CIT GROUP INC
Form 10-Q
August 03, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 2018	| | Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-31369

CIT GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware	65-1051192
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
11 West 42nd Street New York, New York	10036
(Address of Registrant's principal executive offices)	(Zip Code)
(212) 461-5200	
(Registrant's telephone number)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of 'large accelerated filer,' 'accelerated filer', 'smaller reporting company' and 'emerging growth company' in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_| (Do not check if a smaller reporting company) Smaller reporting company |_| Emerging growth company |_|

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. |_|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes |_| No |_|

As of July 31, 2018, there were 113,133,036 shares of the registrant's common stock outstanding.

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Part One — Financial Information

Item 1. Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (dollars in millions — except share data)

	June 30, 2018	December 31, 2017
Assets		
Cash and due from banks, including restricted balances of $26.5 at June 30, 2018 and $42.9 at December 31, 2017(1) (see Note 6 for amounts pledged)	$208.6	$278.6
Interest bearing deposits, including restricted balances of $81.1 at June 30, 2018 and $81.8 at December 31, 2017(1) (see Note 6 for amounts pledged)	3,267.0	1,440.1
Securities purchased under agreement to resell	200.0	150.0
Investment securities, including securities carried at fair value with changes recorded in net income of $44.1 at June 30, 2018 and $0.4 at December 31, 2017 (see Note 6 for amounts pledged)	5,907.4	6,469.9
Assets held for sale[(1)]	1,335.8	2,263.1
Loans (see Note 6 for amounts pledged)	29,348.4	29,113.9
Allowance for loan losses	(467.3)	(431.1)
Total loans, net of allowance for loan losses[(1)]	28,881.1	28,682.8
Operating lease equipment, net (see Note 6 for amounts pledged)[(1)]	6,833.9	6,738.9
Bank-owned life insurance	801.7	788.6
Goodwill	369.9	369.9
Other assets, including $187.0 at June 30, 2018 and $68.7 at December 31, 2017, at fair value	1,667.2	1,595.5
Assets of discontinued operations[(1)]	382.4	501.3
Total Assets	$49,855.0	$49,278.7

Liabilities		
Deposits	$31,181.2	$29,569.3
Credit balances of factoring clients	1,430.8	1,468.6
Other liabilities, including $169.2 at June 30, 2018 and $198.1 at December 31, 2017, at fair value	1,506.8	1,437.1
Borrowings, including $1,049.2 at June 30, 2018 and $1,626.3 at December 31, 2017 contractually due within twelve months	8,859.6	8,974.4
Liabilities of discontinued operations[1]	350.9	509.3
Total Liabilities	43,329.3	41,958.7
Stockholders' Equity		
Preferred Stock: $0.01 par value, 100,000,000 authorized, 325,000 shares issued and outstanding	325.0	325.0
Common Stock: $0.01 par value, 600,000,000 authorized		
Issued: 208,880,109 at June 30, 2018 and 207,628,491 at December 31, 2017	2.1	2.1
Outstanding: 115,968,295 at June 30, 2018 and 131,352,924 at December 31, 2017		
Paid-in capital	8,822.0	8,798.1
Retained earnings	2,079.4	1,906.5
Accumulated other comprehensive loss	(176.1)	(86.5)
Treasury stock: 92,911,814 at June 30, 2018 and 76,275,567 shares at December 31, 2017 at cost	(4,526.7)	(3,625.2)
Total Common Stockholders' Equity	6,200.7	6,995.0
Total Equity	6,525.7	7,320.0
Total Liabilities and Equity	$49,855.0	$49,278.7

[1] The following table presents information on assets and liabilities related to Variable Interest Entities ("VIEs") that are consolidated by the Company. The difference between VIE total assets and total liabilities represents the Company's interests in those entities, which were eliminated in consolidation. The assets of the consolidated VIEs will be used to settle the liabilities of those entities and, except for the Company's interest in the VIEs, are not available to the creditors of CIT or any affiliates of CIT.

Assets		
Cash and interest bearing deposits, restricted	$79.0	$80.4
Total loans, net of allowance for loan losses	2.9	119.1
Operating lease equipment, net	771.5	763.3
Total Assets	$853.4	$962.8
Liabilities		
Beneficial interests issued by consolidated VIEs (classified as long-term borrowings)	$472.9	$566.6
Total Liabilities	$472.9	$566.6

The accompanying notes are an integral part of these consolidated financial statements.

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CIT GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(dollars in millions — except per share data)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income				
Interest and fees on loans	$415.5	$421.3	$816.4	$833.4
Other interest and dividends	58.1	56.9	108.4	100.5
Interest income	473.6	478.2	924.8	933.9
Interest expense				
Interest on borrowings	94.6	114.6	178.0	183.7
Interest on deposits	110.6	94.6	207.7	188.6
Interest expense	205.2	209.2	385.7	372.3
Net interest revenue	268.4	269.0	539.1	561.6
Provision for credit losses	32.9	4.4	101.7	54.1
Net interest revenue, after credit provision	235.5	264.6	437.4	507.5
Non-interest income				
Rental income on operating leases	261.3	251.2	514.9	502.5
Other non-interest income	135.4	84.6	240.1	163.7
Total non-interest income	396.7	335.8	755.0	666.2
Total revenue, net of interest expense and credit provision	632.2	600.4	1,192.4	1,173.7
Non-interest expenses				
Depreciation on operating lease equipment	77.2	77.4	153.6	150.9
Maintenance and other operating lease expenses	63.5	53.3	120.9	107.1
Operating expenses	267.5	295.6	548.8	607.2
Loss on debt extinguishment and deposit redemption	19.3	164.8	19.4	164.8
Total non-interest expenses	427.5	591.1	842.7	1,030.0
Income from continuing operations before (benefit) provision for income taxes	204.7	9.3	349.7	143.7
Provision (benefit) for income taxes	57.4	(31.9)	98.7	24.3
Income from continuing operations	147.3	41.2	251.0	119.4
Discontinued Operations				
Income (loss) from discontinued operations, net of taxes	(4.2)	8.3	(10.9)	97.3
Gain (loss) on sale of discontinued operations, net of taxes	(16.3)	107.2	(16.3)	119.9
Total income (loss) from discontinued operations, net of taxes	(20.5)	115.5	(27.2)	217.2
Net Income	$126.8	$156.7	$223.8	$336.6
Preferred dividends	9.4	—	9.4	—
Net income available to common shareholders	$117.4	$156.7	$214.4	$336.6
Income from continuing operations available to common shareholders	$137.9	$41.2	$241.6	$119.4
Basic income per common share				
Income from continuing operations	$1.12	$0.23	$1.90	$0.62

Income (loss) from discontinued operations	(0.17)	0.63	(0.21)	1.13
Basic income per share	$0.95	$0.86	$1.69	$1.75
Diluted income per common share				
Income from continuing operations	$1.11	$0.22	$1.88	$0.62
Income (loss) from discontinued operations	(0.17)	0.63	(0.21)	1.12
Diluted income per share	$0.94	$0.85	$1.67	$1.74
Average number of common shares (thousands)				
Basic	123,499	182,347	126,964	192,286
Diluted	124,686	183,796	128,110	193,460
Dividends declared per common share	$0.25	$0.15	$0.41	$0.30

The accompanying notes are an integral part of these consolidated financial statements.

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CIT GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited) (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income	$126.8	$156.7	$223.8	$336.6
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(4.2)	30.7	(6.6)	43.5
Net unrealized gains (losses) on available for sale securities	(22.4)	4.0	(86.3)	6.7
Changes in benefit plans net gain and prior service credit	0.4	0.6	3.8	1.5
Other comprehensive income (loss), net of tax	(26.2)	35.3	(89.1)	51.7
Comprehensive income	$100.6	$192.0	$134.7	$388.3

The accompanying notes are an integral part of these consolidated financial statements.

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CIT GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited) (dollars in millions)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Minority Interests	Total Equity
December 31, 2017	$ 325.0	$ 2.1	$ 8,798.1	$ 1,906.5	$ (86.5)	$ (3,625.2)	$ —	$ 7,320.0
Adoption of Accounting Standard Updates 2016-01, 2016-16, and 2018-02	—	—	—	0.7	(0.5)	—	—	0.2
Net income	—	—	—	223.8	—	—	—	223.8
Other comprehensive loss, net of tax	—	—	—	—	(89.1)	—	—	(89.1)
Dividends paid	—	—	—	(51.6)	—	—	—	(51.6)
Share repurchases	—	—	—	—	—	(876.3)	—	(876.3)
Amortization of restricted stock, stock option and performance shares expenses	—	—	22.5	—	—	(25.2)	—	(2.7)
Employee stock purchase plan	—	—	1.4	—	—	—	—	1.4
June 30, 2018	$ 325.0	$ 2.1	$ 8,822.0	$ 2,079.4	$ (176.1)	$ (4,526.7)	$ —	$ 6,525.7
December 31, 2016	$ —	$ 2.1	$ 8,765.8	$ 1,553.0	$ (140.1)	$ (178.1)	$ 0.4	$ 10,003.1
Adoption of Accounting Standard Update 2016-09	—	—	1.0	(1.0)	—	—	—	—
Net income	—	—	—	336.6	—	—	—	336.6
Other comprehensive income, net of tax	—	—	—	—	51.7	—	—	51.7
Dividends paid	—	—	—	(61.7)	—	—	—	(61.7)
Issuance of preferred stock	325.0	—	(7.0)	—	—	—	—	318.0
Share repurchases	—	—	(76.8)	—	—	(3,229.2)	—	(3,306.0)

Amortization of restricted stock, stock option and performance shares expenses	—	—	27.4	—	—	(18.9)	—	8.5
Employee stock purchase plan	—	—	1.4	—	—	—	—	1.4
Other	—	—	—	—	—	—	(0.1)	(0.1)
June 30, 2017	$ 325.0	$ 2.1	$ 8,711.8	$ 1,826.9	$ (88.4)	$ (3,426.2)	$ 0.3	$ 7,351.5

The accompanying notes are an integral part of these consolidated financial statements.

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CIT GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (dollars in millions)

	Six Months Ended June 30, 2018	2017
Cash Flows From Operations		
Net income	$223.8	$336.6
Adjustments to reconcile net income to net cash flows from operations:		
Provision for credit losses	101.7	54.1
Depreciation on operating lease equipment	153.6	150.9
Amortization of stock compensation expenses	22.5	27.4
Net gain on asset sales and impairments on assets held for sale	(46.0)	(279.0)
Loss on debt extinguishment and other deposit redemption	19.4	203.8
Provision for deferred income taxes	57.6	111.0
(Increase) decrease in finance receivables held for sale	(13.0)	80.3
(Increase) decrease in other assets	(136.5)	132.2
Decrease in other liabilities	(21.6)	(629.6)
Other operating activities	139.4	48.4
Net cash flows provided by operations	500.9	236.1
Cash Flows From Investing Activities		
Changes in loans, net	(470.7)	663.7
Purchases of investment securities	(1,055.4)	(3,343.8)
Proceeds from sales and maturities of investment securities	1,502.3	2,223.8
Proceeds from asset and receivable sales	1,093.0	674.2
Proceeds from sale of commercial air	—	10,004.0
Purchases of assets to be leased and other equipment	(304.6)	(604.2)
Proceeds from sale of OREO, net of repurchases	46.9	51.4
Other investing activities	20.9	43.3
Net cash flows provided by investing activities	832.4	9,712.4
Cash Flows From Financing Activities		
Proceeds from the issuance of term debt and FHLB advances	3,065.7	16.8
Repayments of term debt, FHLB advances, and net settlements	(3,237.1)	(7,407.4)
Net increase (decrease) in deposits	1,606.2	(1,360.8)
Repurchase of common stock	(876.3)	(3,306.0)
Net proceeds from issuance of preferred stock	—	318.0
Dividends paid	(51.6)	(61.7)
Other financing activities	(81.8)	(3.5)

Net cash flows provided by (used in) financing activities	425.1	(11,804.6)
Effect of exchange rate changes on cash and cash equivalents	(8.8)	10.0
Increase (decrease) in cash, cash equivalents and restricted cash	1,749.6	(1,846.1)
Cash, cash equivalents, and restricted cash beginning of period	1,726.4	7,195.4
Cash, cash equivalents, and restricted cash end of period	$3,476.0	$5,349.3
Supplementary Cash Flow Disclosures		
Interest paid	$(376.8)	$(561.0)
Federal, foreign, state and local income taxes (paid) refunded, net	$(18.2)	$(13.8)
Supplementary Non Cash Flow Disclosure		
Transfer of assets from held for investment to held for sale	$219.4	$1,220.0
Transfer of assets from held for sale to held for investment	$20.8	$88.2
Deposits on flight equipment purchases applied to acquisition of flight equipment purchases, and origination of finance leases, capitalized interest, and buyer furnished equipment	$—	$91.2
Transfers of assets to OREO	$24.1	$61.6
Capital lease unexercised bargain purchase options	$—	$17.5
Commitments extended during the period on affordable housing investment credits	$38.1	$50.1

The following tables shows a reconciliation of cash, cash equivalents and restricted cash on the Balance Sheet to that presented in the above Statements of Cash Flow.

	Six Months Ended June 30,	
	2018	2017
Cash and due from banks, including restricted balances of $26.5 and $114.9 at June 30, 2018 and June 30, 2017, respectively	$208.6	$598.9
Interest bearing deposits, including restricted balances of $81.1 and $93.6 at June 30, 2018 and June 30, 2017, respectively	3,267.0	4,739.0
Cash included in assets of discontinued operations	0.4	11.4
Total cash, cash equivalents, and restricted cash shown in the Statements of Cash Flows	$3,476.0	$5,349.3

The accompanying notes are an integral part of these consolidated financial statements.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 — BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CIT Group Inc., together with its subsidiaries (collectively "we", "our", "CIT" or the "Company"), is a bank holding company ("BHC") and a financial holding company ("FHC"). CIT was formed in 1908 and provides financing, leasing and advisory services principally to middle-market companies in a wide variety of industries, primarily in North America. CIT also provides banking and related services to commercial and individual customers through its banking subsidiary, CIT Bank, N.A. ("CIT Bank" or the "Bank"), which includes 70 branches located in Southern California and its online bank, bankoncit.com.

CIT is regulated by the Board of Governors of the Federal Reserve System ("FRB") and the Federal Reserve Bank of New York ("FRBNY") under the U.S. Bank Holding Company Act of 1956, as amended. CIT Bank is regulated by the Office of the Comptroller of the Currency of the U.S. Department of the Treasury ("OCC").

BASIS OF PRESENTATION

Basis of Financial Information

These consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial information and accordingly do not include all information and note disclosures required by generally accepted accounting principles in the United States of America (“GAAP”) for complete financial statements. The financial statements in this Form 10-Q, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of CIT’s financial position, results of operations and cash flows in accordance with GAAP. These consolidated financial statements should be read in conjunction with our Form 10-K for the year ended December 31, 2017.

The accounting and financial reporting policies of CIT conform to GAAP and the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions. Some of the more significant estimates include: allowance for loan losses, loan impairment, fair value determination, lease residual values, liabilities for uncertain tax positions, realizability of deferred tax assets, purchase accounting adjustments, indemnification assets, goodwill, intangible assets, and contingent liabilities, including amounts associated with discontinued operations. Additionally where applicable, the policies conform to accounting and reporting guidelines prescribed by bank regulatory authorities.

Principles of Consolidation

The accompanying consolidated financial statements include financial information related to CIT and its majority-owned subsidiaries and those variable interest entities (“VIEs”) where the Company is the primary beneficiary.

In preparing the consolidated financial statements, all significant intercompany accounts and transactions have been eliminated. Assets held in an agency or fiduciary capacity are not included in the consolidated financial statements.

The current period's results of operations do not necessarily indicate the results that may be expected for any other interim period or for the full year as a whole.

Discontinued Operations

Discontinued Operations as of June 30, 2018 and December 31, 2017 included certain assets and liabilities of (i) the Financial Freedom business and (ii) the Business Air business. Income from discontinued operations reflects the activities of the Financial Freedom and Business Air businesses for the quarter and six months ended June 30, 2018 and Financial Freedom and the Aerospace (Commercial Air and Business Air) businesses for the quarter and six months ended June 30, 2017. We completed the sale of our Commercial Air business on April 4, 2017.

The Financial Freedom business, a former division of CIT Bank that serviced reverse mortgage loans, was acquired in conjunction with the OneWest Transaction in 2015 and sold on May 31, 2018. The sale included all the operations, mortgage servicing rights and related servicing assets and liabilities, although certain assets and liabilities of the Financial Freedom business were still held by CIT Bank at June 30, 2018 until certain investor consents are received. See further discussion in Note 2 — Discontinued Operations. In conjunction with the sale of the Financial Freedom business, the Company also sold its reverse mortgage portfolio, comprised of loans and related other real estate owned ("OREO") assets. See further discussion in Note 3 — Loans. This portfolio had been reported in continuing operations since the OneWest Transaction and was serviced by the Financial Freedom business. (Collectively, the sale of the Financial Freedom business and the reverse mortgage portfolio is referred to as the "Financial Freedom Transaction").

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Form 10-K"). Effective January 1, 2018, CIT changed its accounting policy for revenue recognition resulting from the adoption of Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers and subsequent related Accounting Standards Updates ("ASUs"). There were no other material changes to policies during the six months ended June 30, 2018. Refer to Other Newly Adopted Accounting Standards for other ASUs adopted in Q1 2018.

Revenue Recognition

On January 1, 2018, CIT adopted ASU 2014-09, Revenue Recognition - Revenue from Contracts with Customers (ASC 606) and subsequent related ASUs. ASU 2014-09 establishes the principles to apply in determining the amount and timing of revenue recognition. The core principle is that a company will recognize revenue when it transfers control of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance introduces a five-step, principle-based model, requiring more judgment than under previous GAAP to determine when and how revenue is recognized. The standard defers to existing guidance where revenue recognition models are already in place.

"Interest Income" and "Rental Income on Operating Leases", CIT's two largest revenue items, are out of scope of the new guidance, as are many other revenues relating to other financial assets and liabilities, including loans, leases, securities, and derivatives. As a result, the implementation of the new guidance was limited to certain revenue streams within Non-Interest Income, including some immaterial bank related fees and gains or losses related to the sale and disposition of leased equipment and OREO, which is accounted for under ASC 610-20, Gains and Losses From the Derecognition of Nonfinancial Assets, and requires the Company to apply certain recognition and measurement principles of ASC 606.

CIT evaluated its in-scope revenue streams under the five-step model and concluded that ASU 2014-09 did not materially impact the current practice of revenue recognition as ASC 606 is consistent with the current accounting policy being applied by the Company for these revenues. Therefore, no change in the timing or amount of income recognized was identified. CIT also determined that costs incurred to obtain or fulfill contracts and financing components relating to in-scope revenue streams were immaterial to the Company.

Non-interest revenue, including amounts related to the sale and disposition of leased equipment and OREO, is recognized at an amount reflecting the consideration received, or expected to be received, when control of goods or services is transferred, which generally occurs when services are provided or control of leased equipment or OREO is liquidated.

ASU 2014-09 was adopted using the modified retrospective transition method. CIT elected to apply this guidance only to contracts that were not completed at the date of the initial application. The adoption did not have a significant impact on CIT’s financial statements or disclosures. No adjustment to the opening balance of retained earnings was necessary.

Interest income on held for investment ("HFI") loans is recognized using the effective interest method or on a basis approximating a level rate of return over the life of the asset. Interest income includes components of accretion of the fair value discount on loans and lease receivables recorded in connection with Purchase Accounting Adjustments (“PAA”), which are accreted using the effective interest method as a yield adjustment over the remaining contractual term of the loan and recorded in interest income. If the loan is subsequently classified as assets held for sale ("AHFS"), accretion (amortization) of the discount (premium) will cease.

Rental revenue on operating leases is recognized on a straight line basis over the lease term and is included in Non-interest Income. Intangible assets related to acquisitions completed by the Company and Fresh Start Accounting (“FSA”) adjustments that were applied as of December 31, 2009 (the Convenience Date), were recorded to adjust the carrying value of above or below market operating lease contracts to their fair value. The FSA related adjustments (net) are amortized into rental income on a straight line basis over the remaining term of the respective lease.

The recognition of interest income (including accretion) on commercial loans (exclusive of small ticket commercial loans) is suspended and an account is placed on non-accrual status when, in the opinion of management, full collection of all principal and interest due is doubtful. All future interest accruals, as well as amortization of deferred fees, costs, purchase premiums or discounts are suspended. To the extent the estimated cash flows, including fair value of collateral, does not satisfy both the principal and accrued interest outstanding, accrued but uncollected interest at the date an account is placed on non-accrual status is reversed and charged against interest income. Subsequent interest received is applied to the outstanding principal balance until such time as the account is collected, charged-off or returned to accrual status. Loans that are on cash basis nonaccrual do not accrue interest income; however, payments designated by the borrower as interest payments may be recorded as interest income. To qualify for this treatment, the remaining recorded investment in the loan must be deemed fully collectable.

The recognition of interest income (including accretion) on consumer mortgages and small ticket commercial loans and lease receivables is suspended and all previously accrued but uncollected revenue is reversed, when payment of principal and/or interest is contractually delinquent for 90 days or more. Accounts, including accounts that have been modified, are returned to accrual status when, in the opinion of management, collection of remaining principal and interest is reasonably assured, and there is a sustained period of repayment performance for a minimum of six months.

The recognition of interest income on reverse mortgages is suspended upon the latter of the foreclosure sale date or date on which marketable title has been acquired (i.e., property becomes OREO).

The Company periodically modifies the terms of a loan in response to borrowers’ financial difficulties. These modifications may include interest rate changes, principal forgiveness or payment deferments. Loans that are modified, where a concession has been made to the borrower, are accounted for as Troubled Debt Restructurings (“TDRs”). TDRs are generally placed on nonaccrual upon their restructuring and remain on non-accrual until, in the opinion of management, collection of remaining principal and interest is reasonably assured, and upon collection of six consecutive scheduled payments.

CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

Purchased credit impaired ("PCI") loans in pools that the Company may modify as TDRs are not within the scope of the accounting guidance for TDRs.

Other Newly Adopted Accounting Standards

The following pronouncements were issued by the Financial Accounting Standards Board ("FASB") and adopted by CIT as of January 1, 2018. Refer to Note 1 - Business and Summary of Significant Accounting Policies on Form 10-Q for the quarter ended March 31, 2018 for a detailed description of these pronouncements:

- ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.
- ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10).
- ASU 2016-16, Income Taxes (Topic 740): Intra - Entity Transfers of Assets Other Than Inventory.
- ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.
- ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.
- ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business.
- ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.
- ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting.
- ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.
- ASU 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities.

Recent Accounting Pronouncements

The following accounting pronouncements were issued by the FASB but are not yet effective for CIT.

Standard	Summary of Guidance	Effect on CIT's Financial Statements
ASU 2017-08, Receivables -Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities Issued March 2017	•ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. •The new guidance applies to all entities that hold investments in callable debt securities for which the amortized cost basis exceeds the amount repayable by the issuer at the earliest call date (i.e., at a premium). •This guidance must be adopted on a modified retrospective basis through a cumulative-effect	•Effective for CIT as of January 1, 2019. •Based on CIT's evaluation thus far, the adoption of this standard is not expected to have a material impact on CIT's consolidated financial statements as unamortized premiums on debt securities are immaterial. However, CIT will continue to assess new securities purchased

	adjustment to retained earnings.	in 2018. •CIT does not intend to early adopt this standard.
ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Shared-Based Payment Accounting Issued June 2018	•ASU 2018-07 supersedes ASC 505-50, Equity—Equity-Based Payments to Non-Employees and expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. As a result, most of the guidance in ASC 718 associated with employee share-based payments, including most of its requirements related to classification and measurement, applies to nonemployee share-based payment arrangement. •An entity should use a modified retrospective transition approach, with a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year, for all (1) liability-classified nonemployee awards that have not been settled as of the adoption date and (2) equity-classified nonemployee awards for which a measurement date has not been established.	•Effective for CIT as of January 1, 2019. •CIT is currently evaluating the impact of this standard on its consolidated financial statements and disclosures and does not intend to early adopt this standard.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

ASU 2016-02, Leases (Topic 842) Issued February 2016	•Lessees will need to recognize all leases longer than twelve months on the consolidated balance sheets as lease liabilities with corresponding right-of-use assets. For Income Statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit thresholds. •Lessor accounting remains similar to the current model, but updated to align with certain changes to the lessee model (e.g., certain definitions, such as initial direct costs, have been updated) and the new revenue recognition standard. Lease classifications by lessors are similar, operating, direct financing, or sales-type. •The ASU requires both quantitative and qualitative disclosures regarding key information about leasing arrangements. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Early adoption is permitted.	•Effective for CIT as of January 1, 2019. •CIT will need to determine the impact where it is both a lessee and a lessor: oLessor accounting: CIT is analyzing the impact of changes to the definition of 'initial direct costs' under the new guidance. The new standard has a narrower definition of initial direct costs, which will result in CIT recognizing increased upfront expenses offset by higher yield over the lease term. CIT is currently evaluating the bifurcation of certain non-lease components from lease revenue streams. If goods or services are determined to be a non-lease component and accounted for under ASC 606 or other applicable GAAP guidance, the income recognition may differ from current accounting. oLessee accounting: CIT is continuing to evaluate the impact of the amended guidance on its Condensed Consolidated Financial Statements. CIT expects to recognize right-of-use assets and lease liabilities for substantially all of its operating lease commitments based on the present value of unpaid lease payments as of the date of adoption. •CIT management has assembled a project committee to assess the impact of this guidance. Initial scoping and assessment is complete and CIT is continuing to evaluate the impact on its consolidated financial statements and disclosures.
ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	•Introduces a forward-looking "expected loss" model (the "Current Expected Credit Losses" ("CECL") model) to estimate credit losses to cover the full remaining expected life of the portfolio upon adoption, rather than the incurred loss model under current U.S. GAAP, on certain types of financial instruments.	•Effective for CIT as of January 1, 2020. •CIT management has established a project team and an oversight committee to assess the impact of this guidance and implement this standard. Initial gap assessment is complete and CIT is continuing to evaluate the impact on its consolidated financial statements and

Issued June 2016	•It eliminates existing guidance for PCI loans, and requires recognition of an allowance for expected credit losses on financial assets purchased with more than insignificant credit deterioration since origination. •It amends existing impairment guidance for AFS securities to incorporate an allowance, which will allow for reversals of impairment losses in the event that the credit of an issuer improves. •In addition, it expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the ALLL. •Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted (modified-retrospective approach).	disclosures. •While CIT is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements, it currently expects the ALLL to increase upon adoption given that the allowance will be required to cover the full remaining expected life of the portfolio upon adoption, rather than the incurred loss model under current U.S. GAAP. The extent of this increase is still being evaluated and will depend on economic conditions and the composition of CIT's loan and lease portfolios at adoption date.

CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 2 — DISCONTINUED OPERATIONS

Aerospace

As discussed in Note 2 — Discontinued Operations in our Annual Report on Form 10-K for the year ended December 31, 2017, the activity for 2017 in the following tables included Commercial Air, which was sold on April 4, 2017. The following condensed financial information also reflects the Business Air business for the quarter and six months ended June 30, 2018 and as of June 30, 2018 and December 31, 2017.The balances for the quarter and six months ended June 30, 2017 included both Business Air and Commercial Air.

Condensed Balance Sheet — Aerospace (dollars in millions)

	June 30, 2018	December 31, 2017
Net Loans	$134.1	$ 165.8
Operating lease equipment, net	—	18.4
Other assets	0.3	—
Assets of discontinued operations	$134.4	$ 184.2
Other liabilities	$6.9	$ 8.8
Liabilities of discontinued operations	$6.9	$ 8.8

Condensed Statement of Income — Aerospace (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income	$2.1	$3.6	$4.2	$23.8
Interest expense	0.9	1.4	1.9	97.3
Rental income on operating leases	—	2.0	0.5	308.7
Other income (losses)	0.2	—	(0.8)	13.4
Maintenance and other operating lease expenses	—	—	—	4.2
Operating expenses	0.5	13.7	0.8	38.6
Loss on debt extinguishment[(1)]	—	—	—	39.0
Income (loss) from discontinued operations before provision (benefit) for income taxes	0.9	(9.5)	1.2	166.8

Provision (benefit) for income taxes	0.2	(7.4)	0.3	70.7
Gain on sale of discontinued operations, net of taxes	—	107.2	—	119.9
Income from discontinued operations, net of taxes	$0.7	$105.1	$0.9	$216.0

(1) The Company repaid approximately $1 billion of secured borrowings in the first quarter of 2017 within discontinued operations and recorded a loss of $39 million in relation to the extinguishment of those borrowings.

Condensed Statement of Cash Flows — Aerospace (dollars in millions)

	Six Months Ended June 30,	
	2018	2017
Net cash flows (used in) provided by operations	$(0.9)	$31.7
Net cash flows provided by investing activities	49.9	10,194.7

Reverse Mortgage Servicing

The Financial Freedom business, a former division of CIT Bank that serviced reverse mortgage loans, was acquired in conjunction with the OneWest Transaction in 2015 and sold on May 31, 2018. As part of the Financial Freedom Transaction, the sale of the Financial Freedom business included all the operations, mortgage servicing rights and related servicing assets and liabilities. During the second quarter of 2018, CIT recognized a net pre-tax loss on disposal of the Financial Freedom business of $22 million in discontinued operations primarily related to reserves and transaction costs. CIT has agreed to indemnify the purchaser for potential loan defects and servicing deficiencies related to the transferred servicing rights, both of which are capped and subject to time limitations. See Note 1 – Business and Summary of Significant Accounting Policies for a description of the Financial Freedom Transaction.

At June 30, 2018, certain assets and liabilities of the Financial Freedom business were still held by CIT Bank after the sale until certain investor consents are received, although the economic benefit and risk of the business has been transferred to the buyer. At June 30, 2018, assets of discontinued operations primarily included Home Equity Conversion Mortgage ("HECM") loans. Liabilities included reverse mortgage servicing liabilities, secured borrowings and contingent liabilities.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

As a mortgage servicer of residential reverse mortgage loans prior to the sale of Financial Freedom, the Company is exposed to contingent liabilities for breaches of servicer obligations as set forth in industry regulations established by the Department of Housing and Urban Development ("HUD") and the Federal Housing Administration ("FHA") and in servicing agreements with the applicable counterparties, such as third party investors. Under these agreements, the servicer may be liable for failure to perform its servicing obligations, which could include fees imposed for failure to comply with foreclosure timeframe requirements established by servicing guides and agreements to which CIT is a party as the servicer of the loans. The Company had established reserves for contingent servicing-related liabilities for CIT's servicer obligation that shall remain in discontinued operations until the contingency is resolved. Separately, the Company had recognized an indemnification receivable from the FDIC of $29 million as of December 31, 2017 for covered servicing-related obligations related to reverse mortgage loans pursuant to the loss share agreement between CIT Bank and the FDIC related to the acquisition by OneWest Bank from the FDIC of certain assets of IndyMac Federal Bank FSB ("IndyMac") (the "IndyMac Transaction"). As of June 30, 2018, the indemnification receivable was reduced to zero as the contingent obligation for FDIC covered loans was no longer deemed probable pursuant to ASC 450 and related ASC 805. See the Company's Report on Form 10-K for the year ended December 31, 2017, Note 5 - Indemnification Assets, for further information.

Condensed Balance Sheet — Financial Freedom (dollars in millions)

	June 30, 2018	December 31, 2017
Total cash and deposits, all of which is restricted	$0.4	$ 7.7
Net Loans[1]	236.7	272.8
Other assets	10.9	36.6
Assets of discontinued operation	$248.0	$ 317.1
Secured borrowings[1]	$237.8	$ 268.2
Other liabilities[2]	106.2	232.3
Liabilities of discontinued operation	$344.0	$ 500.5

[1] Net loans primarily include $217.4 million and $267.2 million of securitized balances at June 30, 2018 and December 31, 2017, respectively. Secured borrowings primarily relate to those receivables.

[2] Other liabilities primarily include contingent liabilities and reverse mortgage servicing liabilities.

The results from discontinued operations for the quarters and six months ended June 30, 2018 and 2017 are presented below.

Condensed Statement of Income — Financial Freedom (dollars in millions)

	Quarters Ended June 30,	Six Months Ended June 30,

	2018	2017	2018	2017
Interest income[1]	$2.0	$2.7	$4.1	$5.5
Interest expense[1]	2.0	2.4	4.1	4.9
Other income (loss)[2]	4.3	(42.8)	11.0	(35.5)
Operating expenses (benefits)[3]	10.8	(59.6)	27.0	(36.9)
(Loss) income from discontinued operations before provision (benefit) for income taxes	(6.5)	17.1	(16.0)	2.0
Provision (benefit) for income taxes[4]	(1.6)	6.7	(4.2)	0.8
Loss on sale of discontinued operation, net of taxes	(16.3)	—	(16.3)	—
(Loss) income from discontinued operation, net of taxes	$(21.2)	$10.4	$(28.1)	$1.2

(1) Includes amortization for the premium associated with the HECM loans and related secured borrowings.

(2) For the quarter and six months ended June 30, 2017, other income included an impairment charge of approximately $50 million on the mortgage servicing liability.

(3) Operating expense is comprised of salaries and benefits, professional and legal services, and other expenses such as data processing, premises and equipment, and miscellaneous charges. For the quarter and six months ended June 30, 2017, operating expenses included a net release of the curtailment reserve of $111 million, partially offset by an increase of $40 million in other servicing-related reserves.

(4) For the quarters ended June 30, 2018 and 2017, the Company's tax rate for discontinued operation was 27% and 39%, respectively. For the six months ended June 30, 2018 and 2017, the Company's tax rate for discontinued operation was 27% and 42%, respectively.

Condensed Statement of Cash Flows — Financial Freedom (dollars in millions)

	Six Months Ended June 30,	
	2018	2017
Net cash flows provided by (used in) operations	$18.4	$(16.4)
Net cash flows provided by investing activities	5.9	53.9

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

Combined Results for Discontinued Operations

The following tables reflect the combined results of the discontinued operations. Details of the balances are discussed in prior tables.

Condensed Combined Balance Sheet (dollars in millions)

	June 30, 2018	December 31, 2017
Total cash and deposits	$0.4	$ 7.7
Net Loans	370.8	438.6
Operating lease equipment, net	—	18.4
Other assets	11.2	36.6
Assets of discontinued operations	$382.4	$ 501.3
Secured borrowings	$237.8	$ 268.2
Other liabilities	113.1	241.1
Liabilities of discontinued operations	$350.9	$ 509.3

Condensed Combined Statement of Income (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income	$4.1	$6.3	$8.3	$29.3
Interest expense	2.9	3.8	6.0	102.2
Rental income on operating leases	—	2.0	0.5	308.7
Other income (losses)	4.5	(42.8)	10.2	(22.1)
Maintenance and other operating lease expenses	—	—	—	4.2
Operating expenses	11.3	(45.9)	27.8	1.7
Loss on debt extinguishment	—	—	—	39.0
Income (loss) from discontinued operations before benefit (provision) for income taxes	(5.6)	7.6	(14.8)	168.8
(Benefit) provision for income taxes	(1.4)	(0.7)	(3.9)	71.5
(Loss) gain on sale of discontinued operations, net of taxes	(16.3)	107.2	(16.3)	119.9
Income (loss) from discontinued operations, net of taxes	$(20.5)	$115.5	$(27.2)	$217.2

Condensed Combined Statement of Cash Flows (dollars in millions)

	Six Months Ended June 30,	
	2018	2017
Net cash flows provided by operations	$17.5	$15.3
Net cash flows provided by investing activities	55.8	10,248.6

NOTE 3 — LOANS

Loans, excluding those reflected as discontinued operations, consist of the following:

Loans by Product (dollars in millions)

	June 30, 2018	December 31, 2017
Commercial loans	$20,930.3	$20,892.1
Direct financing leases and leveraged leases	2,572.5	2,685.8
Total commercial	23,502.8	23,577.9
Consumer loans	5,845.6	5,536.0
Total loans	29,348.4	29,113.9
Loans held for sale[(1)]	169.0	1,095.7
Loans and held for sale loans[(1)]	$29,517.4	$30,209.6

(1) Loans held for sale includes loans primarily related to portfolios in Commercial Banking, Consumer Banking and the China portfolio in Non-Strategic Portfolios ("NSP"). As discussed in subsequent tables, since the Company manages the credit risk and collections of loans held for sale consistently with its loans held for investment, the aggregate amount is presented in this table.

As part of the Financial Freedom Transaction, on May 31, 2018, CIT sold its reverse mortgage portfolio, comprised of loans and related OREO assets of $884 million and recognized a net pre-tax gain on the sale of $27 million in other non-interest income. The loans were included in loans held for sale in the above table at December 31, 2017. See Note 1 – Business and Summary of Significant Accounting Policies for a description of the Financial Freedom Transaction.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents loans, excluding loans held for sale, by segment, based on obligor location:

Loans (dollars in millions)

	June 30, 2018			December 31, 2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Commercial Banking	$21,436.7	$1,603.0	$23,039.7	$21,368.7	$1,790.6	$23,159.3
Consumer Banking(1)	6,308.7	—	6,308.7	5,954.6	—	5,954.6
Total	$27,745.4	$1,603.0	$29,348.4	$27,323.3	$1,790.6	$29,113.9

(1) The Consumer Banking segment includes certain commercial loans, primarily consisting of a portfolio of Small Business Administration ("SBA") loans. These loans are excluded from the Consumer loan balance and included in the Commercial loan balances in the tables throughout this note.

The following table presents selected components of the net investment in loans:

Components of Net Investment in Loans (dollars in millions)

	June 30, 2018	December 31, 2017
Unearned income	$(727.2)	$(727.8)
Unamortized premiums / (discounts)	15.4	3.7
Accretable yield on PCI loans	(972.8)	(1,063.7)
Net unamortized deferred costs and (fees)(1)	77.1	68.7

(1) Balance relates to the Commercial Banking segment.

Certain of the following tables present credit-related information at the “class” level in accordance with ASC 310-10-50, Disclosures about the Credit Quality of Finance Receivables and the Allowance for Credit Losses. A class is generally a disaggregation of a portfolio segment. In determining the classes, CIT considered the loan characteristics and methods it applies in monitoring and assessing credit risk and performance.

Credit Quality Information

The following table summarizes commercial loans by the risk ratings that bank regulatory agencies utilize to classify credit exposure and which are consistent with indicators the Company monitors. The consumer loan risk profiles are different from commercial loans, and use loan-to-value (“LTV”) ratios in rating the credit quality, and therefore are presented separately below.

Commercial Loans and Held for Sale Loans — Risk Rating by Class / Segment (dollars in millions)

Grade:	Pass	Special Mention	Classified- accruing	Classified- non-accrual	PCI Loans	Total
June 30, 2018						
Commercial Banking						
Commercial Finance	$8,020.3	$650.7	$ 1,089.1	$ 201.3	$ 8.9	$9,970.3
Real Estate Finance	4,843.6	177.2	246.9	2.4	39.2	5,309.3
Business Capital	7,023.8	401.4	285.7	48.7	—	7,759.6
Rail	118.2	1.1	1.2	—	—	120.5
Total Commercial Banking	20,005.9	1,230.4	1,622.9	252.4	48.1	23,159.7
Consumer Banking						
Other Consumer Banking(1)	410.2	14.9	35.2	0.7	2.1	463.1
Total Consumer Banking	410.2	14.9	35.2	0.7	2.1	463.1
Non- Strategic Portfolios	11.8	4.4	3.6	9.9	—	29.7
Total	$20,427.9	$1,249.7	$ 1,661.7	$ 263.0	$ 50.2	$23,652.5
December 31, 2017						
Commercial Banking						
Commercial Finance	$8,284.1	$640.9	$ 981.9	$ 134.8	$ 10.6	$10,052.3
Real Estate Finance	5,228.1	139.9	174.3	2.8	45.1	5,590.2
Business Capital	7,028.6	269.2	228.8	53.2	—	7,579.8
Rail	100.6	2.0	1.2	—	—	103.8
Total Commercial Banking	20,641.4	1,052.0	1,386.2	190.8	55.7	23,326.1
Consumer Banking						
Other Consumer Banking(1)	378.5	5.9	31.9	—	2.2	418.5
Total Consumer Banking	378.5	5.9	31.9	—	2.2	418.5
Non- Strategic Portfolios	35.7	7.6	10.2	9.8	—	63.3
Total	$21,055.6	$1,065.5	$ 1,428.3	$ 200.6	$ 57.9	$23,807.9

(1) Other Consumer Banking loans primarily consisted of SBA loans.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table provides a summary of the consumer portfolio credit quality. The amounts represent the carrying value, which differ from unpaid principal balances, and include the premiums or discounts and the accretable yield and non-accretable difference for PCI loans recorded in purchase accounting. Included in the consumer loans are “covered loans” for which the Company can be reimbursed for a substantial portion of future losses under the terms of loss sharing agreements with the FDIC.   Covered loans are limited to the Legacy Consumer Mortgage ("LCM") division. Covered loans are further discussed in our Form 10-K for the year ended December 31, 2017, Note 5 — Indemnification Assets.

Included in the consumer loan balances as of June 30, 2018 and December 31, 2017, were loans with terms that permitted negative amortization with an unpaid principal balance of $430 million and $484 million, respectively.

The table below summarizes the consumer loan LTV distribution and the covered loan held for investment balances as of June 30, 2018 and December 31, 2017 for single family residential mortgage loans.

Consumer Loan LTV Distribution (dollars in millions)

	Single Family Residential				Total
	Covered Loans		Non-covered Loans		Consumer
LTV Range	Non-PCI	PCI	Non-PCI	PCI	Loans
June 30, 2018					
Greater than 125%	$2.1	$126.6	$5.6	$—	$134.3
101% – 125%	5.7	224.5	4.2	—	234.4
80% – 100%	44.2	506.0	199.7	—	749.9
Less than 80%	1,187.1	918.2	2,613.1	7.9	4,726.3
Not Applicable(1)	—	—	0.7	—	0.7
Total	$1,239.1	$1,775.3	$2,823.3	$7.9	$5,845.6
December 31, 2017					
Greater than 125%	$2.7	$160.0	$7.7	$—	$170.4
101% – 125%	6.4	291.5	4.4	—	302.3
80% – 100%	77.4	566.2	137.3	—	780.9
Less than 80%	1,306.1	878.1	2,089.7	7.7	4,281.6
Not Applicable(1)	—	—	0.8	—	0.8
Total	$1,392.6	$1,895.8	$2,239.9	$7.7	$5,536.0

(1) Certain Consumer Loans do not have LTV's.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

Past Due and Non-accrual Loans

The table that follows presents portfolio delinquency status, regardless of accrual/non-accrual classification:

Loans and Held for Sale Loans - Delinquency Status (dollars in millions)

	Past Due 30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater	Total Past Due	Current[1]	PCI Loans[2]	Total
June 30, 2018							
Commercial Banking							
Commercial Finance	$1.4	$—	$89.8	$91.2	$9,870.2	$8.9	$9,970.3
Real Estate Finance	0.4	3.8	62.0	66.2	5,203.9	39.2	5,309.3
Business Capital	98.3	24.5	16.5	139.3	7,620.3	—	7,759.6
Rail	0.4	1.9	1.5	3.8	116.7	—	120.5
Total Commercial Banking	100.5	30.2	169.8	300.5	22,811.1	48.1	23,159.7
Consumer Banking							
Legacy Consumer Mortgages	37.7	6.6	39.7	84.0	1,187.1	1,783.2	3,054.3
Other Consumer Banking	25.0	1.0	0.6	26.6	3,245.0	2.1	3,273.7
Total Consumer Banking	62.7	7.6	40.3	110.6	4,432.1	1,785.3	6,328.0
Non-Strategic Portfolios	0.3	3.4	9.1	12.8	16.9	—	29.7
Total	$163.5	$41.2	$219.2	$423.9	$27,260.1	$1,833.4	$29,517.4
December 31, 2017							
Commercial Banking							
Commercial Finance	$4.5	$—	$49.3	$53.8	$9,987.9	$10.6	$10,052.3
Real Estate Finance	8.7	—	4.1	12.8	5,532.3	45.1	5,590.2
Business Capital	172.2	33.4	19.1	224.7	7,355.1	—	7,579.8
Rail	3.9	1.4	0.8	6.1	97.7	—	103.8
Total Commercial Banking	189.3	34.8	73.3	297.4	22,973.0	55.7	23,326.1
Consumer Banking							
Legacy Consumer Mortgages	26.7	7.6	34.8	69.1	2,219.5	1,903.5	4,192.1
Other Consumer Banking	9.6	0.5	0.4	10.5	2,615.4	2.2	2,628.1
Total Consumer Banking	36.3	8.1	35.2	79.6	4,834.9	1,905.7	6,820.2
Non-Strategic Portfolios	1.8	7.7	9.4	18.9	44.4	—	63.3
Total	$227.4	$50.6	$117.9	$395.9	$27,852.3	$1,961.4	$30,209.6

(1) As of June 30, 2018, the reverse mortgage loans were sold. As of December 31, 2017, due to their nature, reverse mortgage loans are included in Current, as they do not have contractual payments due at a specified time. During the first quarter of 2018, an immaterial error was discovered and corrected relating to the December 31, 2017 Current balance for Legacy Consumer Mortgage, which was understated by $861 million, and the Current balance for Other Consumer Banking, which was overstated by $861 million. The current presentation reflects the revised Current balances at December 31, 2017.

(2) PCI loans are written down at acquisition to their fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as past due or non-accrual even though they may be contractually past due as we expect to fully collect the new carrying values.

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CIT Group Inc. and Subsidiaries – Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table sets forth non-accrual loans, assets received in satisfaction of loans (OREO and repossessed assets) and loans 90 days or more past due and still accruing.

Loans on Non-Accrual Status (dollars in millions)[1]

	June 30, 2018			December 31, 2017		
	Held for Investment	Held for Sale	Total	Held for Investment	Held for Sale	Total
Commercial Banking						
Commercial Finance	$201.3	$—	$201.3	$134.8	$—	$134.8
Real Estate Finance	2.4	—	2.4	2.8	—	2.8
Business Capital	48.7	—	48.7	53.2	—	53.2
Total Commercial Banking	252.4	—	252.4	190.8	—	190.8
Consumer Banking						
Legacy Consumer Mortgages	28.1	—	28.1	19.9	—	19.9
Other Consumer Banking	1.1	—	1.1	0.4	—	0.4
Total Consumer Banking	29.2	—	29.2	20.3	—	20.3
Non-Strategic Portfolios	—	9.9	9.9	—	9.8	9.8
Total	$281.6	$9.9	$291.5	$211.1	$9.8	$220.9
Repossessed assets and OREO			36.6			54.6
Total non-performing assets			$328.1			$275.5
Commercial loans past due 90 days or more accruing			$94.0			$11.7
Consumer loans past due 90 days or more accruing			15.8			20.2
Total Accruing loans past due 90 days or more			$109.8			$31.9

[1] Factored receivables within our Business Capital division do not accrue interest and therefore are not considered within non-accrual loan balances; however factored receivables are considered for credit provisioning purposes.

Payments received on non-accrual financing receivables are generally applied first against outstanding principal, though in certain instances where the remaining recorded investment is deemed fully collectible, interest income is recognized on a cash basis. Reverse mortgages are not included in the non-accrual balances.

The table below summarizes the residential mortgage loans in the process of foreclosure and OREO:

Loans in Process of Foreclosure and OREO (dollars in millions)[1]

	June 30, 2018	December 31, 2017
PCI	$121.2	$ 133.7
Non-PCI	15.0	140.9
Loans in process of foreclosure	$136.2	$ 274.6
OREO	$32.2	$ 52.1

(1) As of June 30, 2018, the reverse mortgage portfolio was sold. As of December 31, 2017, the table included $122.5 million of reverse mortgage loans in the process of foreclosure and $21.0 million of reverse mortgage OREO.

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Impaired Loans

The following table contains information about impaired loans and the related allowance for loan losses by class. Impaired loans exclude PCI loans. Loans that were identified as impaired at the date of the OneWest Transaction (the "Acquisition Date") for which the Company is applying the income recognition and disclosure guidance in ASC 310-30 (Loans and Debt Securities Acquired with Deteriorated Credit Quality), are not included in the following table but are disclosed further below in Loans Acquired with Deteriorated Credit Quality.

Impaired Loans (dollars in millions)

				Average Recorded Investment(3)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Quarter Ended June 30, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
June 30, 2018							
With no related allowance recorded:							
Commercial Banking							
Commercial Finance	$ 59.5	$ 80.9	$ —	$ 75.1	$ 67.5	$ 67.4	$ 63.1
Business Capital	8.0	9.9	—	9.5	6.4	10.2	4.5
Real Estate Finance	2.4	2.4	—	1.2	0.7	0.8	0.7
With an allowance recorded:							
Commercial Banking							
Commercial Finance	144.5	155.8	32.8	109.6	135.1	105.1	137.7
Business Capital	10.6	10.6	4.0	9.3	23.2	9.7	17.7
Real Estate Finance	—	—	—	—	2.9	0.9	7.5
Total Impaired Loans(1)	225.0	259.6	36.8	204.7	235.8	194.1	231.2
Total Loans Impaired at Acquisition Date(2)	1,833.4	2,685.8	20.1	1,866.2	2,243.3	1,897.9	2,278.8
Total	$ 2,058.4	$ 2,945.4	$ 56.9	$ 2,070.9	$ 2,479.1	$ 2,092.0	$ 2,510.0
December 31, 2017							
With no related allowance recorded:							
Commercial Banking							
Commercial Finance	$ 51.9	$ 72.7	$ —	$ 59.9			
Business Capital	11.7	13.4	—	5.7			
Real Estate Finance	—	—	—	0.4			
With an allowance recorded:							
Commercial Banking							
Commercial Finance	95.9	96.1	21.3	136.6			

Business Capital	10.5	10.5	4.3	14.2
Real Estate Finance	2.7	2.8	0.4	5.6
Total Impaired Loans(1)	172.7	195.5	26.0	222.4
Total Loans Impaired at Acquisition Date(2)	1,961.4	2,870.2	19.1	2,168.8
Total	$ 2,134.1	$ 3,065.7	$ 45.1	$ 2,391.2

(1) Interest income recorded for the quarter and six months ended June 30, 2018 while the loans were impaired was $0.4 million and $0.7 million, respectively, of which none was recognized using the cash-basis method of accounting. Interest income recorded for the year ended December 31, 2017 while the loans were impaired was $2.4 million, of which none was recognized using the cash-basis method of accounting.

(2) Details of finance loans that were identified as impaired at the Acquisition Date are presented under Loans Acquired with Deteriorated Credit Quality.

(3) Average recorded investment for the quarters and six months ended June 30, 2018, and June 30, 2017 and year ended December 31, 2017.

Loans Acquired with Deteriorated Credit Quality

The Company applied the income recognition and disclosure guidance in ASC 310-30 (Loans and Debt Securities Acquired with Deteriorated Credit Quality) to loans that were identified as impaired as of the Acquisition Date. PCI loans were initially recorded at estimated fair value with no allowance for loan losses carried over, since the initial fair values reflected credit losses expected to be incurred over the remaining lives of the loans. The acquired loans are subject to the Company's internal credit review. See Note 4 — Allowance for Loan Losses.

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Purchased Credit Impaired Loans (dollars in millions)

June 30, 2018	Unpaid Principal Balance	Carrying Value	Allowance for Loan Losses
Commercial Banking			
Commercial Finance	$14.7	$8.9	$ 0.8
Real Estate Finance	48.1	39.2	7.9
Consumer Banking			
Other Consumer Banking	2.8	2.1	—
Legacy Consumer Mortgages	2,620.2	1,783.2	11.4
	$2,685.8	$1,833.4	$ 20.1
December 31, 2017			
Commercial Banking			
Commercial Finance	$16.4	$10.6	$ 0.7
Real Estate Finance	60.1	45.1	7.0
Consumer Banking			
Other Consumer Banking	3.0	2.2	—
Legacy Consumer Mortgages	2,790.7	1,903.5	11.4
	$2,870.2	$1,961.4	$ 19.1

The following table summarizes the carrying value of commercial PCI loans within Commercial Banking, which are monitored for credit quality based on internal risk classifications. See previous table Consumer Loan LTV Distribution for credit quality metrics on consumer PCI loans.

	June 30, 2018			December 31, 2017		
(dollars in millions)	Non-criticized	Criticized	Total	Non-criticized	Criticized	Total
Commercial Finance	$—	$ 8.9	$8.9	$—	$ 10.6	$10.6
Real Estate Finance	16.4	22.8	39.2	21.8	23.3	45.1
Total	$16.4	$ 31.7	$48.1	$21.8	$ 33.9	$55.7

Non-criticized loans generally include loans that are expected to be repaid in accordance with contractual loan terms. Criticized loans are risk rated as special mention or classified.

Accretable Yield

See CIT's Annual Report on Form 10-K for the year ended December 31, 2017, Note 1 — Business and Summary of Significant Accounting Policies for further details.

Changes in the accretable yield for PCI loans are summarized below.

Change in Accretable Yield (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance, beginning of period	$1,016.3	$1,233.7	$1,063.7	$1,261.4
Accretion into interest income	(41.6)	(53.7)	(85.6)	(106.3)
Reclassification from non-accretable difference	0.3	0.3	0.8	33.7
Disposals and Other	(2.2)	(4.3)	(6.1)	(12.8)
Balance, end of period	$972.8	$1,176.0	$972.8	$1,176.0

Troubled Debt Restructuring

The Company periodically modifies the terms of loans in response to borrowers' difficulties. Modifications that include a financial concession to the borrower are accounted for as TDRs. See the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for discussion of policies on TDRs.

At June 30, 2018, the loans in trial modification period were $8.5 million under proprietary programs. Trial modifications with a recorded investment of $7.5 million at June 30, 2018 were accruing loans and $1.0 million were non-accruing loans. At December 31, 2017, the loans in trial modification period were $0.3 million under HAMP and $12.2 million under proprietary programs. Trial modifications with a recorded investment of $12.3 million at December 31, 2017, were accruing loans and $0.2 million were non-accruing loans. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

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The recorded investment of TDRs, excluding those classified as PCI and those within a trial modification period discussed in the preceding paragraph, at June 30, 2018 and December 31, 2017 was $82.7 million and $103.5 million, of which 55% and 63%, respectively, were on non-accrual. See the preceding paragraph on discussion related to TDRs in a trial modification period. Commercial Banking and Consumer Banking receivables accounted for 80% and 20% of the total TDRs, respectively, at June 30, 2018. Commercial Banking and Consumer Banking receivables accounted for 83% and 17% of the total TDRs, respectively at December 31, 2017. There were $13.3 million and $13.4 million as of June 30, 2018 and December 31, 2017, respectively, of commitments to lend additional funds to borrowers whose loan terms have been modified in TDRs.

The recorded investment related to modifications qualifying as TDRs that occurred during the quarters ended June 30, 2018 and 2017 were $25.8 million and $18.7 million and $48.4 million and $92.7 million for the six months ended June 30, 2018, respectively. The recorded investment as of June 30, 2018 and 2017 of TDRs that experienced a payment default (payment default is one missed payment), during the quarters ended June 30, 2018 and 2017, and for which the payment default occurred within one year of the modification totaled $8.1 million and $64.0 million, respectively, and $8.6 million and $65.6 million for the six months ended June 30, 2018 and 2017, respectively. The defaults that occurred during the current quarter and year to date related to Commercial Banking and Consumer Banking.

The financial impact of the various modification strategies that the Company employs in response to borrower difficulties is described below. While the discussion focuses on the June 30, 2018 amounts, the overall nature and impact of modification programs were comparable in the prior year.

The nature of modifications qualifying as TDR's based upon recorded investment at June 30, 2018 was comprised of payment deferrals for 36% and covenant relief and/or other for 64%. At December 31, 2017, TDR recorded investment was comprised of payment deferrals for 31% and covenant relief and/or other for 69%.

Payment deferrals result in lower net present value of cash flows, if not accompanied by additional interest or fees, and increased provision for credit losses to the extent applicable. The financial impact of these modifications is not significant given the moderate length of deferral periods.

Interest rate reductions result in lower amounts of interest being charged to the customer, but are a relatively small part of the Company's restructuring programs. The weighted average change in interest rates for all TDRs occurring during the quarters ended June 30, 2018 and 2017 was not significant.

Debt forgiveness, or the reduction in amount owed by borrower, results in incremental provision for credit losses, in the form of higher charge-offs. While these types of modifications have the greatest individual impact on the allowance, the amounts of principal forgiveness for TDRs occurring during quarters ended June 30, 2018 and 2017 was not significant, as debt forgiveness is a relatively small component of the Company's modification programs.

The other elements of the Company's modification programs that are not TDRs, do not have a significant impact on financial results given their relative size, or do not have a direct financial impact, as in the case of covenant changes.

Serviced Loans

The Company services HECM reverse mortgage loans sold to Government Sponsored Enterprises (Fannie Mae) and securitized in GNMA HECM mortgage-backed securities ("HMBS") pools. HECM loans transferred into the HMBS program have not met all the requirements for sale accounting, and therefore, the Company has accounted for these transfers as a financing transaction with the loans remaining on the Company's statement of financial position and the proceeds received are recorded as a secured borrowing. The pledged loans and secured borrowings are reported in Assets of discontinued operations and Liabilities of discontinued operations, respectively.

As servicer of HECM loans, the Company is required to repurchase loans out of the HMBS pool upon completion of foreclosure or once the outstanding principal balance is equal to or greater than 98% of the maximum claim amount. These HECM loans are repurchased at a price equal to the unpaid principal balance outstanding on the loan plus accrued interest. The repurchase transaction represents extinguishment of debt classified in discontinued operations. Although permitted under the GNMA HMBS program, the Company does not conduct optional repurchases upon the loan reaching a maturity event (i.e. borrower's death or the property ceases to be the borrower's principal residence). Although the sale of Financial Freedom was completed in May 2018 with the economic benefit and risk of the business transferred to the buyer, GNMA consent remains outstanding. Upon obtaining (GNMA) consent to servicing transfer, CIT shall no longer have this obligation. See Note 2 — Discontinued Operations.

As of December 31, 2017, the Company had an outstanding balance of $136.3 million of HECM loans, with unpaid principal balance of $177.6 million, all of which were classified as AHFS.

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NOTE 4 — ALLOWANCE FOR LOAN LOSSES

The Company maintains an allowance for loan losses for estimated credit losses in its HFI loan portfolio.

Allowance for Loan Losses and Recorded Investment in Loans (dollars in millions)

	Commercial Banking	Consumer Banking	Total	Commercial Banking	Consumer Banking	Total
	Quarter Ended June 30, 2018			Quarter Ended June 30, 2017		
Balance - beginning of period	$417.2	$30.4	$447.6	$424.0	$24.6	$448.6
Provision for credit losses	33.2	(0.3)	32.9	(0.2)	4.6	4.4
Other[1]	2.1	—	2.1	1.0	(0.3)	0.7
Gross charge-offs[2]	(24.6)	(0.8)	(25.4)	(32.3)	(0.9)	(33.2)
Recoveries	9.9	0.2	10.1	5.3	0.2	5.5
Balance - end of period	$437.8	$29.5	$467.3	$397.8	$28.2	$426.0
	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
Balance - beginning of period	$402.2	$28.9	$431.1	$408.4	$24.2	$432.6
Provision for credit losses	100.4	1.3	101.7	49.0	5.1	54.1
Other[1]	(0.3)	—	(0.3)	(5.2)	(0.3)	(5.5)
Gross charge-offs[2]	(79.2)	(1.3)	(80.5)	(64.7)	(1.5)	(66.2)
Recoveries	14.7	0.6	15.3	10.3	0.7	11.0
Balance - end of period	$437.8	$29.5	$467.3	$397.8	$28.2	$426.0
	Allowance balance at June 30, 2018			Allowance balance at June 30, 2017		
Loans individually evaluated for impairment	$36.8	$-	$36.8	$33.4	$-	$33.4
Loans collectively evaluated for impairment	392.3	18.1	410.4	357.0	17.9	374.9
Loans acquired with deteriorated credit quality[3]	8.7	11.4	20.1	7.4	10.3	17.7
Allowance for loan losses	$437.8	$29.5	$467.3	$397.8	$28.2	$426.0
Other reserves[1]	$44.7	$-	$44.7	$49.0	$-	$49.0
	Loans at June 30, 2018			Loans at June 30, 2017		
Loans individually evaluated for impairment	$225.0	$-	$225.0	$231.6	$-	$231.6
Loans collectively evaluated for impairment	22,766.6	4,523.4	27,290.0	22,008.6	4,587.0	26,595.6
Loans acquired with deteriorated credit quality[3]	48.1	1,785.3	1,833.4	101.0	2,103.5	2,204.5
Ending balance	$23,039.7	$6,308.7	$29,348.4	$22,341.2	$6,690.5	$29,031.7

Percent of loans to total loans	78.5	%	21.5	%	100.0	%	77.0	%	23.0	%	100.0	%

(1) "Other reserves" represents credit loss reserves for unfunded lending commitments, letters of credit and deferred purchase agreements, all of which is recorded in Other liabilities. "Other" also includes allowance for loan losses associated with loan sales and foreign currency translations.

(2) Gross charge-offs of amounts specifically reserved in prior periods that were charged directly to the Allowance for loan losses included $5.4 million and $8.0 million for the quarter and six months ended June 30, 2018, respectively, and $16.8 million and $31.6 million for the quarter and six months ended June 30, 2017, respectively. The charge-offs related to Commercial Banking for all periods.

(3) Represents loans considered impaired as part of the OneWest transaction and are accounted for under the guidance in ASC 310-30 (Loans and Debt Securities Acquired with Deteriorated Credit Quality).

NOTE 5 — INVESTMENT SECURITIES

Investments include debt and equity securities.

Investment Securities (dollars in millions)

	June 30, 2018	December 31, 2017
Available for sale securities		
Debt securities	$5,559.2	$6,123.6
Securities carried at fair value with changes recorded in net income		
Debt securities	—	0.4
Equity securities(1)	44.1	44.7
Non-marketable investments(2)	304.1	301.2
Total investment securities	$5,907.4	$6,469.9

(1) Upon the adoption of ASU 2016-01 - Financial Instruments as of January 1, 2018, these investments were reclassified from available for sale securities category and the presentation of equity securities as of December 31, 2017 is conformed accordingly. For details refer to Note 1 — Business and Summary of Significant Accounting Policies.

(2) Non-marketable investments include restricted stock of the FRB and Federal Home Loan Bank ("FHLB") carried at cost of $253.8 million at June 30, 2018, and $258.9 million at December 31, 2017. The remaining non-marketable investments totaled $50.3 million as of June 30, 2018, and $42.3 million at December 31, 2017. These investments include ownership interests greater than 3% in limited partnership investments including qualified Community Reinvestment Act ("CRA") investments, equity fund holdings and shares issued by customers during loan work out situations or as part of original loan investments. Investments under the equity method and other equity investments without readily determinable fair values measured under the measurement exception totaled $42.1 million and $8.2 million at June 30, 2018 and $31.6 million and $10.7 million at December 31, 2017 respectively.

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Realized investment gains totaled $4.1 million and $0.5 million for the quarters ended June 30, 2018 and 2017, respectively, and $8.2 million and $0.5 million for the six months ended June 30, 2018 and 2017, respectively, and exclude losses from other than temporary impairment ("OTTI").

In addition, the Company had $3.3 billion and $1.4 billion of interest bearing deposits at banks at June 30, 2018 and December 31, 2017, respectively, which are cash and cash equivalents and are classified separately on the balance sheet.

The following table presents interest and dividends on interest bearing deposits and investments:

Interest and Dividend Income (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income — debt securities	$38.8	$30.6	$79.4	$58.4
Interest income — interest bearing deposits	16.0	23.8	23.0	36.3
Dividends — equity securities	3.3	2.5	6.0	5.8
Total interest and dividends	$58.1	$56.9	$108.4	$100.5

The following table presents amortized cost and fair value of securities available for sale ("AFS").

Amortized Cost and Fair Value (dollars in millions)

June 30, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities AFS				
Mortgage-backed securities				
U.S. government agency securities	$ 4,961.5	$ 0.6	$ (158.0)	$4,804.1
Non-agency securities	93.0	8.4	(0.1)	101.3
Commercial agency	54.7	0.3	—	55.0
U.S. government agency obligations	25.0	—	(0.5)	24.5
U.S. Treasury securities	452.7	—	(5.7)	447.0
Supranational securities	50.0	—	(1.0)	49.0
State & municipal bonds	12.0	—	(0.5)	11.5
Corporate bonds - foreign	65.7	1.1	—	66.8
Total debt securities AFS	$ 5,714.6	$ 10.4	$ (165.8)	$5,559.2

December 31, 2017				
Debt securities AFS				
Mortgage-backed securities				
U.S. government agency securities	$ 5,010.2	$ 2.1	$ (62.1)	$4,950.2
Non-agency securities	297.3	21.7	(0.5)	318.5
U.S. government agency obligations	25.0	—	(0.2)	24.8
U.S. Treasury securities	297.7	0.2	(0.2)	297.7
Supranational securities	449.8	—	(0.3)	449.5
State & municipal bonds	16.2	—	(0.4)	15.8
Corporate bonds - foreign	65.7	1.4	—	67.1
Total debt securities AFS	$ 6,161.9	$ 25.4	$ (63.7)	$6,123.6

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The following table presents the debt securities AFS by contractual maturity dates:

Maturities - Debt Securities AFS (dollars in millions)

	June 30, 2018			
	Amortized Cost	Fair Value	Weighted Average Yield	
Mortgage-backed securities — U.S. government agency securities				
After 5 but within 10 years	$235.1	$229.4	2.24	%
Due after 10 years	4,726.4	4,574.7	2.61	%
Total	4,961.5	4,804.1	2.59	%
Mortgage-backed securities — non-agency securities				
Due after 10 years	93.0	101.3	5.95	%
Total	93.0	101.3	5.95	%
Mortgage-backed securities — commercial agency				
After 5 but within 10 years	34.7	34.8	3.52	%
Due after 10 years	20.0	20.2	2.35	%
Total	54.7	55.0	3.09	%
U.S. government agency obligations				
After 1 but within 5 years	25.0			