreased, reflecting the impact of management expense initiatives.

Consumer Banking

Consumer Banking includes Retail Banking, Consumer Lending, and SBA Lending, which are grouped together for purposes of discussion as Other Consumer Banking, and Legacy Consumer Mortgages ("LCM"). A detailed description of the divisions is included at the end of Item 1. Business Overview in our Annual Report on Form 10-K for the year ended December 31, 2016.

See our Annual Report on Form 10-K for the year ended December 31, 2016, Note 1 — Business and Summary of Significant Accounting Policies and Note 5 — Indemnification Assets in Item 8. Financial Statements and

Supplementary Data for accounting and detailed discussions.

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Consumer Banking: Financial Data and Metrics (dollars in millions)

Earnings Summary	Quarters Ended September 30, 2017	June 30, 2017	September 30, 2016	Nine Months Ended September 30, 2017	September 30, 2016
Interest income	$92.2	$101.6	$ 105.1	$293.8	$ 313.9
Finance revenue	92.2	101.6	105.1	293.8	313.9
Interest benefit (expense)	16.0	9.6	(1.0)	32.1	(13.8)
Net finance revenue (NFR)	108.2	111.2	104.1	325.9	300.1
Provision for credit losses	(19.0)	(4.6)	(1.6)	(24.1)	(5.8)
Other non-interest income	(22.7)	5.7	13.1	(9.1)	33.0
Operating expenses	(106.2)	(96.2)	(87.1)	(298.0)	(258.2)
(Loss) income before income taxes	$(39.7)	$16.1	$ 28.5	$(5.3)	$ 69.1
Select Period End Balance					
Loans (includes HFS)	$6,678.6	$6,746.9	$ 7,157.8	$6,678.6	$ 7,157.8
Earning assets	6,850.4	6,955.4	7,520.2	6,850.4	7,520.2
Deposits	23,247.6	22,935.4	22,877.4	23,247.6	22,877.4
Select Average Balances					
Average loans (includes HFS)	$6,711.0	$6,812.8	$ 7,141.2	$6,832.7	$ 7,172.8
Average earning assets (AEA)	6,904.3	7,092.8	7,515.4	7,101.0	7,554.5
Statistical Data					
Net efficiency ratio	118.9 %	78.3 %	70.4 %	89.7 %	73.4 %
Pretax return on AEA	(2.30)%	0.91 %	1.52 %	(0.10)%	1.22 %
New business volume	$223.2	$149.6	$ 286.3	$527.5	$ 762.0
Select Divisional Data					
Net finance revenue:					
Other Consumer Banking	$58.4	$52.5	$ 40.3	$157.5	$ 111.1
Legacy Consumer Mortgages	49.8	58.7	63.8	168.4	189.0
Segment total	$108.2	$111.2	$ 104.1	$325.9	$ 300.1
Net finance margin — NFR as a % of AEA					
Other Consumer Banking	10.43 %	9.69 %	7.92 %	9.56 %	7.75 %
Legacy Consumer Mortgages	4.27 %	4.77 %	4.66 %	4.58 %	4.46 %
Segment total	6.27 %	6.27 %	5.54 %	6.12 %	5.30 %

Pretax results for the quarter were impacted by approximately $42 million of charges, mostly impacting the provision for credit losses and other non-interest income, associated with the announced sale of the reverse mortgage portfolio in connection with the Financial Freedom Transaction. Interest expense has been a benefit as this segment receives credit from the other segments for the value of the deposits it generated.

Average loans, including held for sale, totaled $6.7 billion for the quarter ended September 30, 2017, down slightly from the prior quarter, due primarily to run-off of the LCM portfolios. The LCM portfolios made up $4.5 billion of the current quarter average balance, with a significant portion covered by loss sharing agreements with the FDIC. These agreements begin to expire in March 2019, the benefit of which is recorded within the indemnification asset. At September 30, 2017, LCM includes $862 million of reverse mortgage loans held for sale (along with $25 million of OREO) in connection with the announced Financial Freedom Transaction. See Note 5 — Indemnification Assets in Item 1. Consolidated Financial Statements of CIT's Annual Report on Form 10-K for the year ended December 31, 2016 for more detailed discussion on the indemnification assets and Item 1. Consolidated Financial Statements, Note 2 -

Discontinued Operations and Note 17 - Subsequent Events earlier in this document.

Deposits, which include deposits from the branch and online channels, increased $312 million from the prior quarter, primarily driven by an increase in online High Yield Savings Accounts (“HYSA”), partially offset by a decrease in time deposits and interest-bearing checking accounts. Deposits were up from the year-ago quarter, primarily driven by an increase in online HYSA, partially offset by a decrease in other savings and time deposits.

Other highlights include:

NFR of $108 million increased from the year-ago quarter as the larger benefit from the value of the excess deposits generated offset the higher negative income on the indemnification assets that reduced interest income. NFR was down from the prior quarter due to lower purchase accounting accretion on loans and higher negative income on the indemnification assets. Net finance margin reflected similar trends. There was approximately $30 million of purchase accounting accretion in the current quarter, compared to $32 million in the year-ago quarter and $35 million in the

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prior quarter. There was approximately $14 million of negative interest income in the current quarter, compared to $4 million in the year-ago quarter and $10 million last quarter. The higher negative income on the indemnification asset is due to improved cash flows on the underlying loans which caused a decrease in the expected cash flows to be received on the loss share agreement which expires in March 2019. There was about $4 million of accelerated purchase accounting accretion due to prepayments in the LCM single family residential mortgages in each of the current, prior quarter and year ago quarters. For the reverse mortgage loans subject to the announced sale, purchase accounting accretion of approximately $5 million has ceased subsequent to the loans being transferred to held for sale at the end of the third quarter. Similarly, year to date NFR is up mostly on the higher benefit from the value of the excess deposits.

Other non-interest income included gains and (losses) on OREO properties, fee revenue and other miscellaneous income. Losses on OREO properties totaled approximately $4 million in the current quarter, driven by impairment charges on OREO properties included as part of the Financial Freedom Transaction, compared to gains of $3 million in the year-ago quarter and $3 million in the prior quarter. Fee revenue was approximately $2 million in the current and prior quarters, and $3 million in the year-ago quarter. Other revenue was a negative $20 million, impacted by the agreement to sell the reverse mortgage portfolio as part of the Financial Freedom transaction, including a $9 million impairment on reverse mortgage related assets and a $12 million write-down related to the reverse mortgage loan portfolio in held for sale. Other revenue was $7 million in the year-ago quarter, which included $5 million of gains related to the IndyMac Venture, and $1 million in the prior quarter.

Non-accrual loans were $19 million (0.33% of loans) at September 30, 2017, flat with $20 million (0.29%) at June 30, 2017, and up from $17 million (0.25%) at December 31, 2016, essentially all of which are in LCM. The charge-offs of $20 million in the current quarter included a $15 million provision related to reverse mortgage loans transferred to held for sale in connection with the Financial Freedom Transaction.

The operating expenses are proportionally higher than other segments, which causes the net efficiency ratio to be higher than other segments, reflecting the branch operations and other items. Compared to the year-ago and prior quarters, operating expenses increased, primarily driven by higher advertising and marketing expenses.

Non-Strategic Portfolios (NSP)

NSP consists of businesses and portfolios that we no longer consider strategic. These portfolios include international equipment financing, secured lending and leasing and advisory services to small and middle-market businesses.
Non-Strategic Portfolios: Financial Data and Metrics (dollars in millions)

Earnings Summary	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Interest income	$4.6	$6.2	$ 22.7	$17.8	$ 70.9
Rental income on operating leases	—	—	3.9	—	11.6
Finance revenue	4.6	6.2	26.6	17.8	82.5
Interest expense	(3.0)	(5.0)	(12.7)	(13.0)	(41.0)
Net finance revenue (NFR)	1.6	1.2	13.9	4.8	41.5
Other non-interest income	4.9	0.2	4.9	2.2	26.1
Provision for credit losses	—	—	0.1	—	0.1
Operating expenses	(9.2)	(1.8)	(11.2)	(13.0)	(35.4)
(Loss) income before income taxes	$(2.7)	$(0.4)	$ 7.7	$(6.0)	$ 32.3

Select Period End Balance					
Loans and leases	$87.8	$114.6	$ 1,004.1	$87.8	$ 1,004.1
Earning assets	228.8	230.0	1,194.7	228.8	1,194.7
Select Average Balances					
Average earning assets (AEA)	226.9	319.5	1,282.7	307.7	1,397.6
Statistical Data					
Net finance margin — NFR as a % of AEA	2.82 %	1.50 %	4.33 %	2.08 %	3.96 %
Pretax return on AEA	(4.76)%	(0.50)%	2.40 %	(2.60)%	3.08 %
New business volume	$—	$—	$ 45.7	$—	$ 151.1

The 2017 results reflect primarily activity from the business in China, while 2016 results also reflect activity from the Canadian Equipment Finance and Corporate Finance businesses, which was sold in October 2016, plus the sale of the U.K. Equipment Finance business, which was sold in January 2016. The quarterly results are down mainly from higher operating costs, partially

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offset by higher other income, related to winding down our international locations. Operating expenses in the prior quarter were lower, primarily reflecting reduced costs due to sales of businesses and the run-off of assets. 2016 year to date, pretax income was higher than 2017 driven by higher earning asset balances and higher other income, which included a gain of $24 million from the sale of the U.K. business.

Loans and leases at September 30, 2017 totaled $88 million, all in China, down from $115 million in the prior quarter and $1.0 billion in the prior year quarter, which also included portfolios in Canada.

Corporate and Other

Certain items are not allocated to operating segments and are included in Corporate and Other. Some of the more significant and recurring items include interest income on investment securities, a portion of interest expense primarily related to corporate liquidity costs (interest expense), mark-to-market adjustments on non-qualifying derivatives (other non-interest income), restructuring charges for severance and facilities exit activities as well as certain unallocated costs (operating expenses), certain intangible assets amortization expenses (other expenses) and loss on debt extinguishments.

Corporate and Other: Financial Data and Metrics (dollars in millions)

Earnings Summary	Quarters Ended September 30, 2017	June 30, 2017	September 30, 2016	Nine Months Ended September 30, 2017	September 30, 2016
Interest income	$47.8	$53.8	$ 29.3	$142.8	$ 86.6
Interest expense	(58.4)	(86.0)	(42.7)	(189.2)	(127.8)
Net finance revenue (NFR)	(10.6)	(32.2)	(13.4)	(46.4)	(41.2)
Other non-interest income	10.2	3.9	(10.6)	15.9	6.9
Operating expenses	6.7	(21.1)	(11.6)	(49.7)	(70.3)
Loss on debt extinguishment and deposit redemption	(53.5)	(164.8)	(5.2)	(218.3)	(9.2)
Loss before benefit for income taxes	$(47.2)	$(214.2)	$ (40.8)	$(298.5)	$ (113.8)
Select Balances					
Average earning assets	$9,311.9	$14,104.9	$ 9,153.5	$10,965.1	$ 9,103.5
Earning assets (end of period)	$8,026.0	$9,916.8	$ 8,964.2	$8,026.0	$ 8,964.2

- A number of noteworthy items impacting our strategic initiatives impact this division, which include the loss on debt extinguishment and deposit redemptions, restructuring costs and net costs associated with liability management and capital actions. In total, these amounts reduced pretax income by $56 million in the current quarter, $2 million in the year-ago quarter and $183 million in the prior quarter, and for the nine months ended, $254 million for September 30, 2017 and $32 million for September 30, 2016.

- Interest income consists of interest and dividend income, primarily from investment securities and cash deposited at other financial institutions. The higher balance in the prior quarter reflected cash proceeds from the sale of Commercial Air on April 4, 2017, of which approximately $9 million related to the amount earned between the closing of the Commercial Air sale and the related liability management and capital actions. In addition, we continued to use cash to invest in higher-yielding “High Quality Liquid Assets."

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Interest expense in Corporate represents amounts in excess of expenses allocated to segments and amounts related to excess liquidity. In the prior quarter, $23 million of the increase from the year-ago and prior quarters resulted from the interest expense on approximately $5.8 billion of unsecured borrowings that previously was allocated to the Commercial Air discontinued operations but was recorded in continuing operations following the Commercial Air sale on April 4, 2017, until the redemption of that debt later in that quarter.

- Other non-interest income primarily reflects gains and (losses) on derivatives and foreign currency exchange, and mark to market adjustments on certain MBS securities carried at fair value. Other non-interest income increased from the prior quarter, and the year-ago quarter. Driving the current quarter were mark-to-market benefits on the MBS securities carried at fair value and gains on investment sales of $10 million. The year-ago quarter included a gain from the MBS securities portfolio carried at fair value of $10 million, offset by mark-to-market charges of $20 million on total return swaps.

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- Operating expenses including salary and general and administrative expenses are allocated to the segments based on predetermined forecasts. In the current period, the expenses were below the forecasted amounts, resulting in an overallocation to the segments. Operating expenses for the quarter included $3 million in restructuring costs, compared to $3 million in the prior quarter and $2 million in the year-ago quarter.

- The loss on debt extinguishment for the current quarter reflects the costs incurred on the tender and redemptions of approximately $0.8 billion of unsecured debt. The loss on debt extinguishment for the prior quarter reflects the costs incurred on the tender and redemptions of approximately $5.8 billion of unsecured debt. See Note 6 — Borrowings of Item 1. Consolidated Financial Statements and "Funding and Liquidity" later in the MDA.

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LOANS AND LEASES

The following table presents our loans and leases by segment.
Loans and Leases Composition (dollars in millions)

	September 30, 2017	June 30, 2017	December 31, 2016
Commercial Banking			
Commercial Finance			
Loans	$ 9,316.9	$9,440.5	$ 9,923.9
Assets held for sale	79.5	114.4	351.4
Total loans and leases	9,396.4	9,554.9	10,275.3
Rail			
Loans	81.9	83.5	103.7
Operating lease equipment, net	6,267.4	6,298.2	7,117.1
Assets held for sale	1,128.0	1,039.4	0.3
Total loans and leases	7,477.3	7,421.1	7,221.1
Real Estate Finance			
Loans	5,563.2	5,601.2	5,566.6
Assets held for sale	0.8	—	—
Total loans and leases	5,564.0	5,601.2	5,566.6
Business Capital			
Loans	7,730.6	7,216.0	6,968.1
Operating lease equipment, net	456.8	437.8	369.0
Assets held for sale	—	—	6.0
Total loans and leases	8,187.4	7,653.8	7,343.1
Total Segment - Commercial Banking			
Loans	22,692.6	22,341.2	22,562.3
Operating lease equipment, net	6,724.2	6,736.0	7,486.1
Assets held for sale	1,208.3	1,153.8	357.7
Total loans and leases	30,625.1	30,231.0	30,406.1
Consumer Banking			
Legacy Consumer Mortgages			
Loans	3,503.1	4,503.1	4,829.9
Assets held for sale	862.1	52.4	32.8
Total loans	4,365.2	4,555.5	4,862.7
Other Consumer Banking			
Loans	2,309.6	2,187.4	2,143.7
Assets held for sale	3.8	4.0	35.4
Total loans	2,313.4	2,191.4	2,179.1
Total Segment - Consumer Banking			
Loans	5,812.7	6,690.5	6,973.6
Assets held for sale	865.9	56.4	68.2
Total loans	6,678.6	6,746.9	7,041.8
Non-Strategic Portfolios			
Assets held for sale	87.8	114.6	210.1

Total loans and leases	87.8	114.6	210.1
Total Loans	$ 28,505.3	$29,031.7	$ 29,535.9
Total operating lease equipment, net	6,724.2	6,736.0	7,486.1
Total assets held for sale	2,162.0	1,324.8	636.0
Total loans and leases	$ 37,391.5	$37,092.5	$ 37,658.0

Total loans and leases were $37.4 billion at September 30, 2017, up 0.8% from June 30, 2017 but down 0.7% from December 31, 2016, primarily driven by seasonally higher factoring receivables, partially offset by lower loans in Commercial Finance due to prepayments and the run-off of LCM in Consumer Banking. The changes in assets held for sale from December 31, 2016 reflect the additions of the European rail assets and the reverse mortgage loan portfolio in LCM.

Total loans and leases trends are discussed in the respective segment descriptions in “Results by Business Segment.”

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The following table presents the changes to our total loans and leases:
Changes in Loans and Leases (dollars in millions)

	Commercial Banking	Consumer Banking	Non-Strategic Portfolios	Total
Balance at June 30, 2017	$30,231.0	$6,746.9	$114.6	$37,092.5
New business volume	2,044.0	223.2	—	2,267.2
Loan and portfolio sales	(31.9)	(23.8)	—	(55.7)
Equipment sales	(36.9)	—	(6.4)	(43.3)
Depreciation	(71.1)	—	—	(71.1)
Gross charge-offs	(27.7)	(20.5)	—	(48.2)
Collections and other	(1,482.3)	(247.2)	(20.4)	(1,749.9)
Balance at September 30, 2017	$30,625.1	$6,678.6	$87.8	$37,391.5
Balance at December 31, 2016	$30,406.1	$7,041.8	$210.1	$37,658.0
New business volume	5,705.7	527.5	—	6,233.2
Loan and portfolio sales	(271.4)	(101.5)	(0.6)	(373.5)
Equipment sales	(122.0)	—	(37.5)	(159.5)
Depreciation	(222.0)	—	—	(222.0)
Gross charge-offs	(92.4)	(22.0)	—	(114.4)
Collections and other	(4,778.9)	(767.2)	(84.2)	(5,630.3)
Balance at September 30, 2017	$30,625.1	$6,678.6	$87.8	$37,391.5

Portfolio activities are discussed in the respective segment descriptions in “Results by Business Segment”.

The following tables present new business and factoring volumes, along with loan and portfolio sales and equipment sales by segment:
New Business and Factoring Volume (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Commercial Banking	$2,044.0	$2,046.3	$ 2,157.5	$5,705.7	$ 6,174.0
Consumer Banking	223.2	149.6	286.3	527.5	762.0
Non-Strategic Portfolios	—	—	45.7	—	151.1
Total	$2,267.2	$2,195.9	$ 2,489.5	$6,233.2	$ 7,087.1
Factoring volume	$7,205.9	$5,731.3	$ 6,683.9	$19,748.8	$ 18,086.9

Loan and Portfolio Sales (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Commercial Banking	$31.9	$112.6	$ 173.3	$271.4	$ 443.6
Consumer Banking	23.8	32.8	28.6	101.5	71.7
Non-Strategic Portfolios	—	0.6	—	0.6	20.1

Total	$55.7	$146.0	$ 201.9	$373.5	$ 535.4

Equipment Sales (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Commercial Banking	$36.9	$ 52.1	$ 60.8	$122.0	$ 195.9
Non-Strategic Portfolios	6.4	13.2	23.5	37.5	46.4
Total	$43.3	$ 65.3	$ 84.3	$159.5	$ 242.3

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CONCENTRATIONS

Geographic Concentrations

The following table represents CIT's combined commercial and consumer loans and leases by geographical regions:
Total Loans and Leases by Geographic Region (dollars in millions)

	September 30, 2017			December 31, 2016		
West	$11,734.4	31.4	%	$11,858.7	31.5	%
Northeast	9,163.4	24.5	%	9,766.0	25.9	%
Midwest	4,503.5	12.0	%	4,241.9	11.3	%
Southwest	4,014.8	10.7	%	4,112.8	10.9	%
Southeast	3,421.6	9.2	%	3,299.5	8.8	%
Total U.S.	32,837.7	87.8	%	33,278.9	88.4	%
Canada	1,383.8	3.7	%	1,199.8	3.2	%
Europe	1,335.2	3.6	%	1,154.5	3.1	%
Asia / Pacific	878.8	2.3	%	1,100.1	2.9	%
All other countries	956.0	2.6	%	924.7	2.4	%
Total	$37,391.5	100.0	%	$37,658.0	100.0	%

Ten Largest Accounts

Our ten largest loan and lease accounts, primarily lessors of rail assets and factoring clients, in the aggregate represented 4.8% of our total loans and leases at September 30, 2017 (the largest account was less than 1.0%). The ten largest loan and lease accounts were 4.2% of total loans and leases at December 31, 2016.

COMMERCIAL CONCENTRATIONS

Geographic Concentrations

The following table represents the commercial loans and leases by obligor geography:
Commercial Loans and Leases by Obligor - Geographic Region (dollars in millions)

	September 30, 2017			December 31, 2016		
Northeast	$8,129.7	26.1	%	$8,643.0	27.9	%
West	7,237.9	23.3	%	7,168.7	23.1	%
Midwest	4,304.7	13.9	%	4,027.8	13.0	%
Southwest	3,919.2	12.6	%	4,016.7	12.9	%
Southeast	2,967.7	9.5	%	2,789.3	9.0	%
Total U.S.	26,559.2	85.4	%	26,645.5	85.9	%
Canada	1,383.8	4.4	%	1,199.8	3.9	%

Europe	1,335.2	4.3 %	1,154.5	3.7 %
Asia / Pacific	878.8	2.8 %	1,100.1	3.5 %
All other countries	956.0	3.1 %	924.7	3.0 %
Total	$31,113.0	100.0%	$31,024.6	100.0%

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The following table summarizes both state concentrations greater than 5.0% and international country concentrations in excess of 1.0% of our loans and leases:

Commercial Loans and Leases by Obligor - State and Country (dollars in millions)

	September 30, 2017		December 31, 2016	
State				
California	$5,298.6	17.0%	$5,220.8	16.8%
Texas	3,146.9	10.1%	3,296.3	10.6%
New York	2,997.7	9.7 %	3,084.0	10.0%
All other states	15,116.0	48.6%	15,044.4	48.5%
Total U.S.	26,559.2	85.4%	26,645.5	85.9%
Country				
Canada	1,383.8	4.4 %	1,199.8	3.9 %
Marshall Islands	544.1	1.7 %	632.2	2.0 %
France	392.7	1.3 %	268.5	0.9 %
All other countries	2,233.2	7.2 %	2,278.6	7.3 %
Total International	$4,553.8	14.6%	$4,379.1	14.1%

Industry Concentrations

The following table represents loans and leases by industry of obligor:

Commercial Loans and Leases by Obligor - Industry (dollars in millions)

	September 30, 2017		December 31, 2016	
Real Estate	$5,148.5	16.6 %	$4,988.5	16.1 %
Manufacturing[1]	4,668.0	15.0 %	4,478.7	14.4 %
Retail[2]	2,589.8	8.3 %	2,296.3	7.4 %
Wholesale	2,276.5	7.3 %	2,178.2	7.0 %
Energy and utilities	2,156.9	6.9 %	2,224.4	7.2 %
Rail	1,849.6	5.9 %	2,088.5	6.7 %
Maritime	1,515.2	4.9 %	1,660.2	5.4 %
Oil and gas extraction / services	1,410.2	4.5 %	1,516.7	4.9 %
Service industries	1,361.2	4.4 %	1,533.7	4.9 %
Business Services	1,359.4	4.4 %	1,424.0	4.6 %
Healthcare	1,304.9	4.2 %	1,325.3	4.3 %
Finance and insurance	1,270.0	4.1 %	698.6	2.3 %
Transportation	1,239.6	4.0 %	1,337.6	4.3 %
Other (no industry greater than 2%)	2,963.2	9.5 %	3,273.9	10.5 %
Total	$31,113.0	100.0%	$31,024.6	100.0%

(1) At September 30, 2017, includes manufacturers of chemicals, including pharmaceuticals (4.4%), petroleum and coal, including refining (2.6%), food (1.4%), and stone, clay, glass and concrete (1.3%).

(2) At September 30, 2017 includes retailers of general merchandise (3.2%) and food and beverage providers (1.6%).

CONSUMER CONCENTRATIONS

The following table presents our total outstanding consumer loans, including PCI loans. During the quarter ended September 30, 2017, the reverse mortgage loan portfolio was transferred to held for sale and is included in the table below. The consumer PCI loans are included in the total outstanding and displayed separately, net of purchase accounting adjustments. PCI loans are discussed in more detail in Note 3 — Loans in Item 1. Consolidated Financial Statements.

Consumer Loans (dollars in millions)

	September 30, 2017			December 31, 2016		
	Net Investment	% of Total		Net Investment	% of Total	
Single family residential	$5,245.1	83.6	%	$5,501.6	82.9	%
Reverse mortgage	862.1	13.7	%	891.8	13.5	%
Home Equity Lines of Credit	170.1	2.7	%	237.1	3.6	%
Other consumer	1.2		–	2.9	—	
Total loans	$6,278.5	100.0	%	$6,633.4	100.0	%

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For consumer and residential loans, the Company monitors credit risk based on indicators such as delinquencies and loan-to-value ("LTV"). We monitor delinquency and non-performing trends for home equity loans and residential real estate loans.

LTV refers to the ratio comparing the loan's unpaid principal balance to the property's collateral value. We update the property values of real estate collateral if events require current information and calculate current LTV ratios. We examine LTV migration and stratify LTV into categories to monitor the risk in the loan classes.

See Note 3 — Loans in Item 1. Consolidated Financial Statements for information on LTV ratios.

Loan concentrations may exist when multiple borrowers could be similarly impacted by economic or other conditions. The following table summarizes the carrying value of consumer loans, with concentrations in the top five states based upon property address by geographical regions.
Consumer Loans Geographic Concentrations (dollars in millions)

	September 30, 2017		December 31, 2016	
	Net Investment	% of Total	Net Investment	% of Total
California	$4,057.9	64.6 %	$4,217.0	63.6 %
New York	486.6	7.7 %	524.0	7.9 %
Florida	254.5	4.0 %	282.7	4.3 %
New Jersey	138.4	2.2 %	159.4	2.4 %
Maryland	125.6	2.0 %	137.7	2.1 %
Other States and Territories[1]	1,215.5	19.5 %	1,312.6	19.7 %
	$6,278.5	100.0%	$6,633.4	100.0%

(1) No state or territory has a total in excess of 2%.

OTHER ASSETS AND OTHER LIABILITIES

The following tables present the components of other assets and other liabilities.
Other Assets (dollars in millions)

	September 30, 2017	December 31, 2016
Tax credit investments & Investments in Unconsolidated Subsidiaries	265.6	220.2
Counterparty receivables	263.8	437.3
Current and deferred federal and state tax assets	195.4	201.3
Property, furniture and fixtures	178.9	191.1
Indemnification assets	171.8	341.4
Intangible assets, net	119.1	140.7
Other[1]	472.5	585.0
Total other assets	$ 1,667.1	$ 2,117.0

(1) Other includes executive retirement plan and deferred compensation, prepaid expenses, accrued interest and dividends, servicing advances, OREO and other miscellaneous assets.

Other Liabilities (dollars in millions)

	September 30, 2017	December 31, 2016
Accrued expenses and accounts payable	$ 530.9	$ 580.4
Current and deferred taxes payable	229.7	250.6
Fair value of derivative financial instruments	80.2	69.0
Accrued interest payable	59.8	181.2
Other[1]	595.5	816.4
Total other liabilities	$ 1,496.1	$ 1,897.6

(1) Other consists of liabilities for taxes other than income, fair value of derivative financial instruments, equipment maintenance reserves, cash collateral deposits and contingent liabilities and other miscellaneous liabilities.

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RISK MANAGEMENT

CIT is subject to a variety of risks that may arise through the Company's business activities, including the following principal forms of risk:

Strategic Risk	Capital Risk
Credit Risk	Operational Risk
Asset Risk	Information Technology Risk
Market Risk	Legal and Regulatory Risk
Liquidity Risk	Reputational Risk

CIT's Risk Management Group ("RMG") has established a Risk Governance Framework that is designed to promote appropriate risk identification, measurement, monitoring, management and control.

Our policies and procedures relating to Risk Management are detailed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Interest Rate Risk (a component of Market Risk)

Interest rate risk arises from lending, leasing, investments, deposit taking and funding, as assets and liabilities reprice at different times as interest rates change. We evaluate and monitor interest rate risk primarily through two metrics.

Net Interest Income Sensitivity ("NII Sensitivity"), which measures the net impact of hypothetical changes in interest rates on forecasted net interest revenue and rental income assuming a static balance sheet over a twelve month period; and

Economic Value of Equity Sensitivity ("EVE Sensitivity"), which measures the net impact of these hypothetical changes on the value of equity by assessing the economic value of assets, liabilities and derivatives.

Interest rate risk and sensitivity is influenced primarily by the composition of the balance sheet, driven by the type of products offered (fixed/floating rate loans and deposits), investments, funding and hedging activities. Our assets are primarily comprised of commercial loans, consumer loans, equipment owned and leased, cash and investments. Our leasing products are level/fixed payment transactions, whereas the payments on the majority of our commercial loan portfolio is variable based on a floating rate index such as LIBOR or Prime. Our commercial portfolio includes approximately $13.5 billion of fixed-rate (of which $6.7 billion is operating lease equipment) and $15.1 billion of floating rate assets. Our consumer loan portfolio has hybrid, floating rate and level/fixed payment assets (comprised of 47% of unpaid principal balance). Our interest bearing deposits at banks have generally short durations and reprice frequently. We use a variety of funding sources, including online, branch, commercial, and brokered deposit channels as well as wholesale debt funding, including FHLB advances. With respect to liabilities, time deposits and unsecured debt are fixed-rate, secured debt is a mix of fixed and floating rate, and the rates on savings accounts vary based on the market environment and competition. The composition of our assets and liabilities generally results in a net

asset-sensitive position at the shorter end of the yield curve, mostly related to moves in LIBOR, whereby our assets will reprice faster than our liabilities.

Deposits continued to grow as a percent of total funding. CIT Bank, N.A. sources deposits primarily through a retail branch network in Southern California, direct-to-consumer (via the Internet), commercial, and brokered channels. At September 30, 2017, deposits totaled approximately $30 billion. Time deposits were approximately $15 billion and represented approximately 50% of the total, most of which were sourced through direct channels. The deposit rates we offer can be influenced by market conditions and competitive factors. Beta represents the correlation between overall market interest rates and the rates paid by CIT Bank. We model a beta of approximately 45% on our non-maturity deposits for a +100 bps rate increase over the next 12 months. Changes in interest rates, as well as actions by competitors, can affect our deposit pricing and potentially impact our ability to attract and retain deposits. In a rising rate environment, we may need to increase rates to renew maturing time deposits and attract new deposits. Rates on our savings account deposits may fluctuate due to pricing competition and may also move with short-term interest rates. In general, retail deposits represent a low-cost source of funds and are less sensitive to interest rate changes than floating rate non-deposit funding sources. We regularly test the effect of deposit rate changes on our margins and seek to achieve optimal alignment between assets and liabilities from an interest rate risk management perspective.

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The table below summarizes the results of simulation modeling produced by our asset/liability management system. The results reflect the percentage change in the EVE and NII Sensitivity over the next twelve months assuming an immediate 100 basis point parallel increase or decrease in interest rates from the market-based forward curve. NII sensitivity is based on a static balance sheet projection.

Change to NII and EVE Sensitivity

	September 30, 2017		June 30, 2017		December 31, 2016	
	+100 bps	–100 bps	+100 bps	–100 bps	+100 bps	–100 bps
NII	3.6%	(3.6)%	4.4%	(4.5)%	3.2%	(2.4)%
EVE	(0.9)%	1.0%	(0.6)%	0.9%	(2.1)%	2.3%

As of September 30, 2017, we ran a range of scenarios, including a 200 basis point parallel increase scenario, which resulted in an NII Sensitivity of 7.3% and an EVE of (1.9)%, while a 200 basis point decline scenario was not run in the current rate environment as the scenario is less relevant. We have an assumed rate floor of 0% for the decline scenarios.

The changes in NII sensitivity as of September 2017 compared to June 2017 is primarily driven by a reduction in cash.

The change in EVE sensitivity as of September 2017 compared to June 2017 is primarily a result of a reduction in cash and secondarily from liability management actions.

As detailed above, NII sensitivity is positive with respect to an increase in interest rates. This position is primarily driven by our floating rate loan portfolio, which reprices frequently, and cash. Our floating rate loan portfolio includes approximately $7.4 billion of loans ($2.7 billion of commercial loans and $4.7 billion of consumer loans) that are subject to interest rate floors, of which approximately $0.6 billion are still below their floors. On a net basis, we generally have more floating/repricing assets than liabilities in the near term. As a result, our current portfolio is more sensitive to moves in short-term interest rates in the near term. Therefore, our net interest income may increase if short-term interest rates rise, or decrease if short-term interest rates decline. Market-implied forward rates over the future twelve months are used to determine a base interest rate scenario for the net interest income projection for the base case. This base projection is compared with those calculated under varying interest rate scenarios such as a 100 basis point parallel rate shift to arrive at NII Sensitivity.

EVE complements net interest income simulation and sensitivity analysis as it estimates risk exposures beyond a twelve month horizon. EVE modeling measures the extent to which the economic value of assets, liabilities and off-balance sheet instruments may change in response to a fluctuation in interest rates. EVE is calculated by subjecting the balance sheet to different rate shocks, measuring the net value of assets, liabilities and off-balance sheet instruments, and comparing those amounts with the EVE sensitivity base case calculated using a market based forward interest rate curve. The methodology with which the operating lease assets are assessed in the results table above reflects the existing contractual rental cash flows and the expected residual value at the end of the existing contract term.

The simulation modeling for both NII Sensitivity and EVE assumes we take no action in response to the changes in interest rates. NII Sensitivity generally assumes cash flow from portfolio run-off is reinvested in similar products.

A wide variety of potential interest rate scenarios are simulated within our asset/liability management system. All interest sensitive assets and liabilities are valued using discounted cash flow analysis. Rates are shocked up and down via a set of scenarios that include both parallel and non-parallel interest rate movements. Scenarios are also run to capture our sensitivity to changes in the shape of the yield curve. Furthermore, we evaluate the sensitivity of these results to a number of key assumptions, such as credit quality, spreads, and prepayments.

Various holding periods of the operating lease assets are also considered. These range from the current existing lease term to longer terms which assume lease renewals consistent with management's expected holding period of a particular asset. NII Sensitivity and EVE limits have been set and are monitored for certain of the key scenarios. We manage the exposure to changes in NII Sensitivity and EVE in accordance with our risk appetite and within Board approved limits.

We use results of our various interest rate risk analyses to formulate asset and liability management ("ALM") strategies, in coordination with the Asset Liability Committee ("ALCO"), in order to achieve the desired risk profile, while managing our objectives for capital adequacy and liquidity risk exposures. Specifically, we may manage our interest rate risk position through certain pricing strategies for loans and deposits, our investment strategy, issuing term debt with floating or fixed interest rates, and using derivatives such as interest rate swaps, which modify the interest rate characteristics of certain assets or liabilities.

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These measurements provide an estimate of our interest rate sensitivity; however, they do not account for potential changes in credit quality, size, and prepayment characteristics of our balance sheet. They also do not account for other business developments that could affect income, or for management actions that could affect income or that could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, the range of such simulations does not represent our current view of the expected range of future interest rate movements.

FUNDING AND LIQUIDITY

CIT actively manages and monitors its funding and liquidity sources against relevant limits and targets. These sources satisfy funding and other operating obligations, while also providing protection against unforeseen stress events including unanticipated funding obligations, such as customer line draws, or disruptions to our access to capital markets or other funding sources. Primary sources of liquidity include cash, investment securities and credit facilities as discussed below.

Cash

Cash totaled $3.1 billion at September 30, 2017, down from $5.3 billion at June 30, 2017, and $6.4 billion at December 31, 2016. Cash at September 30, 2017 consisted of $2.2 billion at CIT Bank, $0.9 billion related to the bank holding company and other operating subsidiaries. The lower cash balance reflected the early retirement of unsecured debt, purchases of investment securities, which are an alternative source of liquidity, and an investment in a new bank owned life insurance policy.

Investment Securities

Investment securities consist primarily of fixed income debt securities. Investment securities increased by $0.2 billion in the third quarter (over $1.2 billion year-to-date) to $5.7 billion at September 30, 2017, as we continue to deploy cash and grow the investment portfolio. See Note 5 — Investment Securities in Item 1. Consolidated Financial Statements for additional information on types of investment securities.

Liquidity Regulation

The Basel III Final Rule requires banks and BHCs to measure their liquidity against specific liquidity tests. One test, referred to as the liquidity coverage ratio (“LCR”), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon under an acute liquidity stress scenario. Beginning January 1, 2017, the minimum requirement was 100%. At September 30, 2017, our modified LCR was above 100% at both the Bank and on a consolidated basis.

Credit Facilities

At September 30, 2017, we maintained additional liquidity sources in the form of:

A multi-year committed Revolving Credit Facility that has a total commitment of $750 million, of which approximately $675 million was available to be drawn; and

Committed securitization facilities and secured bank lines totaled $2.1 billion, of which $975 million was unused at September 30, 2017, provided that eligible assets are available that can be funded through these facilities.

Funding Sources

Funding sources consist of deposits and borrowings. As we execute on our strategic initiatives, we plan to continue to increase the proportion of deposits in our funding mix. During the third quarter, we repaid $0.8 billion of unsecured borrowings, bringing the total unsecured borrowings either repaid or redeemed this year to $6.6 billion. See Note 6 — Borrowings in Item 1. Consolidated Financial Statements. As such, the amount of deposits to total funding increased to 78% from 68% at December 31, 2016. Unsecured borrowings decreased to 10% from 23% at December 31, 2016 due to the redemptions during 2017, while secured borrowings totaled 12% and 9%, respectively.

See Net Finance Revenue section for a tabular presentation of our funding mix at September 30, 2017, and December 31, 2016.

Deposits

CIT offers its deposits through various channels. The period end balances are as follows:
Deposits by Channel[1] (dollars in millions)

	September 30, 2017		December 31, 2016	
	Total	Percent of Total	Total	Percent of Total
Branch	$11,721.0	40 %	$12,269.7	38 %
Online	11,526.6	38 %	10,272.4	32 %
Brokered	3,797.5	13 %	5,807.4	18 %
Commercial	2,549.6	9 %	3,954.8	12 %
Total	$29,594.7	100 %	$32,304.3	100 %

(1) The December 31, 2016 presentation was updated to conform to the current period presentation, which aligns with our management view of the deposit channels.

The following table details our period end deposit balances by type:
Deposits (dollars in millions)

	September 30, 2017		December 31, 2016	
	Total	Percent of Total	Total	Percent of Total
Checking and Savings:				
Non-interest bearing checking	$1,360.3	5 %	$1,255.6	4 %
Interest bearing checking	2,658.1	9 %	3,251.8	10 %
Money market / Sweeps[1]	4,927.5	17 %	6,593.3	20 %
Savings	5,891.9	20 %	4,303.0	13 %
Time deposits	14,584.1	49 %	16,729.0	52 %
Other	172.8	— %	171.6	1 %
Total	$29,594.7	100 %	$32,304.3	100 %

(1) Includes deposit sweep arrangements related to money market and healthcare savings accounts. Healthcare savings account sweeps were fully redeemed as of September 30, 2017.

CIT Bank, N.A. offers a full suite of deposit offerings to its commercial and consumer customers through a network of 70 branches in Southern California and a national online platform. Increasing the proportion of deposit funding and lowering costs is a key area of focus for CIT. Deposits declined during the quarter, as growth in the online channel was more than offset by declines in higher-cost deposits in the brokered channel and higher beta deposits in the commercial channel. Year to date, we have shifted the mix of our deposits, as the decline in longer duration time deposits and higher cost brokered deposits, as well as a reduction of certain commercial deposits was partially offset by an increase in High Yield Savings Accounts. Beginning in late 2016 and through the first half of 2017, there have been increases in the short-term interest rates and a shift in deposit mix. As such, the weighted average rate of deposits was 1.22% for the quarter ended September 30, 2017, compared to 1.20% for the prior quarter. Compared to the

year-ago quarter, the weighted average rate on total outstanding deposits increased by 1 basis point from 1.21%, primarily driven by higher interest rates and a shift in deposit mix. See Net Finance Revenue section for further discussion on average balances and rates.

Borrowings

Borrowings consist of senior unsecured notes and secured borrowings (structured financings and FHLB advances), which totaled $8.5 billion in aggregate at September 30, 2017, down from $14.9 billion at December 31, 2016. The weighted average coupon rate of borrowings at September 30, 2017 was 3.35%, down from 4.20% at December 31, 2016, reflecting the unsecured debt redemptions.

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Periodically, based on market conditions and other factors, and subject to compliance with applicable laws and regulations and terms of our existing indebtedness, including the Revolving Credit Facility, the TRS Facility and senior unsecured borrowings, we may repurchase, exchange or redeem outstanding senior unsecured borrowings, repay the Revolving Credit Facility, TRS Facility or otherwise enter into transactions regarding our debt or capital structure. For example, we may periodically evaluate and engage in liability management transactions, including repurchases of outstanding senior unsecured notes funded by the issuance of, or exchanges of, newly issued unsecured borrowings, as we seek to mitigate refinancing risk by actively managing our debt maturity profile and interest cost.

Unsecured Borrowings

Revolving Credit Facility

There were no borrowings outstanding under the Revolving Credit Facility, which had a total commitment of $750 million at September 30, 2017, and the amount available to draw upon was approximately $675 million, with the remaining amount of approximately $75 million utilized for issuance of letters of credit.

The applicable margin charged under the facility, covenant and guarantor information and amendments made to the facility in connection with the consummation of the Commercial Air Sale is disclosed in Note 6 — Borrowings in Item 1. Consolidated Financial Statements. As of September 30, 2017, the Company was in compliance with the minimum guarantor asset coverage ratio and the minimum Tier 1 Capital requirement.

Senior Unsecured Borrowings

At September 30, 2017, senior unsecured borrowings outstanding totaled $3.7 billion and the weighted average coupon rate was 4.81%, down from $10.6 billion and 5.03%, respectively, as of December 31, 2016. The reduction in balance related to the tender and repayments of approximately $0.8 billion and $5.8 billion of unsecured borrowings during the third and second quarters, respectively, as described in detail in Note 6 — Borrowings in Item 1. Consolidated Financial Statements.

Secured Borrowings

We may pledge assets for secured financing transactions, which include borrowings from the FHLB and/or FRB, conduit securitizations, or for other purposes as required or permitted by law. Our secured financing transactions do not meet accounting requirements for sale treatment and are recorded as secured borrowings, with the assets remaining on-balance sheet pursuant to GAAP. The debt issued in conjunction with these transactions is collateralized by certain discrete receivables, loans, leases and/or underlying equipment. Certain related cash balances are restricted.

FHLB Advances

CIT Bank is a member of the FHLB of San Francisco and may borrow under a line of credit that is secured by pledged collateral. The Bank makes decisions regarding utilization of advances based upon a number of factors including available collateral, liquidity needs, cost of funds and alternative sources of funding.

FHLB Balances (dollars in millions)

	September 30, 2017	December 31, 2016

Total borrowing capacity	$ 4,943.7	$ 5,462.4
Less:		
Advances	(3,145.5)	(2,410.8)
Letters of credit	(65.9)	(758.3)
Available capacity	$ 1,732.3	$ 2,293.3
Weighted average rate	1.44 %	1.18 %
Pledged assets	$ 5,906.5	$ 6,389.7

FHLB Advances and pledged assets are also discussed in Note 6 — Borrowings in Item 1. Consolidated Financial Statements.

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Structured Financings

Structured financings totaled $1.6 billion at September 30, 2017, and $1.9 billion at December 31, 2016. The weighted average coupon rate of structured financings was 3.62% at September 30, 2017, up from 3.39% at December 31, 2016, reflecting increases in benchmark rates and repayment of lower coupon debt tranches.

CIT Bank, N.A. structured financings totaled $102 million at September 30, 2017 and $241 million at December 31, 2016, which were secured by pledged assets of $177 million and $345 million, respectively. Non-CIT Bank, N.A. structured financings were $1.5 billion and $1.7 billion at September 30, 2017 and December 31, 2016, respectively, and were secured by $4.3 billion of pledged assets at September 30, 2017 and $3.8 billion of pledged assets at December 31, 2016.

See Note 6 — Borrowings in Item 1. Consolidated Financial Statements for a table displaying our consolidated secured financings and pledged assets and Note 7 — Derivative Financial Instruments for discussion of a total return swap.

FRB

The Company has a borrowing facility with the FRB Discount Window that can be used for short-term, typically overnight, borrowings. The borrowing capacity is determined by the FRB based on the collateral pledged.

There were no outstanding borrowings with the FRB Discount Window as of September 30, 2017 or December 31, 2016. See Note 6 — Borrowings in Item 1. Consolidated Financial Statements for total balances pledged, including amounts to the FRB.

Debt Ratings

Debt ratings can influence the cost and availability of short-and long-term funding, the terms and conditions on which such funding may be available, the collateral requirements, if any, for borrowings and certain derivative instruments, the acceptability of our letters of credit, and the number of investors and counterparties willing to lend to the Company. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect the Company’s liquidity and financial condition.

CIT and CIT Bank, N.A. debt ratings, as rated by Standard & Poor’s Ratings Services (“S&P”), Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service (“Moody’s”) and DBRS Inc. (“DBRS”) are presented in the following table:
Ratings

	S&P	Fitch	Moody’s	DBRS
Last Credit Update	12/13/16	11/29/16	4/7/17	10/13/17
CIT Group Inc.				
Issuer / Counterparty Credit Rating	BB+	BB+	N/A	BB (High)
Revolving Credit Facility Rating	BB+	BB+	Ba2	BBB (Low)
Series C Notes / Senior Unsecured Debt Rating	BB+	BB+	Ba2	BB (High)
Non-Cumulative Perpetual Preferred Stock	B+	B	B1	B(High)
Outlook	Stable	Stable	Stable	Stable
CIT Bank, N.A.				
Deposit Rating (LT/ST)	N/A	BBB-/F3	Baa2/P-2	BBB (Low)/R-2(Mid)
Issuer Senior Unsecured Debt	BBB-	BB+	Ba2	BBB (Low)
Outlook	Stable	Stable	Stable	Stable

N/A — Not Applicable

Rating agencies indicate that they base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current operating, legislative and regulatory environment, including implied government support. In addition, rating agencies themselves have been subject to scrutiny arising from the financial crisis and could make or be required to make substantial changes to their ratings policies and practices, particularly in response to legislative and regulatory changes, including as a result of provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Potential changes in rating methodology as well as in the legislative and regulatory environment and the timing of those changes could impact our ratings, which as noted above could impact our liquidity and financial condition.

A debt rating is not a recommendation to buy, sell or hold securities, and the ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

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Contractual Commitments
Commitment Expiration for the Twelve Months Ended September 30 (dollars in millions)

	Total	2018	2019	2020	2021	2022+
Financing commitments	$6,284.9	$1,822.7	$696.9	$1,297.9	$1,139.1	$1,328.3
Rail and other purchase commitments	227.4	227.4	—	—	—	—
Letters of credit	227.1	48.5	56.2	20.4	60.5	41.5
Deferred purchase agreements	2,224.5	2,224.5	—	—	—	—
Guarantees, acceptances and other recourse obligations	1.5	1.5	—	—	—	—
Liabilities for unrecognized tax obligations[1]	13.7	5.0	8.7	—	—	—
Total contractual commitments	$8,979.1	$4,329.6	$761.8	$1,318.3	$1,199.6	$1,369.8

[1] The balance for 2019 reflects the remaining balance, which cannot be estimated further.

Financing commitments increased from $6.0 billion at December 31, 2016 to $6.3 billion at September 30, 2017. Financing commitments include commitments that have been extended to and accepted by customers or agents, but on which the criteria for funding have not been completed of $1.2 billion at September 30, 2017. Also included are Business Capital credit line agreements, with an amount available of $290 million, net of the amount of receivables assigned to us. These are cancellable by CIT only after a notice period.

At September 30, 2017, substantially all our undrawn financing commitments were senior facilities, with approximately 83% secured by commercial equipment or other assets, and the remainder comprised of cash flow or enterprise value facilities. Most of our undrawn and available financing commitments are in the Commercial Finance division of Commercial Banking. The top ten undrawn commitments totaled $559 million at September 30, 2017. The table above includes approximately $1.7 billion of undrawn financing commitments at September 30, 2017 for instances where the customer is not in compliance with contractual obligations or does not have the adequate collateral to borrow against the unused facility, and therefore CIT does not have a contractual obligation to lend under such financing commitments.

See Note 12 — Commitments in Item 1. Consolidated Financial Statements for further detail.

CAPITAL

Capital Management

CIT manages its capital position to ensure that it is sufficient to: (i) support the risks of its businesses, (ii) maintain a "well-capitalized" status under regulatory requirements, and (iii) provide flexibility to take advantage of future investment opportunities. Capital in excess of these requirements is available to distribute to shareholders, subject to a "non-objection" to our capital plan from the FRB.

CIT uses a combination of capital metrics and related thresholds to measure capital adequacy and takes into account the existing regulatory capital framework. CIT further evaluates capital adequacy through the enterprise stress testing and economic capital ("ECAP") approaches.

CIT is subject to enhanced prudential standards under the Dodd-Frank Act. Among other requirements, CIT is subject to capital planning and stress testing requirements under the FRB's Comprehensive Capital Analysis and Review ("CCAR") process, which requires CIT to submit an annual capital plan and demonstrate that it can meet minimum

capital requirements over a nine quarter planning horizon under multiple stress scenarios.

CIT submitted its capital plan to the FRB on April 5, 2017 and on June 28, 2017, received a non-objection to the plan, which included a quarterly cash dividend of up to $0.16 per share and common stock repurchases of up to $225 million for the four quarters ending June 30, 2018, including up to $25 million of common share repurchases to offset dilution from issuances pursuant to CIT's employee stock plans.

CIT’s capital management is discussed further in its Annual Report on Form 10-K for the year ended December 31, 2016 in the “Regulation” section of Item 1. Business Overview with respect to capital and regulatory matters, including “Capital Requirements” and “Stress Test and Capital Plan Requirements”.

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Return of Capital

Year to date September 30, 2017, CIT repurchased an aggregate of $3.4 billion of common shares through a combination of an equity tender offer, open market repurchases of shares ("OMR") and an accelerated share repurchase program ("ASR"). The equity tender resulted in the Company repurchasing approximately 57.3 million common shares at a purchase price of $48 per share (total of approximately $2.75 billion). The OMRs resulted in the repurchase of 818,071 common shares at an average price of $46.45 per share in the second quarter of 2017 and 2,660,893 common shares at an average price of $44.82 per share during the third quarter of 2017. Under the terms of the ASR, CIT paid to the dealer $512 million in exchange for the initial delivery of approximately 9.25 million common shares. During the 3rd quarter of 2017, the ASR final settlement resulted in CIT receiving 1,452,119 common shares. Total average cost of the ASR was $47.82 per share.

CIT has $106 million of repurchases remaining that can be executed by the end of the first half of 2018 under current authorizations, of which $6 million is eligible for execution in the 2017 fourth quarter.

We declared the following common stock dividends in 2017:
2017 Dividends

Declaration Date	Payment Date	Per Share Dividend
January 18, 2017	February 24, 2017	$0.15
April 18, 2017	May 26, 2017	$0.15
July 17, 2017	August 25, 2017	$0.15
October 16, 2017	November 24, 2017	$0.16

Capital Composition and Ratios

On May 31, 2017, CIT Group Inc. issued 325,000 shares, par value $1,000, of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A (the “Preferred Stock”). The shares pay at a perpetual dividend rate (non-cumulative) per annum equal to 5.80% from the original issue date to, but excluding, June 15, 2022. Thereafter, the shares pay at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 3.972% per annum. Dividends are paid semi-annually in arrears on June 15 and December 15, beginning on December 15, 2017 and ending on June 15, 2022. Thereafter, dividends will be paid quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. The Issuer may redeem the Preferred Stock at its option, at a redemption price equal to $1,000 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends, (i) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2022, or (ii) in whole, but not in part, within 90 days following the occurrence of a “regulatory capital treatment event”. Net proceeds were $318.0 million.

On October 16, 2017, the Board of Directors declared a semi-annual preferred cash dividend of $30.29 per preferred share on outstanding preferred stock. The preferred stock dividend is payable on December 15, 2017, to preferred shareholders of record as of November 30, 2017.

The Company is subject to various regulatory capital requirements. We compute capital ratios in accordance with Federal Reserve capital guidelines for assessing adequacy of capital. The regulatory capital guidelines applicable to the Company were based on the Basel III Final Rule. At September 30, 2017 and December 31, 2016, the capital ratios of the Company and the Bank exceeded all capital adequacy requirements under the Basel III Final Rule on a

fully phased-in basis.

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Capital Components, Risk-Weighted Assets, and Capital Ratios (dollars in millions, except ratios)

	September 30, 2017		December 31, 2016	
	Transition Basis	Fully Phased-in Basis	Transition Basis	Fully Phased-in Basis
Common Equity Tier 1 (CET1) Capital				
Total common stockholders' equity[1]	$7,126.3	$7,126.3	$10,002.7	$10,002.7
Effect of certain items in accumulated other comprehensive loss excluded from CET1 Capital and qualifying noncontrolling interests	65.7	65.7	79.1	79.1
Adjusted total equity	7,192.0	7,192.0	10,081.8	10,081.8
Less: Goodwill, net associated deferred tax liabilities (DTLs)[2]	(659.2)	(659.2)	(733.1)	(733.1)
Less: Deferred tax assets (DTAs) arising from net operating loss and tax credit carryforwards	(93.3)	(116.6)	(213.7)	(213.7)
Less: Intangible assets, net of associated DTLs[2]	(69.3)	(86.7)	(68.3)	(113.8)
Less: Other CET1 Capital deductions [3]	—	—	(7.8)	(17.5)
Total CET1 Capital	6,370.2	6,329.5	9,058.9	9,003.7
Additional Tier 1 Capital				
Preferred Stock	325.0	325.0	—	—
Less: Other Additional Tier 1 Capital deductions [4]	(55.2)	(31.8)	—	—
Total Additional Tier 1 Capital	269.8	293.2	—	—
Total Tier 1 Capital	6,640.0	6,622.7	9,058.9	9,003.7
Tier 2 Capital				
Qualifying allowance for credit losses and other reserves[5]	463.8	463.8	476.3	476.3
Total Capital	$7,103.8	$7,086.5	$9,535.2	$9,480.0
Risk-Weighted Assets	$44,672.7	$45,123.5	$64,586.3	$65,068.2
CIT Ratios				
CET1 Capital Ratio	14.3 %	14.0 %	14.0 %	13.8 %
Tier 1 Capital Ratio	14.9 %	14.7 %	14.0 %	13.8 %
Total Capital Ratio	15.9 %	15.7 %	14.8 %	14.6 %
Tier 1 Leverage Ratio	13.4 %	13.4 %	13.9 %	13.9 %
CIT Bank, N.A. Ratios				
CET1 Capital Ratio	13.9 %	13.7 %	13.4 %	13.2 %
Tier 1 Capital Ratio	13.9 %	13.7 %	13.4 %	13.2 %
Total Capital Ratio	15.1 %	15.0 %	14.7 %	14.4 %
Tier 1 Leverage Ratio	11.7 %	11.7 %	10.9 %	10.8 %

(1) See Consolidated Balance Sheets for the components of Total common stockholders' equity.

(2) Goodwill and disallowed intangible assets adjustments also reflect the portion included within assets held for sale and discontinued operations.

(3) Represents deductions applied to CET1 Capital due to insufficient amount of Additional Tier 1 Capital to cover deductions, including 20% of the deduction on DTAs arising from net operating loss and tax carryforwards applied to Additional Tier 1 Capital under transition basis, and covered funds deduction required by the Volcker Rule.

(4) Represents 20% of the deduction on DTAs arising from net operating loss and tax credit carryforwards applied to Additional Tier 1 Capital under transition basis, and covered funds deduction required by the Volcker Rule.

(5) "Other reserves" represents additional credit loss reserves for unfunded lending commitments, letters of credit, and deferred purchase agreements, all of which are recorded in Other Liabilities.

The reconciliation of balance sheet assets to risk-weighted assets is presented below:

Risk-Weighted Assets (dollars in millions)

	September 30, 2017	December 31, 2016
Balance sheet assets	$ 49,335.5	$ 64,170.2
Risk weighting adjustments to balance sheet assets	(10,342.6)	(13,241.6)
Off-Balance sheet items	5,679.8	13,657.7
Risk-Weighted Assets	$ 44,672.7	$ 64,586.3

The 2017 off-balance sheet items primarily reflect $2.8 billion of unused lines of credit (largely related to the Commercial Finance and Real Estate Finance divisions), $2.2 billion of deferred purchase agreements (related to the factoring business within the Business Capital division), and $0.7 billion of other items. The risk-weighted assets for off-balance sheet items as of September 30, 2017 decreased from December 31, 2016 mainly due to the sale of the Commercial Air business, which had

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purchase commitments of $8.7 billion at December 31, 2016. See Note 12 — Commitments in Item 1. Consolidated Financial Statements for further detail on commitments.

Tangible Book Value and per Share Amounts (dollars in millions, except per share amounts)

	September 30, 2017	December 31, 2016
Total common stockholders' equity	$ 7,126.3	$ 10,002.7
Less: Goodwill	(625.5)	(685.4)
Intangible assets	(119.1)	(140.7)
Tangible book value[1]	$ 6,381.7	$ 9,176.6
Book value per share	$ 54.25	$ 49.50
Tangible book value per share[1]	$ 48.58	$ 45.41

[1] Tangible book value and tangible book value per share are non-GAAP measures.

Book value and Tangible book value ("TBV") decreased from December 31, 2016, primarily reflecting the capital actions completed through September 2017. Book Value and Tangible book value per share increased as a result of approximately 71.5 million common shares being repurchased since December 31, 2016.

CIT BANK, N.A.

Total assets for the Bank were down compared to December 31, 2016. Total loans and leases were down 4.3%, as growth from new business volume was offset by portfolio runoff, collections and sales. Loans were down 6.3% from December 31, 2016, reflecting reductions in the LCM portfolio as the portfolio continues to run off and the reverse mortgage portfolio was transferred into Assets Held for Sale as part of the Financial Freedom Transaction. In addition there were reductions in Commercial Finance, related to higher prepayments and portfolio sales. Operating lease equipment was up 4.5% from December 31, 2016, attributable to higher balances in Rail and Business Capital. The portfolio of operating lease equipment, of $3.7 billion, is comprised mostly of railcars. Assets Held for Sale increased 22.4% from December 31, 2016 mainly due to the addition of the reverse mortgage portfolio, which was part of the announced Financial Freedom Transaction. These additions were partially offset by sales in Business Air as well as other decreases within the Commercial Finance portfolio.

Cash and investment securities totaled $7.7 billion at September 30, 2017, down $0.9 billion from December 31, 2016, mainly attributable to a decrease in cash. The decrease in cash was primarily used to increase the investment securities ($1.4 billion) and for an investment in Bank Owned Life Insurance ($0.7 billion). Investments increased to $5.5 billion from $4.0 billion at December 31, 2016. The investment securities are mostly mortgage-backed and federal agency securities. As part of our business strategy, CIT Bank continued to redeploy available cash into higher-yielding "High Quality Liquid Assets."

Indemnification assets decreased to $171.8 million from $341.4 million at December 31, 2016, primarily due to an agreement reached with the FDIC during the 2nd quarter of 2017 to release approximately $77 million of indemnification assets for covered servicing-related obligations related to Fannie Mae serviced reverse mortgage loans pursuant to the loss share agreement between CIT Bank and the FDIC related to the acquisition by OneWest Bank.

CIT Bank deposits decreased from December 31, 2016. See discussion of deposits in "Funding and Liquidity" section.

FHLB advances provide a consistent source of both available and contingent funding for the Bank, which is a member of the FHLB of San Francisco. Borrowings increased from December 31, 2016, reflecting advances of $750 million during the current quarter.

The Bank’s capital and leverage ratios are included in the tables that follow and remained well above required levels. CIT Bank reports regulatory capital ratios in accordance with the Basel III Final Rule and determines risk weighted assets under the Standardized Approach.

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The following presents condensed financial information for CIT Bank, N.A.
Condensed Balance Sheets (dollars in millions)

	September 30, 2017	December 31, 2016
ASSETS:		
Cash and deposits with banks	$ 2,230.6	$ 4,647.2
Investment securities	5,489.3	4,035.6
Assets held for sale	1,135.0	927.3
Loans	25,524.5	27,246.2
Allowance for loan losses	(389.6)	(406.6)
Operating lease equipment, net	3,737.5	3,575.8
Bank owned life insurance	651.8	—
Goodwill	490.9	490.9
Other assets	1,008.2	1,266.0
Assets of discontinued operations	346.7	448.1
Total Assets	$ 40,224.9	$ 42,230.5
LIABILITIES AND EQUITY:		
Deposits, including $196.6 and $15.4 deposits of affiliates at September 30, 2017 and December 31, 2016, respectively	$ 29,793.9	$ 32,324.5
FHLB advances	3,145.5	2,410.8
Borrowings	502.0	241.4
Other liabilities	922.0	1,130.2
Liabilities of discontinued operations	554.4	935.8
Total Liabilities	34,917.8	37,042.7
Total Equity	5,307.1	5,187.8
Total Liabilities and Equity	$ 40,224.9	$ 42,230.5

Capital Ratios*

	September 30, 2017	December 31, 2016
Common Equity Tier 1 Capital	13.7 %	13.2 %
Tier 1 Capital Ratio	13.7 %	13.2 %
Total Capital Ratio	15.0 %	14.4 %
Tier 1 Leverage ratio	11.7 %	10.8 %

* The capital ratios presented above are reflective of the fully-phased in Basel III approach.

Loans and Leases by Segment (dollars in millions)

	September 30, 2017	December 31, 2016
Commercial Banking		
Commercial Finance	$ 9,576.2	$ 10,753.3
Real Estate Finance	5,564.0	5,566.6
Business Capital	5,265.2	5,146.9

Rail	3,313.0	3,240.7
Total	23,718.4	24,707.5
Consumer Banking		
Legacy Consumer Mortgages	4,365.2	4,862.7
Other Consumer Banking	2,313.4	2,179.1
Total	6,678.6	7,041.8
Total Financing and Leasing Assets	$ 30,397.0	$ 31,749.3

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Condensed Statements of Operations (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Interest income	$427.4	$453.4	$ 445.5	$1,309.8	$ 1,337.1
Interest expense	(107.4)	(115.4)	(110.7)	(327.9)	(332.0)
Net interest revenue	320.0	338.0	334.8	981.9	1,005.1
Provision for credit losses	(30.6)	(8.7)	(42.4)	(68.0)	(166.4)
Net interest revenue, after credit provision	289.4	329.3	292.4	913.9	838.7
Rental income on operating leases	112.4	110.8	101.4	331.5	287.9
Other non-interest income	37.9	74.8	122.2	189.8	247.3
Total net revenue, net of interest expense and credit provision	439.7	514.9	516.0	1,435.2	1,373.9
Operating expenses	(215.5)	(253.2)	(257.3)	(729.4)	(785.5)
Depreciation on operating lease equipment	(51.3)	(48.8)	(42.6)	(146.5)	(118.2)
Maintenance and other operating lease expenses	(7.1)	(5.8)	(3.8)	(21.0)	(16.3)
Loss on debt extinguishment and deposit redemption	(0.7)	(0.5)	(4.9)	(1.2)	(7.3)
Income before provision for income taxes	165.1	206.6	207.4	537.1	446.6
Provision for income taxes	(55.8)	(53.3)	(74.1)	(170.0)	(158.7)
Income from continuing operations	109.3	153.3	133.3	367.1	287.9
Income (loss) on discontinued operations	(4.4)	10.4	(29.9)	(3.2)	(201.1)
Net income	$104.9	$163.7	$ 103.4	$363.9	$ 86.8
New business volume — funded	$2,216.5	$2,168.7	$ 2,403.9	$6,132.6	$ 6,871.5

Compared to the prior quarter, the Bank's current quarter results were impacted by impairments recorded related to the reverse mortgage portfolio associated with the Financial Freedom Transaction, with charges in both other non-interest income and provision for credit losses. The decrease in interest income reflects lower PAA. The decline also reflected a reduction in AEA from last quarter from the use of cash proceeds that were on deposit with the Bank related to the Commercial Air sale. Compared to the year-ago quarter, net income was flat although there have been improvements in various areas such as operating expenses and provision for credit losses.

Interest income decreased from the prior quarter due to lower PAA accretion and a decrease in interest bearing deposits related to the proceeds from the Aerospace sale. The decrease from the year-ago quarter reflects lower PAA accretion mainly in the Commercial Banking portfolio as well as decreases due to a decline in AEA.

Other non-interest income in the current quarter decreased from both the prior quarter and the year-ago quarter due to a $9 million impairment on reverse mortgage related assets and $12 million write down related to the reverse mortgage portfolio in held for sale reflecting the agreement to sell the reverse mortgage portfolio as part of the Financial Freedom Transaction. In addition, the current quarter contains lower gains on asset sales. The year-ago quarter also included a gain of $47 million related to the sale of aircraft to the Bank Holding Company (which eliminates in consolidation) associated with the sale of Commercial Air.

The provision for credit losses in the current quarter increased from the prior quarter but decreased from the year-ago quarter. The increase in the current quarter is due to a $15 million provision recorded on the transfer of the reverse mortgage portfolio to held for sale, while the increase versus the year-ago quarter is a result of lower reserves mainly in the Commercial Banking business which are largely balance related. Net charge-offs were 0.65% and 0.27% for the

third and second quarter of 2017, respectively. Excluding the impact of the reverse mortgage charge-offs related to the transfer to held for sale, the current quarter net charge-offs would have been 0.35%.

Operating expenses were down from the year-ago quarter and prior quarter, which resulted in an improved efficiency ratio. The decrease is a result of a decrease in professional fees, FDIC insurance and sales and use taxes. The net efficiency ratio was 50.8%, compared to 49.0% in the year-ago quarter and 52.7% in the prior quarter.

The current quarter includes a loss from discontinued operations related to Financial Freedom and is driven by an increase in the service related contingent liability associated with the announced sale. Prior quarter included a gain on discontinued operations, which was driven by a net release of the servicing-related reserves, partially offset by an impairment charge related to the mortgage servicing rights. In addition, during the prior quarter, the Company entered into a settlement with the HUD OIG and Department of Justice to resolve servicing related claims for an amount within the Company’s existing reserves. The Company also recognized a write-down of its servicing operations of $54 million, of which $50 million related to impairment of its mortgage servicing rights.

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Discontinued Operations is discussed in an earlier section in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2 — Discontinued Operations in Item 1. Consolidated Financial Statements.

Net Finance Revenue (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Interest income	$427.4	$453.4	$ 445.5	$1,309.8	$ 1,337.1
Rental income on operating leases	112.4	110.8	101.4	331.5	287.9
Finance revenue	539.8	564.2	546.9	1,641.3	1,625.0
Interest expense	(107.4)	(115.4)	(110.7)	(327.9)	(332.0)
Depreciation on operating lease equipment	(51.3)	(48.8)	(42.6)	(146.5)	(118.2)
Maintenance and other operating lease expenses	(7.1)	(5.8)	(3.8)	(21.0)	(16.3)
Net finance revenue ("NFR")	$374.0	$394.2	$ 389.8	$1,145.9	$ 1,158.5
Average Earning Assets ("AEA")	$39,026.7	$44,542.2	$ 41,086.4	$41,286.0	$ 41,319.2

Net Finance Revenue (continued)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
As a % of AEA:					
Interest income	4.38 %	4.07 %	4.34 %	4.23 %	4.31 %
Rental income on operating leases	1.15 %	1.00 %	0.99 %	1.07 %	0.93 %
Finance revenue	5.53 %	5.07 %	5.33 %	5.30 %	5.24 %
Interest expense	(1.10)%	(1.04)%	(1.08)%	(1.06)%	(1.07)%
Depreciation on operating lease equipment	(0.53)%	(0.44)%	(0.41)%	(0.47)%	(0.38)%
Maintenance and other operating lease expenses	(0.07)%	(0.05)%	(0.04)%	(0.07)%	(0.05)%
Net finance margin ("NFM")	3.83 %	3.54 %	3.80 %	3.70 %	3.74 %

The decline in AEA from last quarter reflects the use of cash proceeds that were on deposit with the Bank from the Commercial Air sale, which elevated the AEA in the second quarter. Since our loans and lease composition includes operating lease equipment (10% of AEA as of September 30, 2017), the Company believes NFM is a more appropriate metric for the Bank, as opposed to net interest margin ("NIM") (a common metric used by other banks), as NIM would not reflect the net revenue from the operating lease portfolio.

Operating leases contributed $54 million to NFR during the current quarter, compared to $56 million in the prior quarter and $55 million in year-ago quarter.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect reported amounts of assets and liabilities, reported amounts of income and expense and the disclosure of contingent assets and liabilities. The following estimates, which are based on relevant information available at the end of each period, include inherent risks and uncertainties related to judgments and assumptions made. We consider the estimates to be critical in applying our accounting policies, due to the existence of uncertainty at the time the estimate is made, the likelihood of changes in estimates from period to period and the potential impact on the financial statements.

Management believes that the judgments and estimates utilized in the following critical accounting estimates are reasonable. We do not believe that different assumptions are more likely than those utilized, although actual events may differ from such assumptions. Consequently, our estimates could prove inaccurate, and we may be exposed to charges to earnings that could be material.

Allowance for Loan Losses	Liabilities for Uncertain Tax Positions
Loan Impairment	Realizability of Deferred Tax Assets
Fair Value Determination	Contingent Liabilities
Lease Residual Values	Goodwill Assets

The determination of goodwill impairment requires significant judgment and the consideration of past and current performance and overall macroeconomic and regulatory environments. There is risk that if the Company does not meet forecasted financial results, such as asset volume and returns and deposit growth and rate projections, there could be incremental goodwill impairment. In addition to financial results, other inputs to the valuation, such as the discount rate and market assumptions, including stock prices of comparable companies, could negatively affect the estimated fair value of the reporting units in the future. Refer to Note 26 - Goodwill and Intangible Assets within our Annual Report on Form 10-K for the year ended December 31, 2016 for a detailed description of the key assumptions used to identify and quantify goodwill impairment, if applicable.

There have been no significant changes to the methodologies and processes used in developing estimates relating to these items from those described in our Annual Report on Form 10-K for the year ended December 31, 2016.

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SELECT DATA AND AVERAGE BALANCE SHEETS
Select Data (dollars in millions)

	At or for the Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Select Statement of Operations Data					
Net interest revenue	$277.3	$269.0	$287.5	$838.9	$862.5
Provision for credit losses	(30.1)	(4.4)	(45.1)	(84.2)	(157.9)
Total non-interest income	315.6	335.8	337.9	981.8	1,047.6
Total non-interest expenses	(459.8)	(591.1)	(431.6)	(1,489.8)	(1,298.9)
Income from continuing operations, net of tax	222.8	41.2	94.2	342.2	243.2
Income (loss) from discontinued operation, net of tax	(3.2)	115.5	37.3	214.0	51.3
Net income	219.6	156.7	131.5	556.2	294.5
Per Common Share Data					
Diluted income per common share — continuing operations	$1.64	$0.22	$0.47	$1.96	$1.21
Diluted income per common share	$1.61	$0.85	$0.65	$3.19	$1.46
Book value per common share	$54.25	$51.88	$55.45		
Tangible book value per common share	$48.58	$46.34	$49.56		
Dividends declared per common share	$0.15	$0.15	$0.15	$0.45	$0.45
Dividend payout ratio	9.3%	17.6%	23.1%	14.1%	30.8%
Performance Ratios					
Return on average tangible common equity, proforma for estimated capital adjustment	14.58%	2.84%	7.41%	7.34%	5.94%
Adjusted return on average tangible common equity	9.20%	8.14%	8.34%	7.99%	6.29%
Net finance revenue as a percentage of average earning assets	3.53%	3.07%	3.51%	3.38%	3.60%
Return (from continuing operations) on average earning assets	1.96%	0.33%	0.79%	0.96%	0.68%
Return (from continuing operations) on average continuing operations total assets	1.86%	0.31%	0.72%	0.91%	0.62%
Balance Sheet Data					
Loans including receivables pledged	$28,505.3	$29,031.7	$29,897.0		
Allowance for loan losses	(419.5)	(426.0)	(415.0)		
Operating lease equipment, net	6,724.2	6,736.0	7,383.1		
Goodwill	625.5	625.5	1,043.7		
Total cash and deposits	3,112.3	5,337.9	6,752.5		
Investment securities	5,744.8	5,530.0	3,592.4		
Assets of discontinued operation	562.0	630.9	12,973.4		
Total assets	49,335.5	50,478.9	65,981.1		
Deposits	29,594.7	30,925.0	32,851.7		
Borrowings	8,531.2	8,621.4	14,684.0		
Liabilities of discontinued operation	563.7	607.8	4,388.3		

Total common stockholders’ equity	7,126.3	7,026.2	11,204.4		
Credit Quality					
Non-accrual loans as a percentage of loans	0.93 %	0.88 %	0.95 %		
Net charge-offs as a percentage of average loans	0.58 %	0.38 %	0.28 %	0.44 %	0.38 %
Allowance for loan losses as a percentage of loans	1.47 %	1.47 %	1.39 %		
Capital Ratios					
Total ending equity to total ending assets	15.1 %	14.6 %	17.0 %		
Common Equity Tier 1 Capital Ratio (fully phased-in)	14.0 %	14.4 %	13.6 %		
Total Tier 1 Capital Ratio (fully phased-in)	14.7 %	15.1 %	13.6 %		
Total Capital Ratio (fully phased-in)	15.7 %	16.2 %	14.3 %		

Average Balances and Rates[1] (dollars in millions)

	Quarters Ended September 30, 2017			June 30, 2017			September 30, 2016		
	Average Balance	Revenue / Expense	Average Rate (%)	Average Balance	Revenue / Expense	Average Rate (%)	Average Balance	Revenue / Expense	Average Rate (%)
Interest bearing cash deposits	$3,873.9	$12.5	1.29 %	$9,510.5	$23.8	1.00 %	$6,368.9	$8.9	0.56 %
Investments	5,796.3	38.0	2.62 %	5,016.1	33.1	2.64 %	3,411.2	23.0	2.70 %
Loans and loans held for sale (net of credit balances of factoring clients)[2][3]									
U.S.[2]	27,613.6	411.3	5.96 %	27,998.0	424.1	6.06 %	29,116.6	422.7	5.81 %
Non-U.S.	179.5	5.8	12.92 %	259.0	6.9	10.66 %	1,122.7	25.4	9.05 %
Total Loans[2]	27,793.1	417.1	6.00 %	28,257.0	431.0	6.10 %	30,239.3	448.1	5.93 %
Total interest earning assets / interest income[2][3]	37,463.3	467.6	4.99 %	42,783.6	487.9	4.56 %	40,019.4	480.0	4.80 %
Operating lease equipment, net (including held for sale)[4]									
U.S.[4]	6,061.5	94.2	6.22 %	6,026.0	97.0	6.44 %	5,934.2	103.5	6.98 %
Non-U.S.[4]	1,736.1	29.1	6.70 %	1,586.2	23.5	5.93 %	1,400.9	27.3	7.79 %
Total operating leases, net[4]	7,797.6	123.3	6.33 %	7,612.2	120.5	6.33 %	7,335.1	130.8	7.13 %
Indemnification assets	193.3	(13.6)	(28.14)%	280.0	(9.7)	(13.86)%	374.2	(4.3)	(4.49)%
Average earning assets ("AEA")[2]	45,454.2	577.3	5.08 %	50,675.8	598.7	4.73 %	47,728.7	606.5	5.08 %
Non-interest earning assets									
Cash and due from banks	522.5			647.2			832.7		
Allowance for loan losses	(421.7)			(439.9)			(398.1)		

All other non-interest bearing assets	2,330.5				2,124.6				4,156.5			
Assets of discontinued operation	591.5				1,108.1				12,972.8			
Total Average Assets	$48,477.0				$54,115.8				$65,292.6			
Liabilities												
Interest bearing deposits and borrowings												
Interest bearing deposits	$28,820.2	92.6	1.29	%	$30,222.9	94.6	1.25	%	$31,732.9	99.4	1.25	%
Borrowings[5]	8,591.6	84.1	3.92	%	10,702.5	114.6	4.28	%	15,221.7	88.8	2.33	%
Total interest-bearing liabilities	37,411.8	176.7	1.89	%	40,925.4	209.2	2.04	%	46,954.6	188.2	1.60	%
Non-interest bearing deposits	1,495.9				1,411.2				1,184.8			
Other non-interest bearing liabilities	1,582.3				1,609.1				1,605.2			
Liabilities of discontinued operation	579.6				904.8				4,368.8			
Noncontrolling interests	0.2				0.3				0.5			
Stockholders' equity	7,407.2				9,265.0				11,178.7			
Total Average Liabilities and Shareholders' Equity	$48,477.0				$54,115.8				$65,292.6			
Net revenue spread			3.19	%			2.68	%			3.48	%
Impact of non-interest bearing sources			0.34	%			0.39	%			0.03	%
Net revenue/yield on earning assets[2]		$400.6	3.53	%		$389.5	3.07	%		$418.3	3.51	%

Average Balances and Rates[1] (dollars in millions) (continued)

	Nine Months Ended September 30, 2017				September 30, 2016			
	Average Balance	Revenue / Expense	Average Rate (%)		Average Balance	Revenue / Expense	Average Rate (%)	
Interest bearing cash deposits	$6,265.5	$48.9	1.04	%	$6,612.1	$25.6	0.52	%
Investments	5,105.3	102.1	2.67	%	3,173.6	68.3	2.87	%
Loans and loans held for sale (net of credit balances of factoring clients)[2][3]								
U.S.[2]	27,960.2	1,238.7	5.91	%	29,361.8	1,283.1	5.83	%
Non-U.S.	299.4	29.3	13.05	%	1,199.3	76.2	8.47	%
Total Loans[2]	28,259.6	1,268.0	5.98	%	30,561.1	1,359.3	5.93	%
Total interest earning assets / interest income[2][3]	39,630.4	1,419.0	4.77	%	40,346.8	1,453.2	4.80	%
Operating lease equipment, net (including held for sale)[4]								

U.S.[4]	6,045.8	292.9	6.46 %	5,804.3	347.3	7.98 %
Non-U.S.[4]	1,591.3	74.9	6.28 %	1,367.2	84.7	8.26 %
Total operating leases, net[4]	7,637.1	367.8	6.42 %	7,171.5	432.0	8.03 %
Indemnification assets	268.2	(31.1)	(15.46)%	381.7	(15.9)	(5.55)%
Average earning assets ("AEA")[2]	47,535.7	1,755.7	4.92 %	47,900.0	1,869.3	5.20 %
Non-interest earning assets						
Cash and due from banks	647.3			905.6		
Allowance for loan losses	(431.6)			(382.2)		
All other non-interest bearing assets	2,279.9			4,236.9		
Assets of discontinued operation	4,837.7			12,968.7		
Total Average Assets	$54,869.0			$65,629.0		
Liabilities						
Interest bearing deposits and borrowings						
Interest bearing deposits	$29,952.9	281.2	1.25 %	$31,725.2	298.3	1.25 %
Borrowings[5]	11,351.1	267.8	3.15 %	15,725.3	276.5	2.34 %
Total interest-bearing liabilities	41,304.0	549.0	1.77 %	47,450.5	574.8	1.62 %
Non-interest bearing deposits	1,437.2			1,125.8		
Other non-interest bearing liabilities	1,642.7			1,629.0		
Liabilities of discontinued operation	1,560.3			4,288.5		
Noncontrolling interests	0.3			0.5		
Stockholders' equity	8,924.5			11,134.7		
Total Average Liabilities and Shareholders' Equity	$54,869.0			$65,629.0		
Net revenue spread			3.15 %			3.58 %
Impact of non-interest bearing sources			0.23 %			0.02 %
Net revenue/yield on earning assets[2]		$1,206.7	3.38 %		$1,294.5	3.60 %

(1) The average balances presented are derived based on month end balances during the year. Tax exempt income was not significant in any of the periods presented. Average rates are impacted by PAA accretion and amortization.

(2) The balance and rate presented is calculated net of average credit balances for factoring clients.

(3) Non-accrual loans and related income are included in the respective categories.

(4) Operating lease rental income is a significant source of revenue; therefore we have presented the rental revenues net of depreciation and net of maintenance and other operating lease expenses.

(5) See table with adjusted balances and commentary in the Net Finance Revenue section.

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NON-GAAP FINANCIAL MEASUREMENTS

The SEC adopted regulations that apply to any public disclosure or release of material information that includes a non-GAAP financial measure. A non-GAAP financial measure is a numerical measure of a company's historical or future financial performance or financial position that may either exclude or include amounts, or is adjusted in some way to the effect of including or excluding, as compared to the most directly comparable measure calculated and presented in accordance with GAAP financial statements.

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure about Market Risk contain certain non-GAAP financial measures. We intend our non-GAAP financial measures to provide additional information and insight regarding operating results and financial position of the business and in certain cases to provide financial information that is presented to rating agencies and other users of financial information.

These non-GAAP measures are not in accordance with, or a substitute for, GAAP and may be different from or inconsistent with non-GAAP financial measures used by other companies.

1. Total Net Revenue, Net Finance Revenue, Net Financing Margin ("NFM"), and Net Operating Lease Revenue

Total net revenue is a non-GAAP measure that represents the combination of net finance revenue and other income and is an aggregation of all sources of revenue for the Company. The source of the data is various statement of income line items, arranged in a different order, and with different subtotals than included in the statement of income, and therefore is considered non-GAAP. Total net revenue is used by management to monitor business performance and is used by management to calculate a net efficiency ratio, as discussed below.

Net finance revenue is a non-GAAP measure that represents the level of revenue earned on our loans and leases. NFR is another key performance measure used by management to monitor portfolio performance. NFR is also used to calculate a performance margin, NFM.

Due to the nature of our loans and leases, which include a higher proportion of operating lease equipment than most BHCs, certain financial measures commonly used by other BHCs are not as meaningful for our Company. As such, given our asset composition includes a high level of operating lease equipment, net finance margin as calculated below is used by management, compared to net interest margin ("NIM") (a common metric used by other bank holding companies), which does not fully reflect the earnings of our portfolio because it includes the impact of debt costs of all our assets but excludes the net operating lease revenue.

Net operating lease revenue is a non-GAAP measure that represents the combination of rental income on operating leases less depreciation on operating lease equipment and maintenance and other operating lease expenses. The net operating lease revenues measurement is used by management to monitor portfolio performance and returns on its purchased equipment.

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Total Net Revenue and Net Operating Lease Revenue (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Total Net Revenue					
Interest income (GAAP)	$454.0	$478.2	$475.7	$1,387.9	$1,437.3
Rental income on operating leases (GAAP)	252.3	251.2	254.3	754.8	779.4
Finance revenue (Non-GAAP)	706.3	729.4	730.0	2,142.7	2,216.7
Interest expense (GAAP)	(176.7)	(209.2)	(188.2)	(549.0)	(574.8)
Depreciation on operating lease equipment (GAAP)	(71.1)	(77.4)	(66.9)	(222.0)	(191.3)
Maintenance and other operating lease expenses (GAAP)	(57.9)	(53.3)	(56.6)	(165.0)	(156.1)
Net finance revenue (Non-GAAP)	400.6	389.5	418.3	1,206.7	1,294.5
Other non-interest income (GAAP)	63.3	84.6	83.6	227.0	268.2
Total net revenue (Non-GAAP)	$463.9	$474.1	$501.9	$1,433.7	$1,562.7
Average Earning Assets (Non-GAAP)	$45,454.2	$50,675.8	$47,728.7	$47,535.7	$47,900.0
NFM (NFR as a % of AEA)	3.53%	3.07%	3.51%	3.38%	3.60%
Net Operating Lease Revenue					
Rental income on operating leases (GAAP)	$252.3	$251.2	$254.3	$754.8	$779.4
Depreciation on operating lease equipment (GAAP)	(71.1)	(77.4)	(66.9)	(222.0)	(191.3)
Maintenance and other operating lease expenses (GAAP)	(57.9)	(53.3)	(56.6)	(165.0)	(156.1)
Net operating lease revenue	$123.3	$120.5	$130.8	$367.8	$432.0
Net finance revenue (Non-GAAP)	$400.6	$389.5	$418.3	$1,206.7	$1,294.5
Noteworthy Items:					
Suspended depreciation on assets HFS	(7.8)	—	—	(7.8)	—
Excess interest cost from Commercial Air transaction	—	23.4	—	23.4	—
Interest on excess cash from Commercial Air transaction	—	(9.1)	—	(9.1)	—
NFR, excluding noteworthy items (Non-GAAP)	$392.8	$403.8	$418.3	$1,213.2	$1,294.5
Average Earning Assets (Non-GAAP)	$45,454.2	$50,675.8	$47,728.7	$47,535.7	$47,900.0
AEA adjustment for Commercial Air sale	—	(3,686.0)	—	(1,244.0)	—
AEA, excluding Commercial Air adjustment (Non-GAAP)	$45,454.2	$46,989.8	$47,728.7	$46,291.7	$47,900.0
NFM (NFR as a % of AEA)	3.46%	3.44%	3.51%	3.49%	3.60%

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2. Operating Expenses and Net Efficiency Ratio, Excluding Certain Costs

A key performance metric the Company uses to gauge the level of expenses is in comparison to the average earning assets. A decline in this metric could show improvement, i.e. expenses not going up at the same rate of asset growth, or decreasing at a rate in excess of asset decline. Operating expenses excluding restructuring costs and intangible asset amortization is a non-GAAP measure used by management to compare period over period expenses. Another key performance metric gauges our expense usage via our net efficiency calculation. This calculation compares the level of expenses to the level of net revenues and is calculated by dividing the operating expenses by total net revenue, as presented below. A lower result reflects a more efficient use of our expenses to generate revenue. Net efficiency ratio is a non-GAAP measurement used by management to measure operating expenses (before restructuring costs and intangible amortization) to total net revenues. We exclude the recurring items from these calculations as they are charges resulting from our strategic initiatives and not our operating activity, and exclude the noteworthy items due to their episodic nature and size. Due to the exclusions of the mentioned items, and in certain instances, other noteworthy items, these are considered non-GAAP measures, as presented in the reconciliation below.

Operating Expenses Excluding Certain Costs (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Operating expenses (GAAP)	$(277.3)	$(295.6)	$ (302.9)	$(884.5)	$ (942.3)
Intangible asset amortization	6.2	6.2	6.4	18.6	19.2
Restructuring costs	2.9	3.4	2.3	21.1	32.3
Operating expenses exclusive of restructuring costs and intangible assets amortization, and other noteworthy items (Non-GAAP)	$(268.2)	$(286.0)	$ (294.2)	$(844.8)	$ (890.8)
Operating expenses (exclusive of restructuring costs and intangible assets amortization) as a % of AEA	2.36 %	2.26 %	2.47 %	2.37 %	2.48 %
Operating expenses excluding restructuring costs and intangible asset amortization and other noteworthy items as a % of AEA	2.36 %	2.43 %	2.47 %	2.43 %	2.48 %
Total Net Revenue (Non-GAAP)	$463.9	$474.1	$ 501.9	$1,433.7	$ 1,562.7
Suspended depreciation on assets HFS	(7.8)	—	—	(7.8)	—
Financial Freedom Transaction impairments on reverse mortgage related assets	26.8	—	—	26.8	—
Net costs of excess liquidity	—	14.3	—	14.3	—
CTA Charge	—	—	—	8.1	—
Gain on sale - UK business	—	—	—	—	(23.5)
Asset Impairment	—	—	—	—	11.0
Liquidating Europe CTA	—	—	—	—	3.3
Gain related to IndyMac venture			(5.0)		(5.0)
Total Net Revenue, excluding noteworthy items (Non-GAAP)	$482.9	$488.4	$ 496.9	$1,475.1	$ 1,548.5
Net Efficiency Ratio	57.8 %	60.3 %	58.6 %	58.9 %	57.0 %
Net Efficiency Ratio excluding noteworthy items	55.5 %	58.6 %	59.2 %	57.3 %	57.5 %

3. Other Non-Interest Income

Other non-interest income serves as a source of revenue for CIT. Management monitors the level absent certain items to assist in comparability with prior period levels. We exclude the noteworthy items due to their episodic nature and size. Due to the exclusions of noteworthy items, these are considered non-GAAP measures, as presented in the reconciliation below.

Other Non-Interest Income, Excluding Noteworthy Items (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Other non-interest income (GAAP)	$63.3	$ 84.6	$ 83.6	$227.0	$ 268.2
Financial Freedom Transaction impairments on reverse mortgage related assets	26.8	—	—	26.8	—
CTA Charge	—	—	—	8.1	—
Gain on sale - UK business	—	—	—	—	(23.5)
Asset Impairment	—	—	—	—	11.0
Liquidating Europe CTA	—	—	—	—	3.3
Gain related to IndyMac venture	—	—	(5.0)	—	(5.0)
Other Non-interest income, excluding noteworthy items (Non-GAAP)	$90.1	$ 84.6	$ 78.6	$261.9	$ 254.0

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4. Earning Assets and Average Earning Assets (“AEA”)

Earning asset balances displayed in the table below are directly derived from the respective line items in the balance sheet. These represent revenue generating assets, and the average (AEA) of which provides a basis for management performance calculations such as NFM and operating expenses as a percentage of AEA. The average is derived using month end balances for the respective period. Because the balances are used in aggregate, as well the average, there are no direct comparative balances on the balance sheet, therefore these are considered non-GAAP measures.

Period End Earning Assets and Average Earning Asset Total (dollars in millions)

	Quarters Ended				Nine Months Ended	
	September 30, 2017	June 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	September 30, 2016
Loans (GAAP)	$28,505.3	$29,031.7	$ 29,535.9	$ 29,897.0		
Operating lease equipment, net (GAAP)	6,724.2	6,736.0	7,486.1	7,383.1		
Interest bearing cash (GAAP)	2,658.9	4,739.0	5,608.5	5,936.0		
Investment securities (GAAP)	5,744.8	5,530.0	4,491.1	3,592.4		
Assets held for sale (GAAP)	2,162.0	1,324.8	636.0	1,406.7		
Indemnification assets (GAAP)	171.8	208.5	341.4	362.4		
Credit balances of factoring clients (GAAP)	(1,698.5)	(1,405.3)	(1,292.0)	(1,228.9)		
Total earning assets (Non-GAAP)	$44,268.5	$46,164.7	$ 46,807.0	$ 47,348.7		
Average Earning Assets (for the respective periods) (Non-GAAP)	$45,454.2	$50,675.8	$ 46,964.7	$ 47,728.7	$47,535.7	$47,900.0
AEA adjustment for Commercial Air sale impacts	—	(3,686.0)	—	—	(1,244.0)	—
AEA, excluding noteworthy items (Non-GAAP)	$45,454.2	$46,989.8	$ 46,964.7	$ 47,728.7	$46,291.7	$47,900.0

5. Tangible Book Value, ROTCE and Tangible Book Value per Share

Tangible book value (TBV, also referred to as tangible common equity), return on tangible common equity (ROTCE), and TBV per share are considered key financial performance measures by management, and are used by other financial institutions. TBV, as calculated and used by management, represents CIT’s common stockholders’ equity, less goodwill and intangible assets. ROTCE measures CIT’s net income applicable to common shareholders as a percentage of average tangible common equity. This measure is useful for evaluating the performance of CIT as it calculates the return available to common shareholders without the impact of intangible assets and deferred tax assets. The average adjusted tangible common equity is derived using averages of balances presented, based on month end balances for the period. TBV per share is calculated dividing TBV by the outstanding number of common shares. TBV, ROTCE and TBV per share are measurements used by management and users of CIT’s financial data in assessing CIT’s use of equity. We believe the use of ratios that utilize tangible equity provides additional useful information because they present measures of those assets that can generate income.

CIT management believes TBV, ROTCE and TBV per share are important measures for comparative purposes with other institutions, but are not defined under U.S. GAAP, and therefore considered non-GAAP financial measures.

To provide further information, management included ROTCE calculations, ROTCE calculations excluding noteworthy items and adjusted for the previously disclosed return of capital of common equity to shareholders from the net proceeds of the Commercial Air sale.

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Tangible Book Value (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Total common shareholders' equity (GAAP)	$7,126.3	$7,026.2	$11,204.4	$7,126.3	$11,204.4
Less: Goodwill	(625.5)	(625.5)	(1,043.7)	(625.5)	(1,043.7)
Intangible assets	(119.1)	(125.4)	(147.6)	(119.1)	(147.6)
Tangible book value (Non-GAAP)	6,381.7	6,275.3	10,013.1	6,381.7	10,013.1
Less: Disallowed deferred tax asset	(116.6)	(53.5)	(815.7)	(116.6)	(815.7)
Tangible common equity (Non-GAAP)	$6,265.1	$6,221.8	$9,197.4	$6,265.1	$9,197.4
Average tangible common equity (Non-GAAP)	$6,249.1	$8,280.4	$9,152.8	$7,878.3	$9,061.9
Estimated capital adjustment related to Commercial Air sale	—	(1,903.1)	(2,975.0)	(1,424.8)	(2,975.0)
Average tangible common equity, adjusted (Non-GAAP)	$6,249.1	$6,377.3	$6,177.8	$6,453.5	$6,086.9
Net income (GAAP)	$219.6	$156.7	$131.5	$556.2	$294.5
Intangible asset amortization, after tax	5.0	4.0	4.5	13.0	12.2
Valuation allowance	—	—	15.7	—	15.7
Non-GAAP income - for ROTCE calculation	$224.6	$160.7	$151.7	$569.2	$322.4
Return on average tangible common equity	14.38%	7.76%	6.63%	9.63%	4.74%
Non-GAAP income, excluding noteworthy items	$137.8	$129.1	$169.3	$430.0	$499.6
Intangible asset amortization, after tax	5.0	4.0	4.5	13.0	12.2
Valuation allowance	—	—	15.7	—	15.7
Non-GAAP income, excluding noteworthy items - for ROTCE calculation	$142.8	$133.1	$189.5	$443.0	$527.5
Return on average tangible common equity, excluding noteworthy items	9.14%	6.43%	8.28%	7.50%	7.76%
Return on average tangible common equity, after noteworthy items and estimated capital adjustment	9.14%	8.35%	12.27%	9.15%	11.55%
Income from continuing operations (GAAP)	$222.8	$41.2	$94.2	$342.2	$243.2
Intangible asset amortization, after tax	5.0	4.0	4.5	13.0	12.2
Valuation allowance	—	—	15.7	—	15.7
Non-GAAP income from continuing operations - for ROTCE calculation	$227.8	$45.2	$114.4	$355.2	$271.1
Return on average tangible common equity, adjusted for estimated capital adjustment	14.58%	2.84%	7.41%	7.34%	5.94%
Non-GAAP income from continuing operations (from next page)	$138.7	$125.7	$108.6	$373.8	$259.3
Intangible asset amortization, after tax	5.0	4.0	4.5	13.0	12.2
Valuation allowance	—	—	15.7	—	15.7
Non-GAAP income from continuing operations - for ROTCE calculation	$143.7	$129.7	$128.8	$386.8	$287.2
	9.20%	8.14%	8.34%	7.99%	6.29%

Return on average tangible common equity, after
noteworthy items and estimated capital adjustment

6. Net income excluding noteworthy items and income from continuing operations excluding noteworthy items

Net income excluding noteworthy items and income from continuing operations excluding noteworthy items are non-GAAP measures used by management as each excludes items from the respective line item in the GAAP statement of income. Due to volume and size of noteworthy items, the Company believes that adjusting for these items provides the user of CIT's financial information a measure of the underlying performance of the Company and of continuing operations specifically. The non-GAAP noteworthy items are summarized in the following categories: significant due to the magnitude of the transaction; transactions pertaining to items no longer considered core to CIT's on-going operations (i.e. sales of Non-Strategic Portfolios); legacy OneWest Bank issues prior to CIT's ownership; and recurring items consistently noted in other non-GAAP measures, even though balance may not have been significant.

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Net Income and Income from Continuing Operations, Excluding Noteworthy Items (dollars in millions, except per share data)

	Description	Line Item	Pre-tax Balance	Income Tax[2]	After-tax Balance	Per Share
Quarter Ended September 30, 2017						
Net income					$ 219.6	$ 1.61
Continuing Operations	Debt redemption costs	Loss on debt extinguishment	$ 53.5	$ (20.3)	33.2	0.24
	Strategic tax item - restructuring of an international legal entity	Benefit / provision for income taxes	—	(140.4)	(140.4)	(1.03)
	Suspended depreciation on assets HFS (Nacco rail assets)	Depreciation on operating lease equipment	(7.8)	2.6	(5.2)	(0.04)
	Financial Freedom Transaction, reverse mortgage charge-offs on loans transferred to HFS	Provision for credit losses	15.5	(6.0)	9.5	0.07
	Financial Freedom Transaction, impairments on reverse mortgage-related assets	Other non-interest income	26.8	(10.4)	16.4	0.12
	Restructuring expenses	Operating expenses	2.9	(0.5)	2.4	0.02
Discontinued Operations	Financial Freedom servicing asset-related items		3.7	(1.4)	2.3	0.02
Non-GAAP income, excluding noteworthy items[1]					$ 137.8	$ 1.01
Income from continuing operations					$ 222.8	$ 1.64
Continuing Operations	Debt redemption costs	Loss on debt extinguishment	$ 53.5	$ (20.3)	33.2	0.24
	Strategic tax item - restructuring of an international legal entity	Benefit / provision for income taxes	—	(140.4)	(140.4)	(1.03)
	Suspended depreciation on assets HFS (Nacco rail assets)	Depreciation on operating lease equipment	(7.8)	2.6	(5.2)	(0.04)
	Financial Freedom Transaction, reverse mortgage charge-offs on loans transferred to HFS	Provision for credit losses	15.5	(6.0)	9.5	0.07
	Financial Freedom Transaction, impairments on reverse mortgage-related assets	Other non-interest income	26.8	(10.4)	16.4	0.12
	Restructuring expenses	Operating expenses	2.9	(0.5)	2.4	0.02
Non-GAAP income from continuing operations, excluding noteworthy items[1]					$ 138.7	$ 1.02
Quarter Ended June 30, 2017						
Net income					$ 156.7	$ 0.85
	Debt redemption costs		$ 164.8	$ (65.2)	99.6	0.54

Continuing Operations		Loss on debt extinguishment				
	Excess interest costs	Interest expense	23.4	(8.9)	14.5	0.08
	Interest on excess cash	Interest income	(9.1)	3.5	(5.6)	(0.03)
	Resolution of legacy tax items	Benefit / provision for income taxes	—	(19.3)	(19.3)	(0.11)
	Deferred tax recognition	Benefit / provision for income taxes	—	(6.9)	(6.9)	(0.04)
	Restructuring Expenses	Operating expenses	3.4	(1.2)	2.2	0.01
Discontinued Operations	Gain on sale - Commercial Air, net of certain expenses		(134.7)	35.0	(99.7)	(0.54)
	Financial Freedom net settlement items & servicing rights impairment		(20.2)	7.8	(12.4)	(0.07)
Non-GAAP income, excluding noteworthy items[1]					$ 129.1	$0.70
Income from continuing operations					$ 41.2	$0.22
Continuing Operations	Debt redemption costs	Loss on debt extinguishment	$ 164.8	$ (65.2)	99.6	0.54
	Excess interest costs	Interest expense	23.4	(8.9)	14.5	0.08
	Interest on excess cash	Interest income	(9.1)	3.5	(5.6)	(0.03)
	Resolution of legacy tax items	Benefit / provision for income taxes	—	(19.3)	(19.3)	(0.11)
	Deferred tax recognition	Benefit / provision for income taxes	—	(6.9)	(6.9)	(0.04)
	Restructuring Expenses	Operating expenses	3.4	(1.2)	2.2	0.01
Non-GAAP income from continuing operations, excluding noteworthy items[1]					$ 125.7	$0.68

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Net Income and Income from Continuing Operations, Excluding Noteworthy Items (dollars in millions, except per share data)

	Description	Line Item	Pre-tax Balance	Income Tax[2]	After-tax Balance	Per Share
Quarter Ended September 30, 2016						
Net income					$ 131.5	$ 0.65
Continuing Operations	China valuation allowance	Benefit / provision for income taxes	$ —	$ 16.0	16.0	0.08
	Gain related to IndyMac venture	Other non-interest income	(5.0)	2.0	(3.0)	(0.01)
	Restructuring expenses	Operating expenses	2.3	(0.9)	1.4	0.01
Discontinued Operations	Financial Freedom servicing rights impairment		19.0	(7.0)	12.0	0.06
	Business Air goodwill impairment		18.4	(7.0)	11.4	0.05
Non-GAAP income, excluding noteworthy items[1]					$ 169.3	$ 0.83
Income from continuing operations					$ 94.2	$ 0.47
Continuing Operations	China valuation allowance	Benefit / provision for income taxes	$ —	$ 16.0	16.0	0.08
	Gain related to IndyMac venture	Other non-interest income	(5.0)	2.0	(3.0)	(0.01)
	Restructuring expenses	Operating expenses	2.3	(0.9)	1.4	0.01
Non-GAAP income from continuing operations, excluding noteworthy items[1]					$ 108.6	$ 0.54
Nine Months Ended September 30, 2017						
Net income					$ 556.2	$ 3.19
Continuing Operations	Debt redemption costs	Loss on debt extinguishment	$ 218.3	$ (85.5)	132.8	0.76
	Strategic tax item - restructuring of an international legal entity	Benefit / provision for income taxes	—	(140.4)	(140.4)	(0.81)
	Suspended depreciation on assets HFS (Nacco rail assets)	Depreciation on operating lease equipment	(7.8)	2.6	(5.2)	(0.03)
	Financial Freedom Transaction, reverse mortgage charge-offs on loans transferred to HFS	Provision for credit losses	15.5	(6.0)	9.5	0.05
	Financial Freedom Transaction, impairments on reverse mortgage-related assets	Other non-interest income	26.8	(10.4)	16.4	0.09
	Excess interest costs	Interest expense	23.4	(8.9)	14.5	0.08
	CTA Charge	Other non-interest income	8.1	(1.3)	6.8	0.04
	Entity Restructuring	Benefit / provision for income taxes	—	14.0	14.0	0.08
	Resolution of legacy tax items	Benefit / provision for income taxes	—	(19.3)	(19.3)	(0.11)
	Deferred tax recognition		—	(6.9)	(6.9)	(0.04)

		Benefit / provision for income taxes				
	Interest on excess cash	Interest income	(9.1)	3.5	(5.6)	(0.03)
	Restructuring Expenses	Operating expenses	21.1	(6.1)	15.0	0.09
Discontinued Operations	Financial Freedom servicing asset-related items		3.7	(1.4)	2.3	0.01
	Gain on sale - Commercial Air, net of certain expenses		(134.7)	35.0	(99.7)	(0.57)
	Financial Freedom net settlement items and servicing rights impairment		(20.2)	7.8	(12.4)	(0.07)
	Suspended Depreciation		(113.0)	44.0	(69.0)	(0.40)
	Secured Debt Paydown		39.0	(5.0)	34.0	0.20
	Gain on sale - TC CIT joint venture		(14.0)	1.0	(13.0)	(0.07)
Non-GAAP income, excluding noteworthy items(1)					$430.0	$2.47
Income from continuing operations					$342.2	$1.96
Continuing Operations	Debt redemption costs	Loss on debt extinguishment	$218.3	$(85.5)	132.8	0.76
	Strategic tax item - restructuring of an international legal entity	Benefit / provision for income taxes	—	(140.4)	(140.4)	(0.81)
	Suspended depreciation on assets HFS (Nacco rail assets)	Depreciation on operating lease equipment	(7.8)	2.6	(5.2)	(0.03)
	Financial Freedom Transaction, reverse mortgage charge-offs on loans transferred to HFS	Provision for credit losses	15.5	(6.0)	9.5	0.05
	Financial Freedom Transaction, impairments on reverse mortgage-related assets	Other non-interest income	26.8	(10.4)	16.4	0.09
	Excess interest costs	Interest expense	23.4	(8.9)	14.5	0.08
	CTA Charge	Other non-interest income	8.1	(1.3)	6.8	0.04
	Entity Restructuring	Benefit / provision for income taxes	—	14.0	14.0	0.08
	Resolution of legacy tax items	Benefit / provision for income taxes	—	(19.3)	(19.3)	(0.11)
	Deferred tax recognition	Benefit / provision for income taxes	—	(6.9)	(6.9)	(0.04)
	Interest on excess cash	Interest income	(9.1)	3.5	(5.6)	(0.03)
	Restructuring Expenses	Operating expenses	21.1	(6.1)	15.0	0.09
Non-GAAP income from continuing operations, excluding noteworthy items(1)					$373.8	$2.15

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Nine Months Ended September 30, 2016						
Net income					$294.5	$1.46
Continuing Operations	Restructuring expenses	Operating expenses	$32.3	$(12.4)	19.9	0.10
	Gain on sale - UK	Other non-interest income	(23.5)	8.2	(15.3)	(0.08)
	Discrete tax benefit	Benefit for income taxes	—	(13.0)	(13.0)	(0.06)
	Asset impairment	Other non-interest income	11.0	(2.8)	8.2	0.04
	Liquidating Europe CTA	Other non-interest income	3.3	—	3.3	0.02
	China valuation allowance	Benefit / provision for income taxes	—	16.0	16.0	0.08
	Gain related to IndyMac venture	Other non-interest income	(5.0)	2.0	(3.0)	(0.01)
Discontinued Operations	Financial Freedom interest curtailment reserve and servicing rights impairment		249.0	(74.0)	175.0	0.86
	Business Air goodwill impairment		22.6	(8.6)	14.0	0.07
Non-GAAP income from continuing operations, excluding noteworthy items(1)					$499.6	$2.47
Income from continuing operations					$243.2	$1.21
Continuing Operations	Restructuring expenses	Operating expenses	$32.3	$(12.4)	19.9	0.10
	Gain on sale - UK	Other non-interest income	(23.5)	8.2	(15.3)	(0.08)
	Discrete tax benefit	Benefit for income taxes	—	(13.0)	(13.0)	(0.06)
	Asset impairment	Other non-interest income	11.0	(2.8)	8.2	0.04
	Liquidating Europe CTA	Other non-interest income	3.3	—	3.3	0.02
	China valuation allowance	Benefit / provision for income taxes	—	16.0	16.0	0.08
	Gain related to IndyMac venture	Other non-interest income	(5.0)	2.0	(3.0)	(0.01)
Non-GAAP income from continuing operations, excluding noteworthy items(1)					$259.3	$1.28

(1) Items may not sum due to rounding.

(2) Income tax rates vary depending on the specific item and the entity location in which it is recorded.

7. Effective Tax Rate Reconciliation

The provision for income taxes before noteworthy items and separately, tax only discrete items and the respective effective tax rate are non-GAAP measures, which management uses for analytical purposes to understand the Company's underlying tax rate. Noteworthy items are presented in item 5 above, and discussed in various sections of the MD&A. The tax discrete items are discussed in the Income Tax section.

Effective Tax Rate Reconciliation (dollars in millions)

	Quarters Ended			Nine Months Ended	
Effective Tax Rate Reconciliation - Noteworthy Items	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
(Provision) benefit for income taxes - GAAP	$119.8	$31.9	$ (54.5)	$95.5	$ (210.1)
Income taxes on noteworthy items	(174.9)	(98.0)	17.1	(264.7)	(2.0)
Provision for income taxes, before noteworthy items - Non-GAAP	$(55.1)	$(66.1)	$ (37.4)	$(169.2)	$ (212.1)
	$103.0	$9.3	$ 148.7	$246.7	$ 453.3

Income from continuing operations before provision for income taxes - GAAP					
Pretax balances of noteworthy items	90.9	182.6	(2.7)	296.3	18.1
Adjusted income from continuing operations before provision for income taxes - Non-GAAP	$193.9	$191.9	$ 146.0	$543.0	$ 471.4
Effective tax rate - GAAP	(116.3)%	(343.0)%	36.7 %	(38.7)%	46.3 %
Effective tax rate, before noteworthy items - Non-GAAP	28.4 %	34.4 %	25.6 %	31.2 %	45.0 %

Effective Tax Rate Reconciliation - Tax Discrete Items	Quarters Ended September 30, 2017	June 30, 2017	September 30, 2016	Nine Months Ended September 30, 2017	September 30, 2016
(Provision) benefit for income taxes(1)	$119.8	$31.9	$ (54.5)	$95.5	$ (210.1)
Income tax discrete items	(138.4)	(93.4)	9.0	(220.5)	1.6
(Provision) benefit for income taxes, before discrete items	$(18.6)	$(61.5)	$ (45.5)	$(125.0)	$ (208.5)
Income (loss) from continuing operations before provision for income taxes(1)	$103.0	$9.3	$ 148.7	$246.7	$ 453.3
Adjustments to pretax income for discrete items	0.3	165.4	—	167.5	—
Adjusted income from continuing operations before provision for income taxes - Non-GAAP	$103.3	$174.7	$ 148.7	$414.2	$ 453.3
Effective tax rate	(116.3)%	(343.0)%	36.7 %	(38.7)%	46.3 %
Effective tax rate, before discrete items	18.0 %	35.2 %	30.6 %	30.2 %	46.0 %

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8. Regulatory

Included within this Form 10-Q are risk-weighted assets (RWA), risk-based capital and leverage ratios as calculated under Basel III capital guidelines. For banking industry regulatory reporting purposes, we report our capital in accordance with Transitional Requirements, but also monitor our capital based on a fully phased-in methodology. Such measures are considered key regulatory capital measures used by banking regulators, investors and analysts to assess the CIT (as a BHC) regulatory capital position and to compare that to other financial institutions. For information on our capital ratios and requirements, see Note 10 — Regulatory Capital in Item 1. Consolidated Financial Statements, and the Capital section in Item 2. Management's Discussion and Analysis.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, as amended. All statements contained herein that are not clearly historical in nature are forward-looking and the words "anticipate," "believe," "could," "expect," "estimate," "forecast," "intend," "plan," " "project," "target" and similar expressions are generally intended to identify forward-looking statements. Any forward-looking statements contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission or in communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls, concerning our operations, economic performance and financial condition are subject to known and unknown risks, uncertainties and contingencies. Forward-looking statements are included, for example, in the discussions about:

- our liquidity risk and capital management, including our capital plan, leverage, capital ratios, and credit ratings, our liquidity plan, and our plans and the potential transactions designed to enhance our liquidity and capital, to repay secured and unsecured debt, to issue qualifying capital instruments, including Tier 1 qualifying preferred stock, and for a return of capital,
- our plans to change our funding mix, to access new sources of funding, and to broaden our use of deposit taking capabilities, including increasing our level of commercial deposits and expanding our treasury management services,
- our pending or potential acquisition and disposition plans, and the integration and restructuring risks inherent in such acquisitions, including our proposed sale of our Financial Freedom reverse mortgage servicing business and reverse mortgage loan portfolio, our Business Air loan portfolio, and Nacco, our European railcar leasing business,
- our credit risk management and credit quality,
- our asset/liability risk management,
- our funding, borrowing costs and net finance revenue,
- our operational risks, including risk of operational errors, failure of operational controls, success of systems enhancements and expansion of risk management and control functions,
- our mix of portfolio asset classes, including changes resulting from growth initiatives, new business initiatives, new products, acquisitions and divestitures, new business and customer retention,
- our legal risks, including the enforceability of our agreements, the impact of legal proceedings, and the impact of changes in laws and regulations,
- our growth rates, and
- our commitments to extend credit or purchase equipment.

All forward-looking statements involve risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements expressed or implied in these statements. Forward-looking statements are based upon management's

estimates of fair values and of future costs, using currently available information. Factors, in addition to those disclosed in “Risk Factors”, that could cause such differences include, but are not limited to:

- risks inherent in deposit funding, including reducing reliance on brokered deposits, increasing commercial deposits and savings accounts, and expanding treasury management services,
- risks inherent in capital markets, including liquidity, changes in market interest rates and quality spreads, and our access to secured and unsecured debt and asset-backed securitization markets,
- risks inherent in a return of capital, including risks related to obtaining regulatory approval, the nature and allocation among different methods of returning capital, and the amount and timing of any capital return,

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- risks of actual or perceived economic slowdown, downturn or recession, including slowdown in customer demand for credit or increases in non-accrual loans or default rates,
- industry cycles and trends, including in oil and gas, power and energy, telecommunications, information technology, and commercial and residential real estate.
- uncertainties associated with risk management, including evaluating credit, adequacy of reserves for credit losses, prepayment risk, asset/liability risk, and interest rate and currency risks,
- risks of implementing new processes, procedures, and systems, including those required to strengthen internal controls, improve data quality, and reliability, or comply with the additional laws and regulations applicable to systemically important financial institutions, such as the CCAR process, enhanced prudential standards, and Basel III,
- risks associated with the value and recoverability of leased equipment and related lease residual values, including railcars, telecommunications towers, technology and office equipment, information technology equipment, including data centers, and large and small industrial, medical, and transportation equipment,
- risks of failing to achieve the projected revenue growth from new business initiatives or the projected expense reductions from efficiency improvements,
- application of goodwill accounting or fair value accounting in volatile markets,
- regulatory changes and developments, including changes in laws or regulations governing our business and operations, or affecting our assets, including our operating lease equipment or changes in the regulatory environment, whether due to events or factors specific to CIT, or other large multi-national or regional banks, or the industry in general,
- risks associated with dispositions of businesses or asset portfolios, including how to replace the income associated with such businesses or asset portfolios and the risk of residual liabilities from such businesses or portfolios,
- risks associated with acquisitions of businesses or asset portfolios, including integrating and reducing duplication in personnel, policies, internal controls, and systems.

Any or all of our forward-looking statements here or in other publications may turn out to be wrong, and there are no guarantees regarding our performance. We do not assume any obligation to update any forward-looking statement for any reason.

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Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision of and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Based on such evaluation, and in light of the previously identified material weaknesses in our internal control over financial reporting as of December 31, 2016, described in our 2016 Annual Report on Form 10-K, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of September 30, 2017.

1. We have taken and continue to take the necessary steps to remediate the underlying causes of the Home Equity Conversion Mortgages (“HECM”) Interest Curtailment Reserve material weakness. These steps include, but are not limited to the following:

a. Enhancing the process used to identify and interpret regulatory changes;
b. Simplification of and enhanced controls governing the reserve model; and
c. Correction of historical data integrity issues and implementation of controls over ongoing data changes.

We assessed the design of the key internal controls in the HECM Interest Curtailment Reserve process during the third quarter and determined that the controls were designed effectively and then started testing these controls for operating effectiveness. We will continue to test these key controls in the fourth quarter to demonstrate sustained operating effectiveness over a sufficient time period to remediate the material weakness.

2. We have taken and continue to take the necessary steps to remediate the underlying causes of the Information Technology General Controls (“ITGCs”) material weakness. These steps include, but are not limited to the following:

a. Change Management:
i. Ensuring financially relevant applications and key reports used by management are subject to consistent controls for initiation, testing and approval of change activities; and
ii. Reducing or eliminating access that allows direct changes to data and programs in the company’s production environment. Where such access is required, enhancing existing monitoring controls to ensure activity is reviewed and appropriately authorized.
b. Logical Access:
i. Enhancing logical access processes, tools and controls
c. Computer Operations:
i. Developing and maintaining a comprehensive inventory of all key financial system interfaces and job schedulers used in the Company, and implementing the requisite controls for each

We assessed the design of the key internal controls in the Information Technology General Controls processes during the third quarter and started testing the key internal controls for operating effectiveness. We will continue to test these key controls in the fourth quarter to demonstrate sustained operating effectiveness over a sufficient time period to remediate the material weakness.

We believe that these efforts will remediate the material weaknesses described above. In addition, as the Company continues to evaluate and work to improve its internal control over financial reporting, we may determine to take additional measures to address these control deficiencies or determine to modify the remediation activities described above.

These actions are subject to ongoing review by our senior management, as well as oversight by the Audit Committee of our Board of Directors. We are placing a high priority on the remediation process and are committed to allocating the necessary resources to the remediation effort. However, we cannot provide any assurance that these efforts will be successful or that they will cause our disclosure controls and procedures or internal control over financial reporting to be effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2017, other than what is described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part Two — Other Information

Item 1. Legal Proceedings

CIT is currently involved, and from time to time in the future may be involved, in a number of judicial, regulatory, and arbitration proceedings relating to matters that arise in connection with the conduct of its business (collectively, "Litigation"), certain of which Litigation matters are described in Note 13 — Contingencies of Item 1. Consolidated Financial Statements. In view of the inherent difficulty of predicting the outcome of Litigation matters, particularly when such matters are in their early stages or where the claimants seek indeterminate damages, CIT cannot state with confidence what the eventual outcome of the pending Litigation will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines, or penalties related to each pending matter may be, if any. In accordance with applicable accounting guidance, CIT establishes reserves for Litigation when those matters present loss contingencies as to which it is both probable that a loss will occur and the amount of such loss can be reasonably estimated. Based on currently available information, CIT believes that the results of Litigation that is currently pending, taken together, will not have a material adverse effect on the Company's financial condition, but may be material to the Company's operating results or cash flows for any particular period, depending in part on its operating results for that period. The actual results of resolving such matters may be substantially higher than the amounts reserved.

For more information about pending legal proceedings, including an estimate of certain reasonably possible losses in excess of reserved amounts, see Note 13 — Contingencies of Item 1. Consolidated Financial Statements.

Item 1A. Risk Factors

For a discussion of risk factors not changed, see Part I, Item 1A. Risk Factors, of CIT's Annual Report on Form 10-K for the year ended December 31, 2016, and Forward-Looking Statements of this Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were approximately 4.1 million shares of the Company's common stock repurchased or acquired through an accelerated repurchase program (ASR) or open market repurchases (OMR) during the quarter ended September 30, 2017 as shown in the following table:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1 - 31, 2017	—	$ —		

August 1 - 15, 2017	1,452,119	n/a	1,452,119
August 16 - 31, 2017	1,460,486	$ 44.86	1,460,486
September 1 - 30, 2017	1,200,407	$ 44.76	1,200,407
Total Purchases	4,113,012		

During the quarter, CIT repurchased a total of $119.3 million in common shares via OMR of 2,660,893 common shares at an average share price of $44.82. We also completed the previously announced ASR, which had commenced in the prior quarter, for which CIT acquired an additional 1,452,119 common shares. The overall average price of the entire ASR was $47.82.

CIT has $106 million of repurchases remaining that can be executed by the end of the first half of 2018 under current authorizations, of which $6 million is eligible for execution in the 2017 fourth quarter.

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Item 4. Mine Safety Disclosure

Not applicable

Item 6. Exhibits

(a) Exhibits

2.1	Agreement and Plan of Merger, by and among CIT Group Inc., IMB HoldCo LLC, Carbon Merger Sub LLC and JCF III HoldCo I L.P., dated as of July 21, 2014 (incorporated by reference to Exhibit 2.1 to Form 8-K filed July 25, 2014).
2.2	Amendment No. 1, dated as of July 21, 2015, to the Agreement and Plan of Merger, by and among CIT Group Inc., IMB HoldCo I L.P., Carbon Merger Sub LLC and JCF III HoldCo I L.P., dated as of July 21, 2014 (incorporated by reference to Exhibit 2.1 to Form 8-K filed July 27, 2015).
3.1	Fourth Restated Certificate of Incorporation of the Company, as filed with the Office of the Secretary of State of the State of Delaware on May 17, 2016 (incorporated by reference to Exhibit 3.1 to Form 8-K filed May 17, 2016).
3.2	Amended and Restated By-laws of the Company, as amended through May 15, 2016 (incorporated by reference to Exhibit 3.2 to Form 8-K filed May 17, 2016).
3.3	Certificate of Designation of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A of CIT Group Inc., dated June 6, 2017 (incorporated by reference to Exhibit 3.1 to Form 8-K filed June 7, 2017).
4.1	Indenture, dated as of January 20, 2006, between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) for the issuance of senior debt securities (incorporated by reference to Exhibit 4.3 to Form S-3 filed January 20, 2006).
4.2	First Supplemental Indenture, dated as of February 13, 2007, between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) for the issuance of senior debt securities (incorporated by reference to Exhibit 4.1 to Form 8-K filed on February 13, 2007).
4.3	Third Supplemental Indenture, dated as of October 1, 2009, between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) relating to senior debt securities (incorporated by reference to Exhibit 4.4 to Form 8-K filed on October 7, 2009).

4.4	Fourth Supplemental Indenture, dated as of October 16, 2009, between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) relating to senior debt securities (incorporated by reference to Exhibit 4.1 to Form 8-K filed October 19, 2009).
4.5	Indenture, dated as of March 30, 2011, between CIT Group Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K filed March 31, 2011).
4.6	First Supplemental Indenture, dated as of March 30, 2011, between CIT Group Inc., the Guarantors named therein, and Deutsche Bank Trust Company Americas, as trustee (including the Form of 5.250% Note due 2014 and the Form of 6.625% Note due 2018) (incorporated by reference to Exhibit 4.2 to Form 8-K filed March 31, 2011).
4.7	Third Supplemental Indenture, dated as of February 7, 2012, between CIT Group Inc., the Guarantors named therein, and Deutsche Bank Trust Company Americas, as trustee (including the Form of Notes) (incorporated by reference to Exhibit 4.4 of Form 8-K dated February 13, 2012).
4.8	Indenture, dated as of March 15, 2012, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (incorporated by reference to Exhibit 4.1 of Form 8-K filed March 16, 2012).
4.9	First Supplemental Indenture, dated as of March 15, 2012, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (including the Form of 5.25% Senior Unsecured Note due 2018) (incorporated by reference to Exhibit 4.2 of Form 8-K filed March 16, 2012).

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4.10	Second Supplemental Indenture, dated as of May 4, 2012, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (including the Form of 5.000% Senior Unsecured Note due 2017 and the Form of 5.375% Senior Unsecured Note due 2020) (incorporated by reference to Exhibit 4.2 of Form 8-K filed May 4, 2012).
4.11	Third Supplemental Indenture, dated as of August 3, 2012, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (including the Form of 4.25% Senior Unsecured Note due 2017 and the Form of 5.00% Senior Unsecured Note due 2022) (incorporated by reference to Exhibit 4.2 to Form 8-K filed August 3, 2012).
4.12	Fourth Supplemental Indenture, dated as of August 1, 2013, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (including the Form of 5.00% Senior Unsecured Note due 2023) (incorporated by reference to Exhibit 4.2 to Form 8-K filed August 1, 2013).
4.13	Fifth Supplemental Indenture, dated as of February 19, 2014, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (including the Form of 3.875% Senior Unsecured Note due 2019) (incorporated by reference to Exhibit 4.1 to Form 8-K filed February 19, 2014.
4.14	Sixth Supplemental Indenture, dated as of December 23, 2016, among CIT Group Inc., Wilmington Trust, National Association, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, security registrar and authenticating agent (including the Form of 5.000% Senior Unsecured Note due 2018) (incorporated by reference to Exhibit 4.1 to Form 8-K filed December 23, 2016).
4.15	Second Amended and Restated Revolving Credit and Guaranty Agreement, dated as of February 17, 2016, as amended by Amendment No. 1 on February 27, 2017, among CIT Group Inc., certain subsidiaries of CIT Group Inc., as Guarantors, the Lenders party thereto from time to time and Bank of America, N.A., as Administrative Agent and L/C Issuer (incorporated by reference to Exhibit 10.1 to Form 8-K filed February 27, 2017).
10.1*	CIT Group Inc. Omnibus Incentive Plan (incorporated by reference to Exhibit 5.1 to Form S-8 filed September 27, 2016).
10.2*	CIT Group Inc. Supplemental Retirement Plan (As Amended and Restated Effective as of January 1, 2008) (incorporated by reference to Exhibit 10.27 to Form 10-Q filed May 12, 2008).
10.3*	CIT Group Inc. Supplemental Savings Plan (As Amended and Restated Effective as of January 1, 2008) (incorporated by reference to Exhibit 10.28 to Form 10-Q filed May 12, 2008).

10.4*	New Executive Retirement Plan of CIT Group Inc. (As Amended and Restated as of January 1, 2008) (incorporated by reference to Exhibit 10.29 to Form 10-Q filed May 12, 2008).
10.5*	Form of CIT Group Inc. Long-term Incentive Plan Stock Option Award Agreement (One Year Vesting) (incorporated by reference to Exhibit 10.35 to Form 10-Q filed August 9, 2010).
10.6*	Form of CIT Group Inc. Long-term Incentive Plan Stock Option Award Agreement (Three Year Vesting) (incorporated by reference to Exhibit 10.36 to Form 10-Q filed August 9, 2010).
10.7*	Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Unit Director Award Agreement (Initial Grant) (incorporated by reference to Exhibit 10.39 to Form 10-Q filed August 9, 2010).
10.8*	Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Unit Director Award Agreement (Annual Grant) (incorporated by reference to Exhibit 10.40 to Form 10-Q filed August 9, 2010).
10.9**	Amended and Restated Confirmation, dated June 28, 2012, between CIT TRS Funding B.V. and Goldman Sachs International, and Credit Support Annex and ISDA Master Agreement and Schedule, each dated October 26, 2011, between CIT TRS Funding B.V. and Goldman Sachs International, evidencing a $625 billion securities based financing facility (incorporated by reference to Exhibit 10.32 to Form 10-Q filed August 9, 2012).
10.10*	CIT Employee Severance Plan (Effective as of November 6, 2013) (incorporated by reference to Exhibit 10.37 in Form 10-Q filed November 6, 2013).
10.11	Stockholders Agreement, by and among CIT Group Inc. and the parties listed on the signature pages thereto, dated as of July 21, 2014 (incorporated by reference to Exhibit 10.1 to Form 8-K filed July 25, 2014).
10.12*	Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (with Performance Based Vesting) (2013) (incorporated by reference to Exhibit 10.30 to Form 10-K filed February 20, 2015).
10.13*	Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (with Performance Based Vesting) (2013) (Executives with Employment Agreements) (incorporated by reference to Exhibit 10.31 to Form 10-K filed February 20, 2015).
10.14*	Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (with Performance Based Vesting) (2014) (incorporated by reference to Exhibit 10.32 to Form 10-K filed February 20, 2015).

10.15*	Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (with Performance Based Vesting) (Executives with Employment Agreements) (2014) (incorporated by reference to Exhibit 10.33 to Form 10-K filed February 20, 2015).

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10.16*	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2014) (Executives with Employment Agreements) (incorporated by reference to Exhibit 10.34 to Form 10-Q filed May 7, 2015).
10.17*	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2014) (incorporated by reference to Exhibit 10.35 to Form 10-Q filed May 7, 2015).
10.18*	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2015) (with ROTCE and Credit Provision Performance Measures) (incorporated by reference to Exhibit 10.36 to Form 10-Q filed May 7, 2015).
10.19*	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2015) (with ROTCE and Credit Provision Performance Measures) (Executives with Employment Agreements) (incorporated by reference to Exhibit 10.37 to Form 10-Q filed May 7, 2015).
10.20*	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2015) (with Average Earnings per Share and Average Pre-Tax Return on Assets Performance Measures) (incorporated by reference to Exhibit 10.38 to Form 10-Q filed May 7, 2015).
10.21*	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2015) (with Average Earnings per Share and Average Pre-Tax Return on Assets Performance Measures) (Executives with Employment Agreements) (incorporated by reference to Exhibit 10.39 to Form 10-Q filed May 7, 2015).
10.22*	Offer Letter, dated October 27, 2015, between CIT Group Inc. and Ellen R. Alemany, including Attached Exhibits. (incorporated by reference to Exhibit 10.39 to Form 10-Q filed November 13, 2015).
10.23	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2016) (with ROTCE and Credit Provision Performance Measures) (Executives with Employment Agreements) (incorporated by reference to Exhibit 10-41 to Form 10-K filed on March 16, 2017).
10.24	Form of CIT Group Inc. Long-Term Incentive Plan Performance Share Unit Award Agreement (2016) (with ROTCE and Credit Provision Performance Measures) (incorporated by reference to Exhibit 10-42 to Form 10-K filed on March 16, 2017).
10.25	Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (2016) (with Performance Based Vesting) (incorporated by reference to Exhibit 10-43 to Form 10-K filed on March 16, 2017).

10.26	Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (2016) (with Performance Based Vesting) (Executives with Employment Agreements) (incorporated by reference to Exhibit 10-44 to Form 10-K filed on March 16, 2017).
10.27	Form of CIT Group Inc. Omnibus Incentive Plan Performance Share Unit Award Agreement (2016) (with ROTCE and Credit Provision Performance Measures) (incorporated by reference to Exhibit 10-45 to Form 10-K filed on March 16, 2017).
10.28	Form of CIT Group Inc. Omnibus Incentive Plan Restricted Stock Unit Award Agreement (with Performance Based Vesting) (2016) (incorporated by reference to Exhibit 10-46 to Form 10-K filed on March 16, 2017).
10.29	CIT Employee Severance Plan (As Amended and Restated Effective January 1, 2017) (incorporated by reference to Exhibit 10.40 to Form 10-Q filed November 9, 2016).
10.30	Form of CIT Group Inc. Omnibus Incentive Plan Restricted Stock Unit Director Award Agreement (Three Year Vesting) (incorporated by reference to Exhibit 10-48 to Form 10-K filed on March 16, 2017).
10.31	Form of CIT Group Inc. Omnibus Incentive Plan Performance Share Unit Award Agreement (2017) (with ROTCE Performance Measure and TSR Modifier) (incorporated by reference to Exhibit 10.39 to Form 10-Q filed May 8, 2017).
10.32	Form of CIT Group Inc. Omnibus Incentive Plan Restricted Stock Unit Award Agreement (with Performance Based Vesting) (2017) (incorporated by reference to Exhibit 10.40 to Form 10-Q filed May 8, 2017).
12.1	CIT Group Inc. and Subsidiaries Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Ellen R. Alemany pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Commission, as promulgated pursuant to Section 13(a) of the Securities Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of John Fawcett pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Commission, as promulgated pursuant to Section 13(a) of the Securities Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.

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32.1***	Certification of Ellen R. Alemany pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	Certification of John Fawcett pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (Includes the following financial information included in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.)
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

* Indicates a management contract or compensatory plan or arrangement.

** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for granting confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

*** This information is furnished and not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference into any filing under the Securities Act of 1933.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 3, 2017 CIT GROUP INC.

/s/ John Fawcett
John Fawcett
Executive Vice President and
Chief Financial Officer

/s/ Edward K. Sperling
Edward K. Sperling
Executive Vice President and Controller

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