



A Division of First Citizens Bank

# Market Overview

**National Grain Car Council Meeting**

**Jon Mudronja - VP, Business Intelligence**  
**August 15, 2023**

# Agenda

## Corporate Introduction

CIT Rail within FCB

## Rail Market Overview

Our Fleet and Competitiveness

Current Market Landscape

Positioning for the Long Haul

## Q&A



# First Citizens Business Segments

Together with SVB, First Citizens business segments provide a broad set of products, services and expertise organized around a client-centric model.

Segment	FCB Commercial Bank	FCB General Bank	SVB	Rail
<b>Business Segment Overview</b>	<ul style="list-style-type: none"> <li>• Focused on the needs of our commercial clients across their life-cycle.</li> <li>• Strong expertise and capabilities to facilitate client growth across industry verticals including Healthcare, TMT, Maritime financing and syndicated ABL.</li> <li>• Focus on financing and leasing options, real estate finance, factoring, ABL, treasury management, commercial digital capabilities and capital markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansive regional branch network supported by digital and Contact Center fulfillment.</li> <li>• Robust suite of products and services including lending and deposits, payments, investments, digital banking and more.</li> <li>• Focus on Bankcard, Merchant, SBA, Community Association Banking, Mortgage, Wealth and Private Banking.</li> <li>• Digital-only Direct Bank to provide frictionless, personalized banking experience.</li> </ul>	<p><b><u>SVB Commercial</u></b></p> <ul style="list-style-type: none"> <li>• Supports Technology &amp; Life Science/Healthcare clients from startups, to venture-backed growth companies, to large corporates.</li> <li>• Global Fund Banking offers lending, deposit and treasury management products to private equity and venture capital firms.</li> <li>• Provides options for investing in third-party money market mutual funds and fixed income securities through SVB Asset Management.</li> </ul> <p><b><u>SVB Private</u></b></p> <ul style="list-style-type: none"> <li>• Private banking and wealth management solutions for executives, investors and individuals in the innovation economy.</li> <li>• Provides working capital and vineyard loans to premium wine producers.</li> </ul>	<ul style="list-style-type: none"> <li>• One of the leading rail operating lessors in North America.</li> <li>• Clients include rail carriers, short line railroads and bulk commodity shippers.</li> <li>• Offers operating leases combined with value-added fleet management services.</li> <li>• Diverse fleet with broad market coverage.</li> <li>• Fleet car types include covered hoppers, tank cars, gondolas, boxcars, etc.</li> </ul>

# Introduction - CIT Rail



Headquarters in  
**Chicago, IL**

Currently at \$7.8B  
in railcars and locos  
Regional presence  
throughout North  
America



## Fleet Highlights

**Largest 286k GRL** fleet  
in North America  
**Diverse** fleet to serve our  
customers' needs  
**Locomotives** with both 4  
and 6-axle configurations

## Key Success Factors

Diverse Fleet  
Customer  
Relationships  
Consistent Buyer  
Portfolio Management





# Business Pillars

## Top Lessor

3<sup>rd</sup> largest fleet in North America

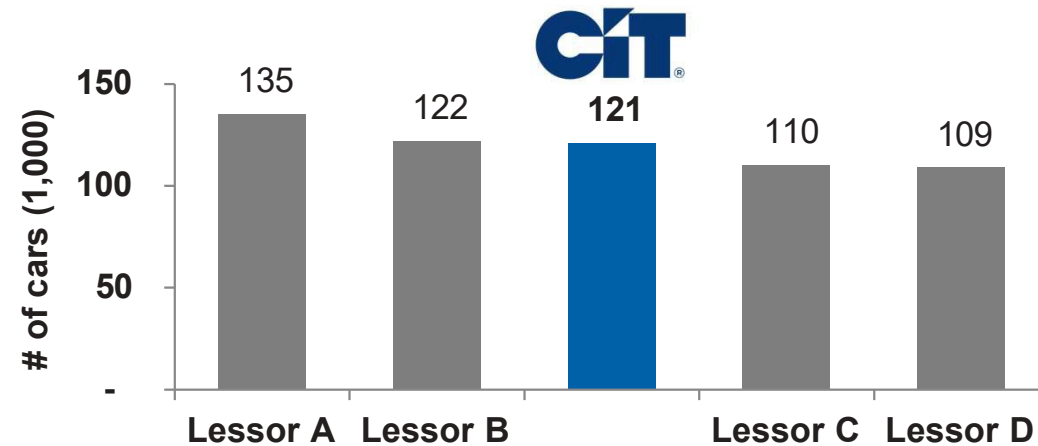
- Operating leverage enables growth
- Low average fleet age (15 years) vs. N.A. fleet (20 years)

## Efficient Fleet

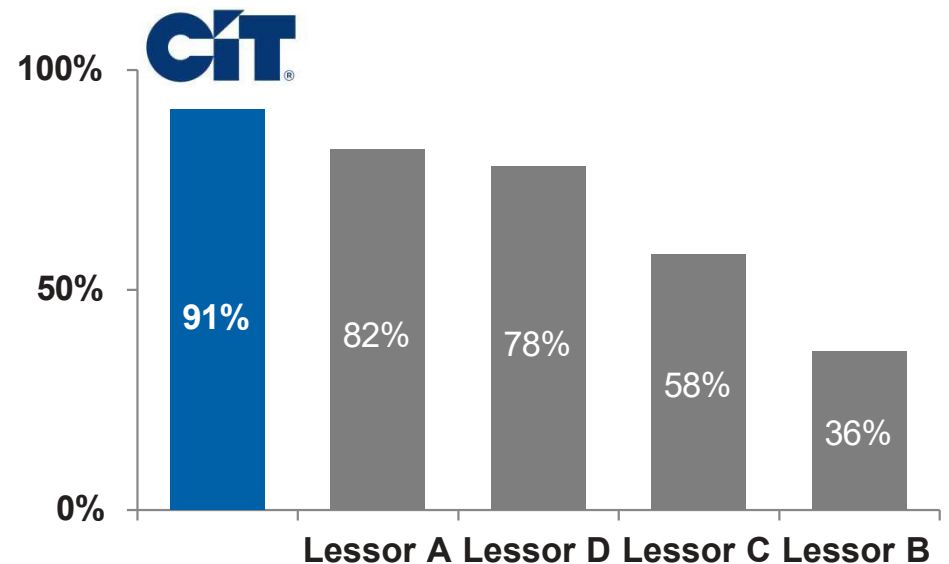
Younger, highest % of 286k GRL

- Loading efficiencies and productivity
- Lower operating and maintenance costs

### N.A. Railcar Lease Fleets



### 286k GRL Fleet %



# Business Pillars

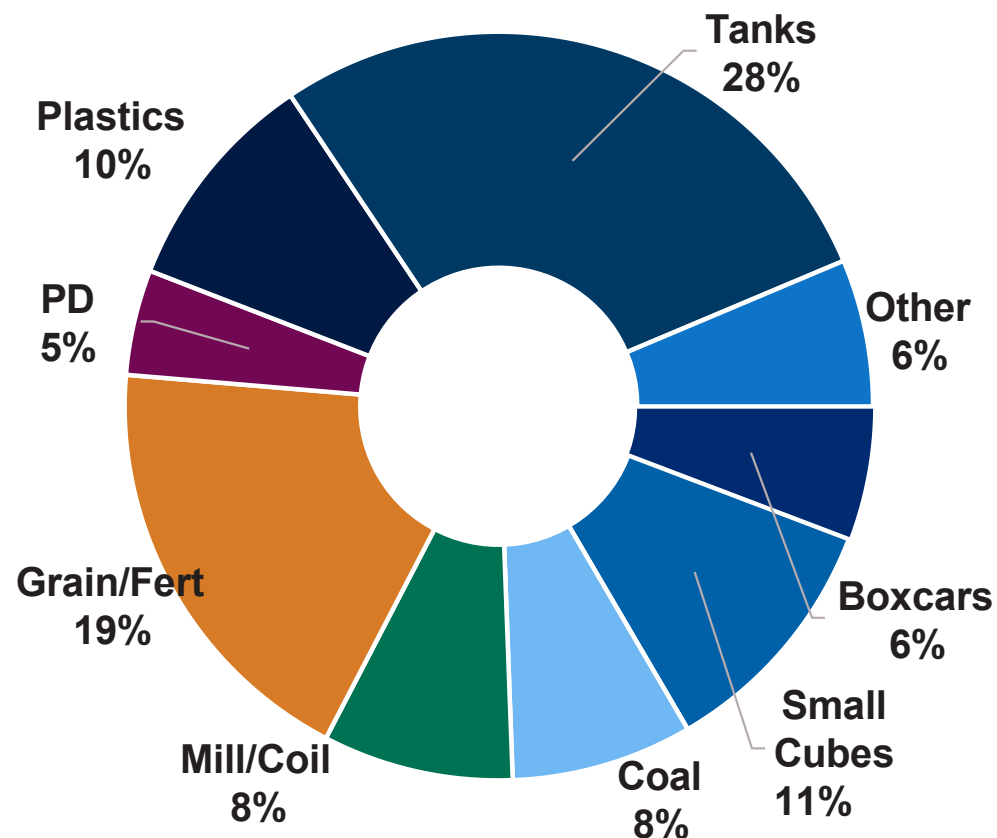
## Market Coverage

- Serve most bulk commodity industries
- Diverse car types *'one-stop shop'*
- Multiple lease structures with value-added fleet services

- **Broad geographic & industry presence**

Agriculture & Food	Mining
Automotive	Petrochemicals
Aggregates	Petroleum & Gas
Cement & Building Products	Plastics
Chemical	Steel & Metals
Coal & Utilities	Waste Products
Forest Product	

## Fleet Composition



## Building Partner Relationship Equity

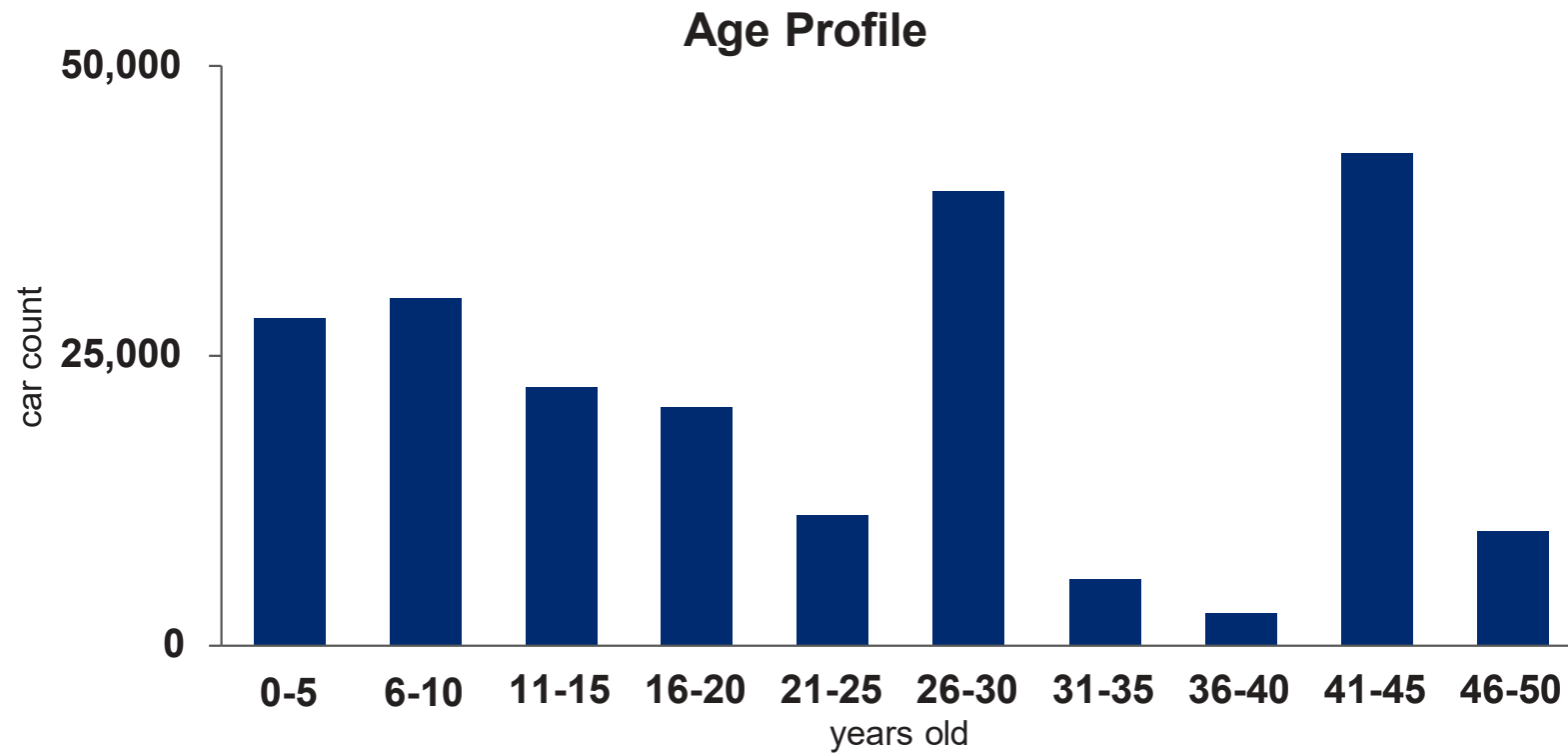
**Industry experience and partner touch points across the organization:**

Sales, Customer Service, Financial Operations, Sourcing, Documentation, and Mechanical

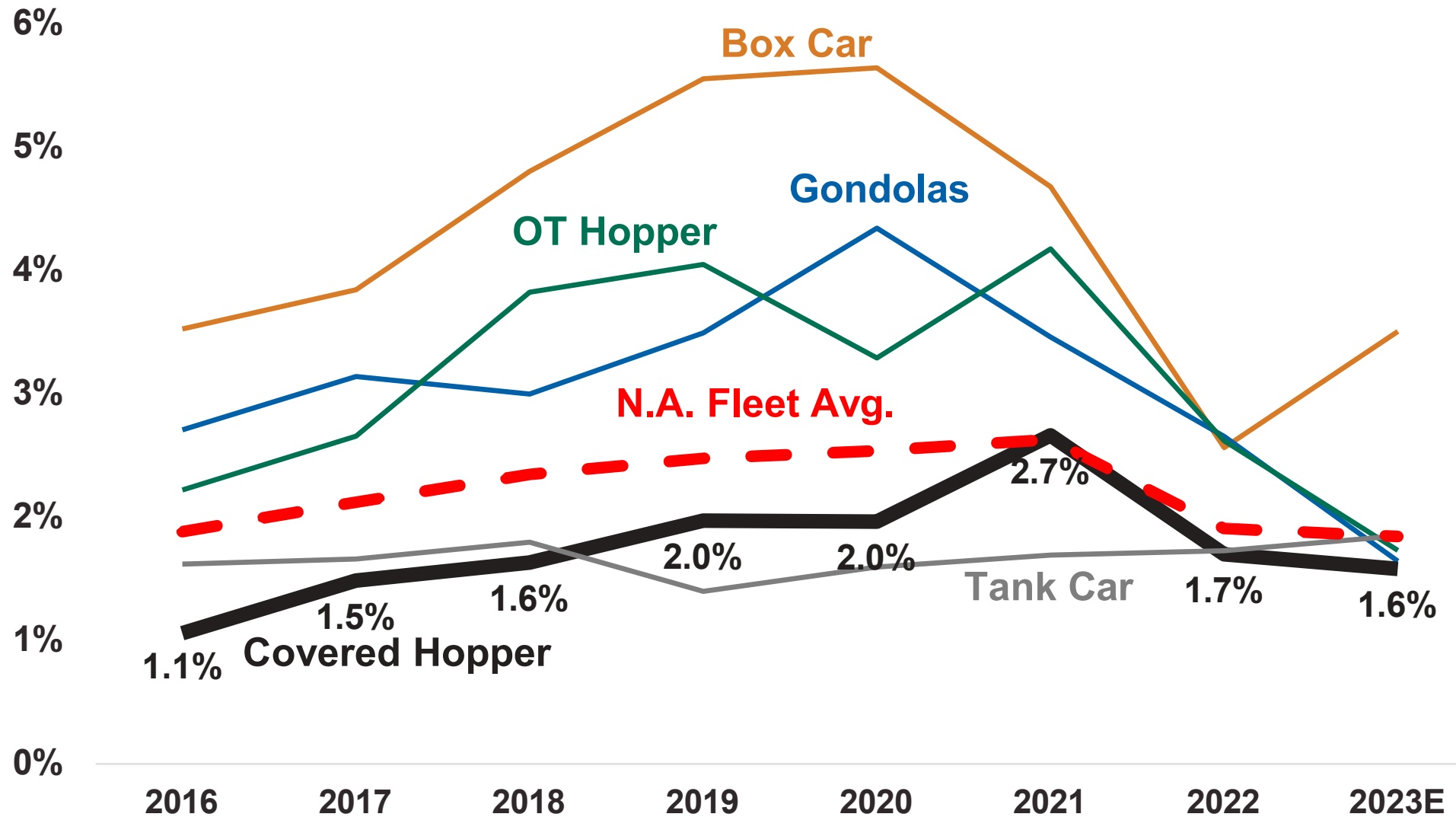
# State of the N.A. Fleet

## Grain gravity covered hoppers

- There are just shy of 215k cars, counting 4,550-5,800 cuft. designs.
- 90% of the fleet is owned by lessors and Class Is + short lines.
- 53% of this car class is 25 years or newer while 26% is 36 years or older.



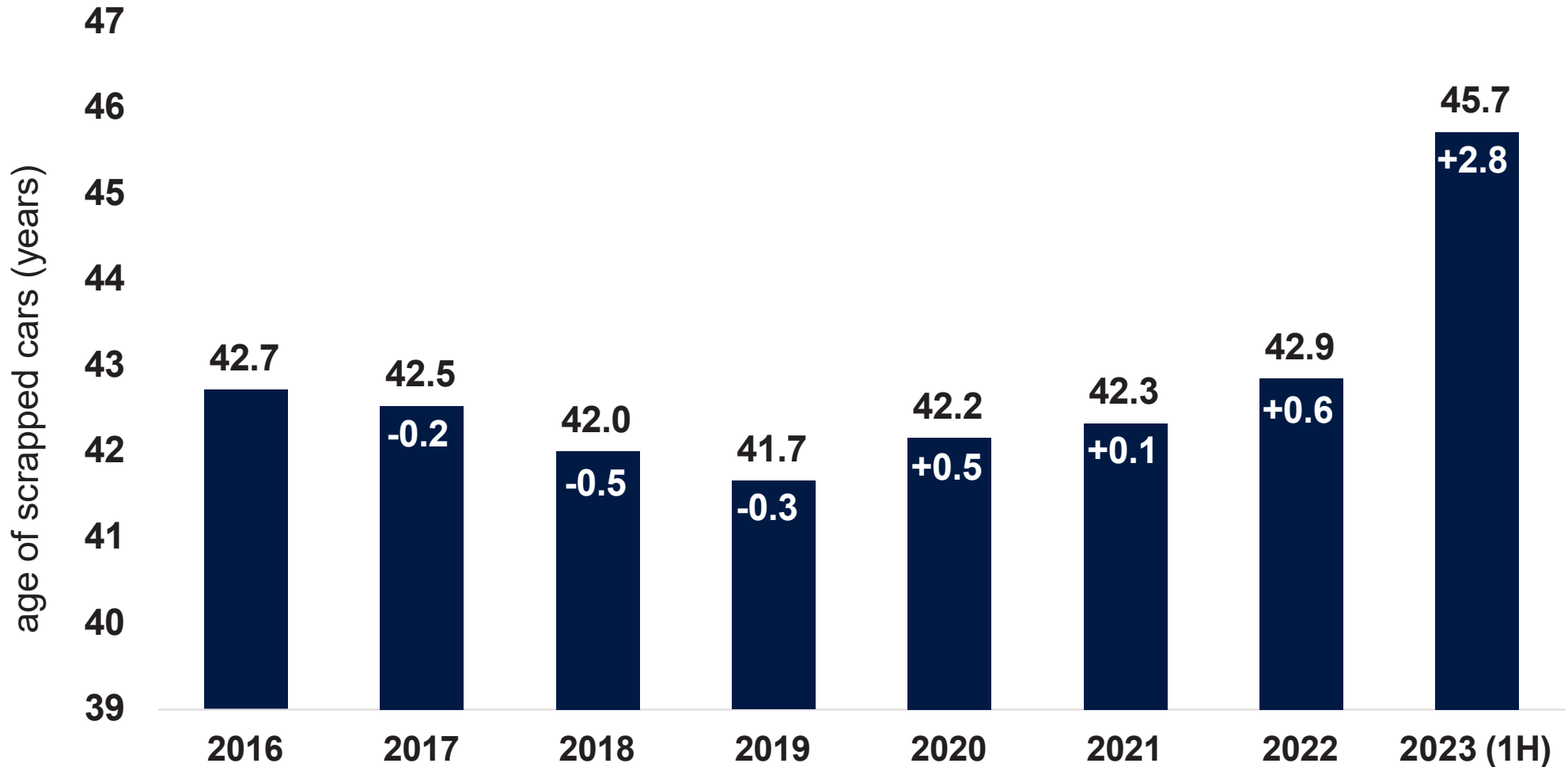
# Scrap Trends - Rate



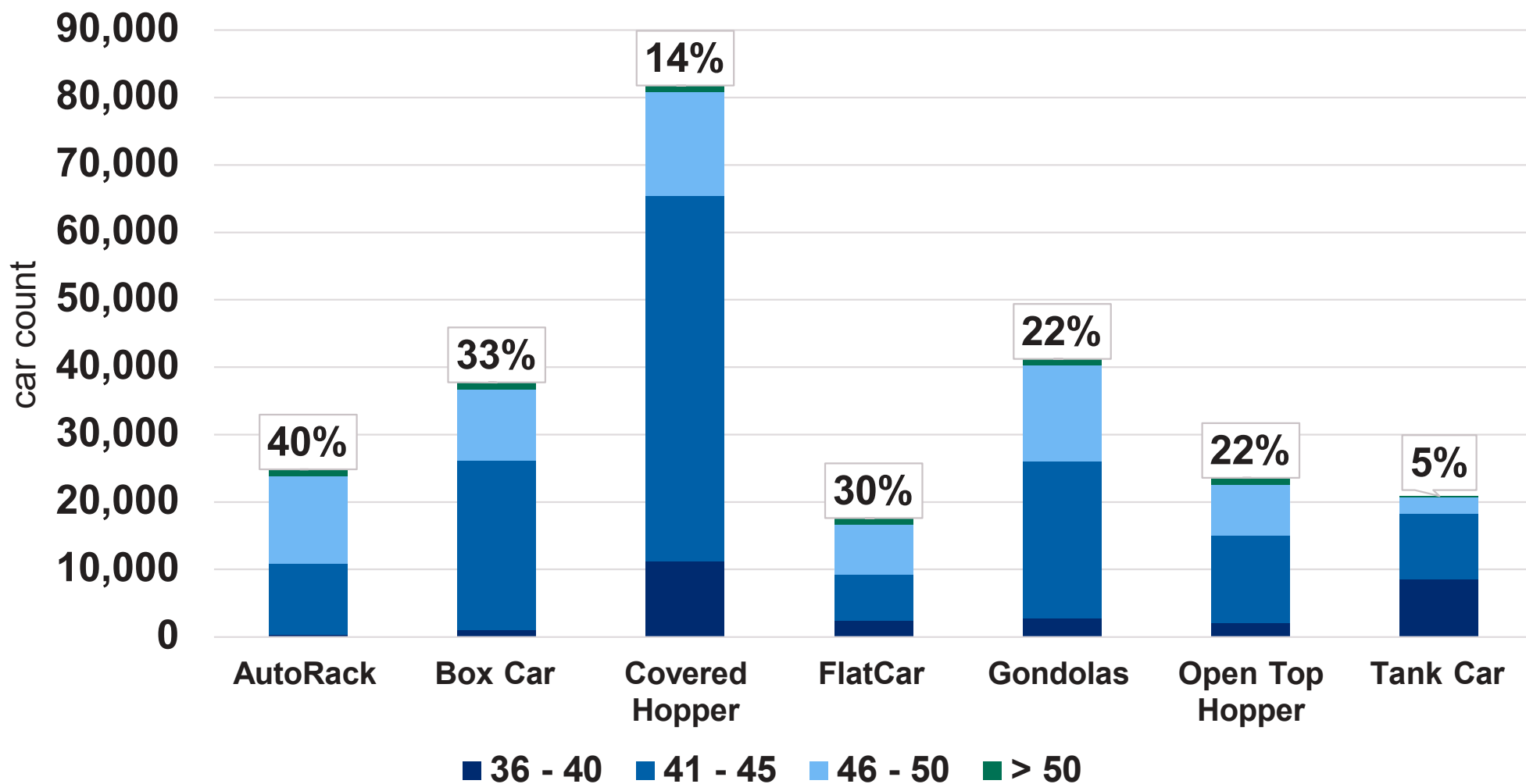


# Scrap Trends - Age

Medium cubes increasing sequentially since 2019



# New Build Outlook - Investment Need



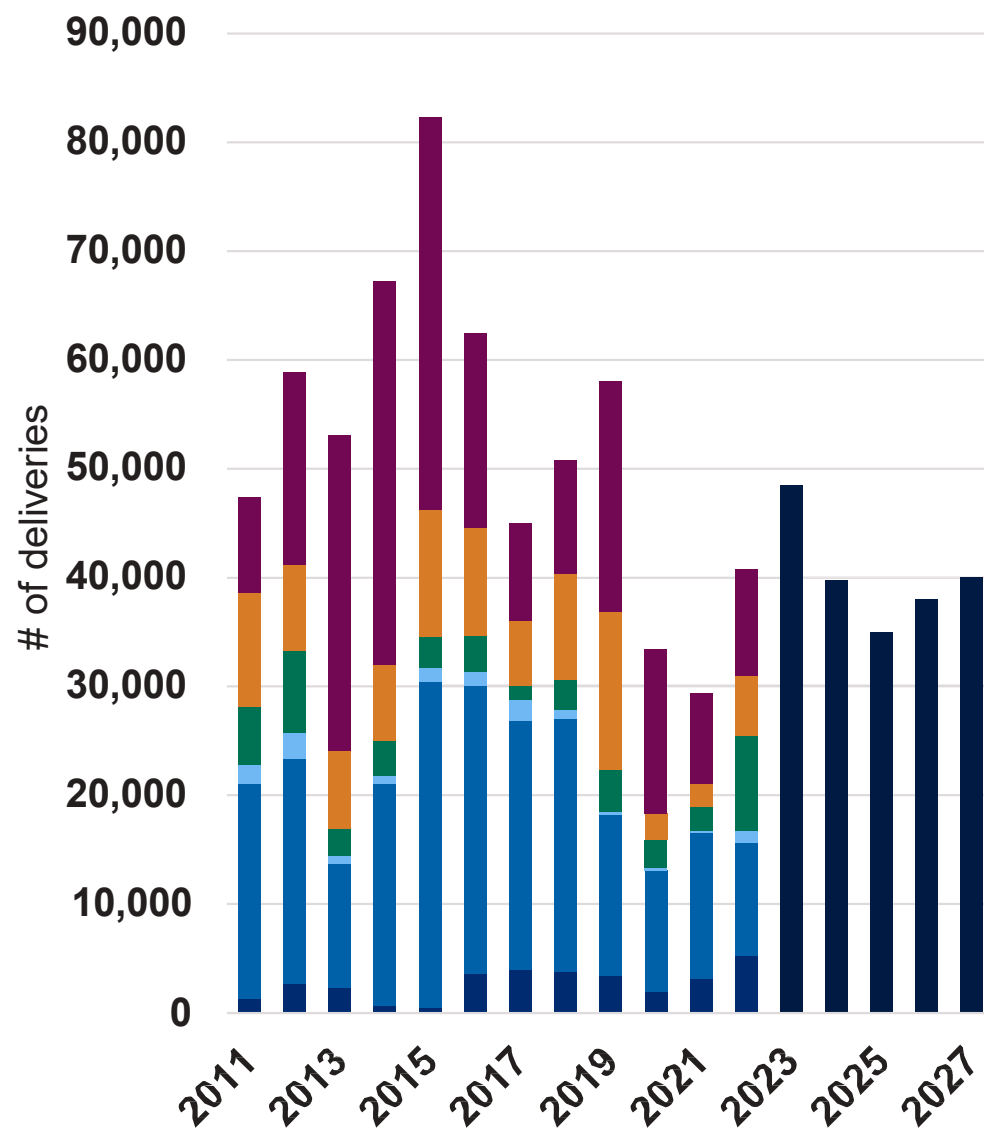
**Over 257k cars >35 years, accounting for ~16% of the N.A. fleet.\***

# New Build Outlook

- Emphasis on long-term thinking vs. short-term plays, especially in an inflationary environment
- CIT has significant new car investment in 2023 and has positioned for 2024 and beyond
- The current market compared to 2014-2016 has shown disciplined, broad-based demand rather than chasing a trendy, single sector
- Going forward, and coupled with car builder capacity adjustments, reduced volatility is forecasted

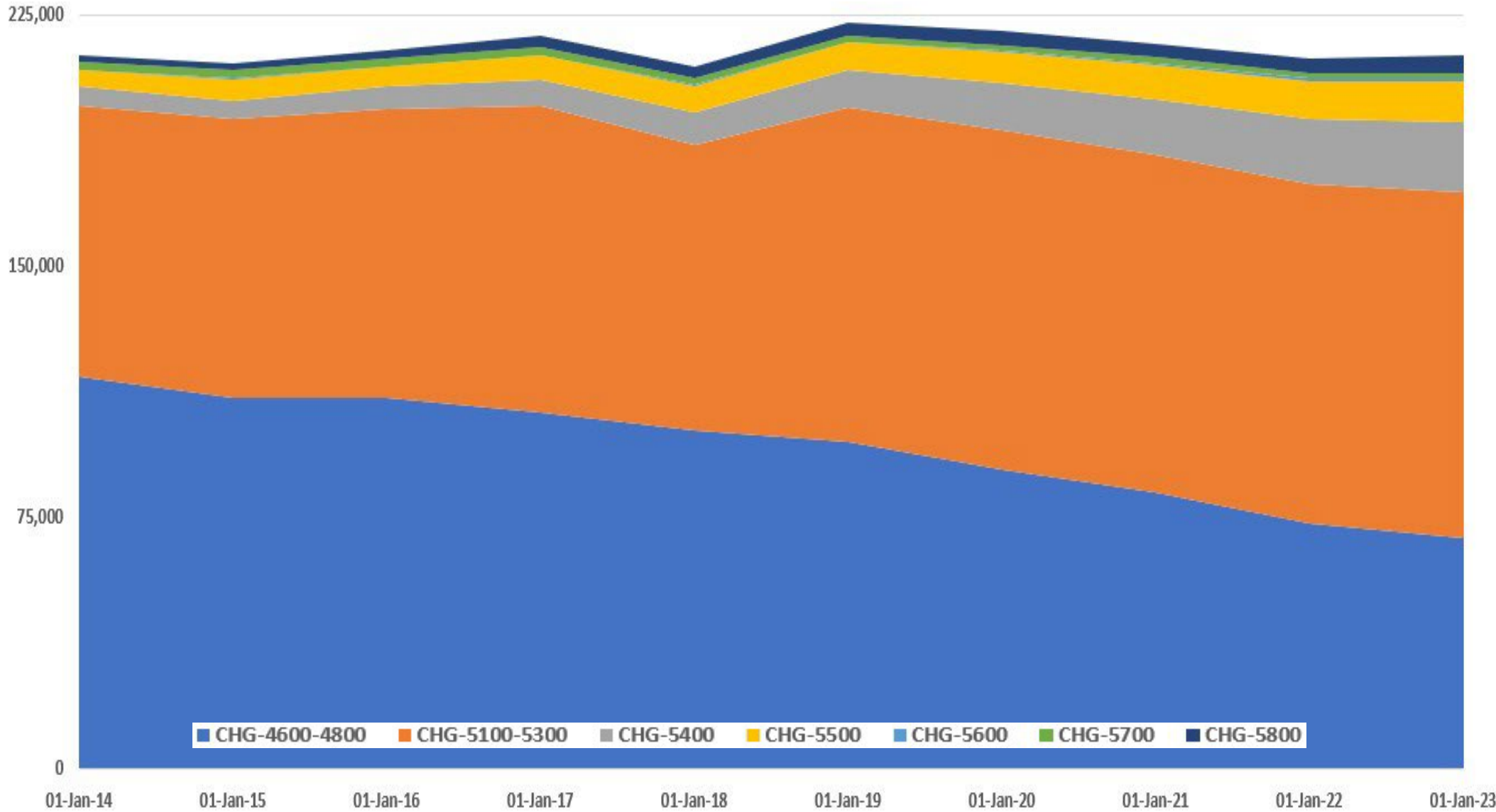


## N.A. Deliveries



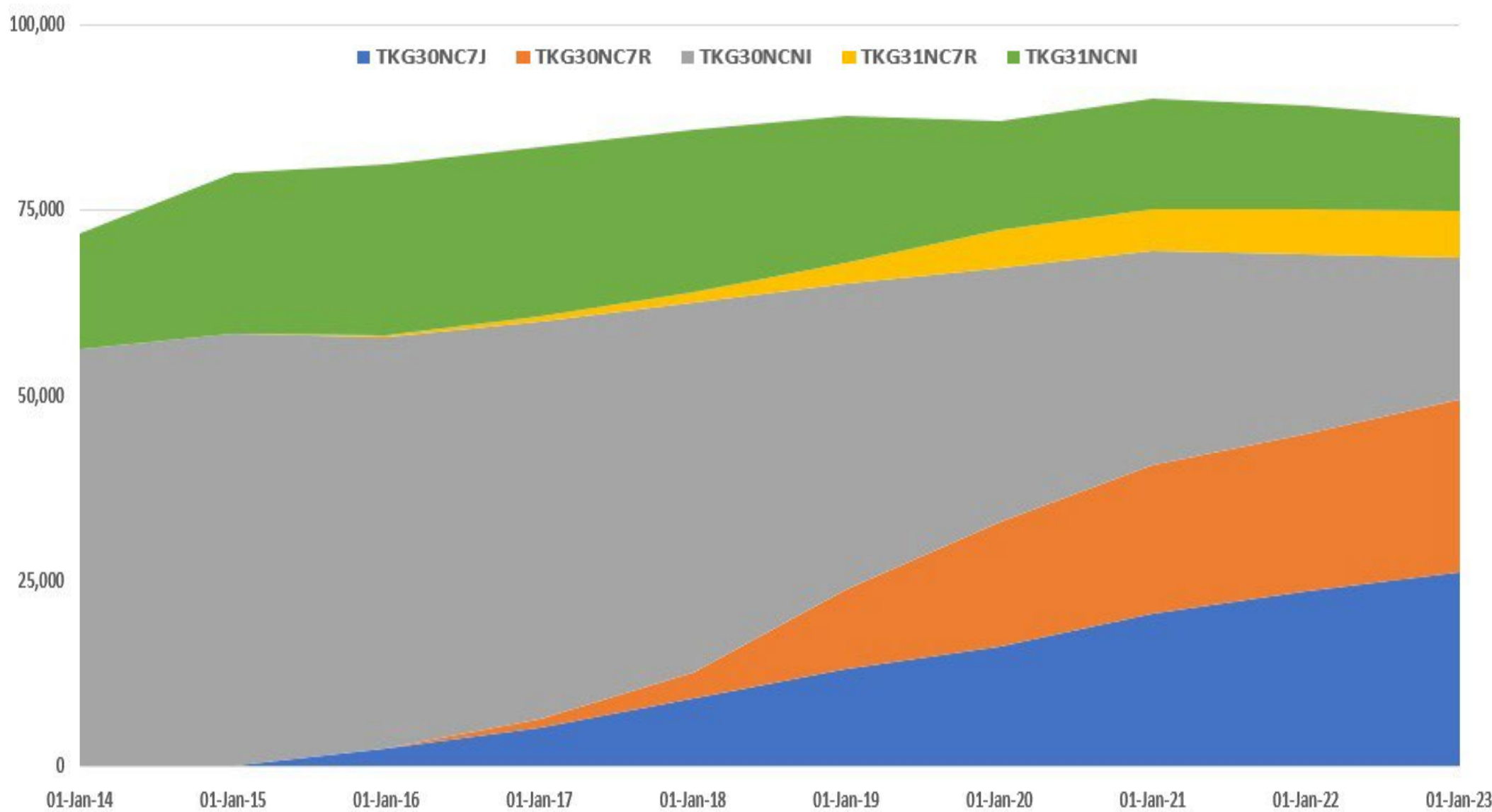
# Historical Trends

## Covered Hoppers (4,550-5,800 cuft.)



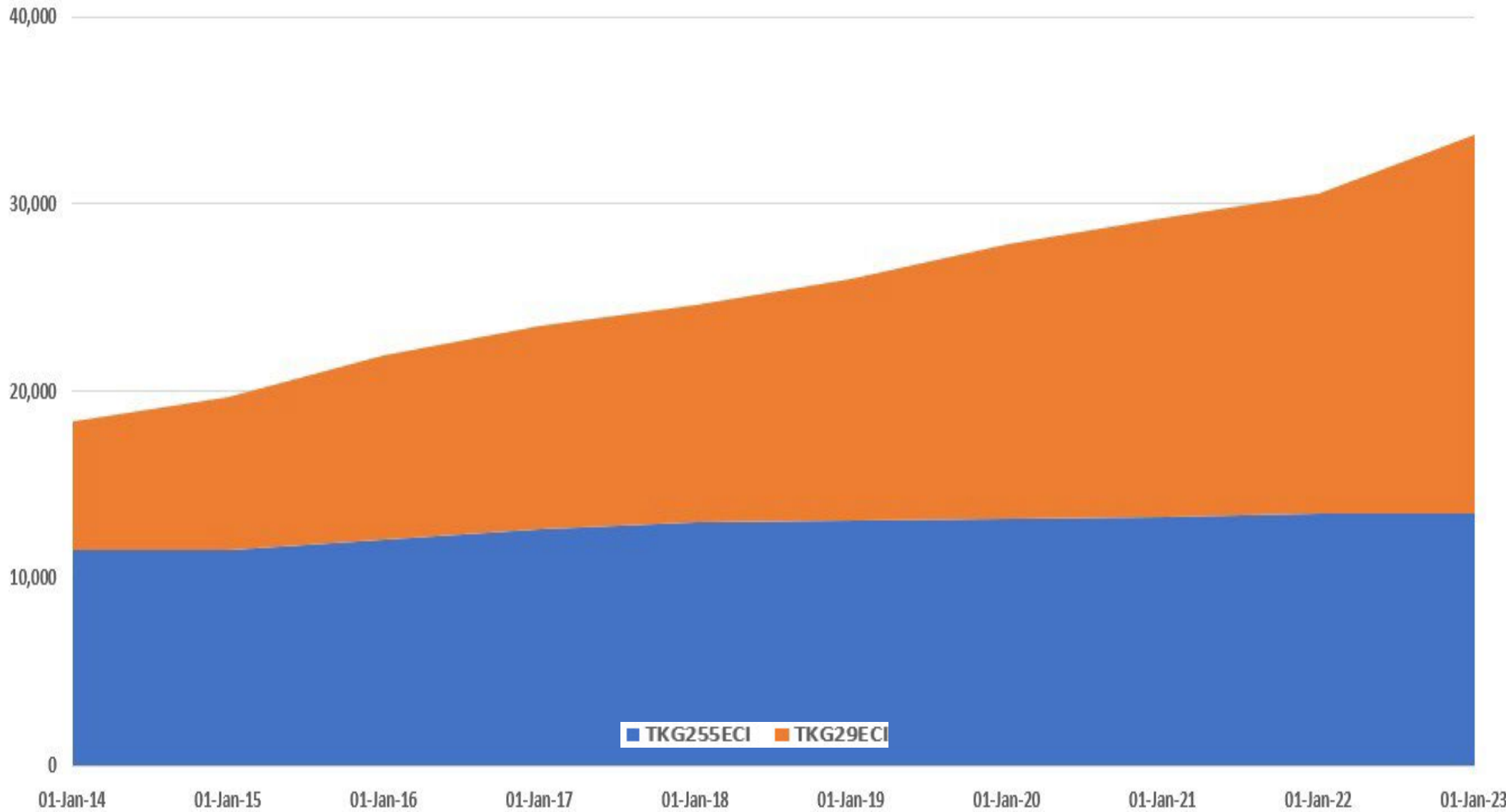
# Historical Trends

Tanks (30k DOT-111 + 117J/R & 31k CPC-1232 + 117R)



# Historical Trends

## Tanks (25.5k & 29k AAR-211)



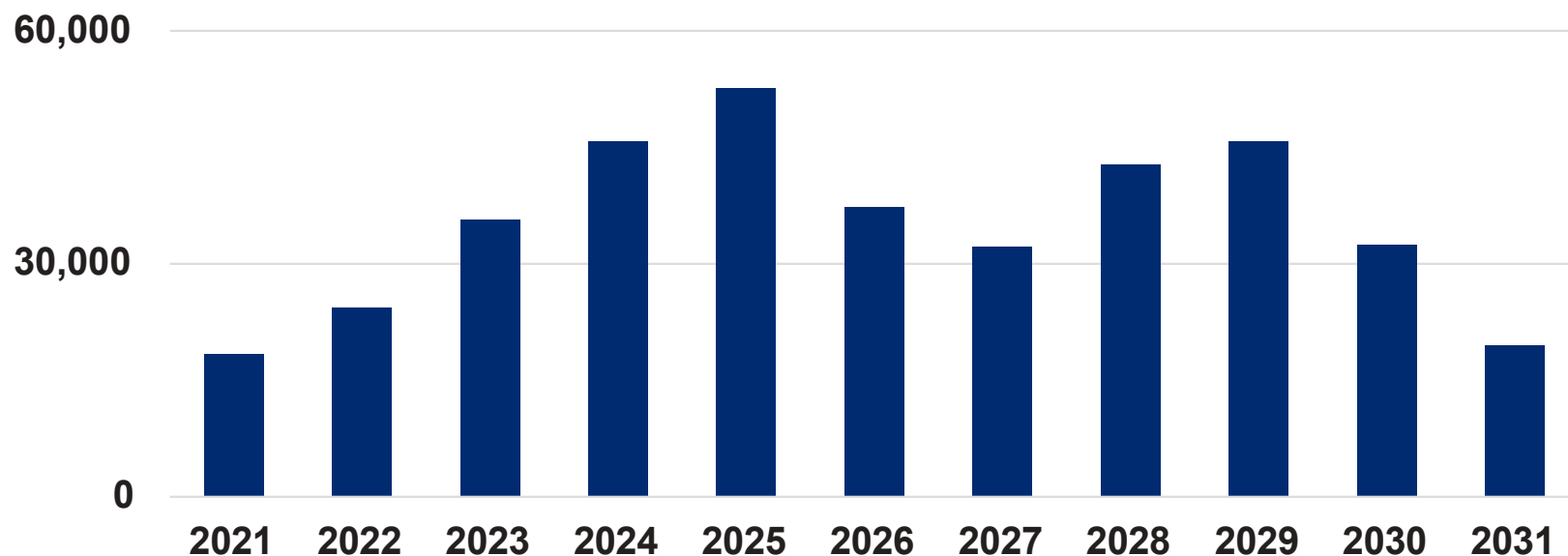


# Near-Term Variables

Mitigating the uncontrollable

- Conflicting economic signals
  - Inflation / steel pricing
  - Geopolitical factors
  - Repair shop capacity
- ✓ No captive, owned shops but ...
  - ✓ Access to 140 full-service facilities
  - ✓ 45+ are CIT Rail tank certified
  - ✓ Network of 250+ MRUs

HM-216B Exposure for N.A. Tank Fleet



# CIT Market Response

Positioning for the long term with continued investment

## Tailoring to customer needs

- + *New-build investment*
- + *Re-purposing*
- + *Retrofits*
- + *Overhauls*
- + *Maintenance footprint to minimize out-of-service time*

***Committed to meeting challenges with efficient transportation capacity & asset readiness***

# Q&A. Thank you.

MEMBER FDIC

