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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one) Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

At February 17, 2009, 388,770,150 shares of CIT's common stock, par value \$0.01 per share, were outstanding.

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

The aggregate market value of voting common stock held by non-affiliates of the registrant, based on the New York Stock Exchange Composite Transaction closing price of Common Stock (\$6.81 per share, 284,289,818 shares of common stock outstanding), which occurred on June 30, 2008, was \$1,936,013,663. For purposes of this computation, all officers and directors of the registrant are deemed to be affiliates. Such determination shall not be deemed an admission that such officers and directors are, in fact, affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to the 2008 Annual Meeting of Stockholders are incorporated by reference into Part III hereof to the extent described herein.

See pages 134 to 137 for the exhibit index.

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PART ONE

Item 1. Business Overview

BUSINESS DESCRIPTION

Founded over a hundred years ago, CIT Group Inc., a Delaware corporation (we, CIT or the Company), is a bank holding company providing commercial financing and leasing products and management advisory services to clients in a wide variety of industries. CIT operates primarily in North America, with locations in Europe, Latin America, Australia and the Asia-Pacific region. On December 22, 2008, the Company became a bank holding company (BHC) regulated by the Board of Governors of the Federal Reserve System (FRS) under the U.S. Bank Holding Company Act of 1956 (BHC Act).

As a bank holding company, we have bank and non-bank subsidiaries. CIT bank, with assets of \$3.5 billion and deposits of \$2.6 billion at December 31, 2008 is the Company's primary bank subsidiary. CIT Bank, which is located in Salt Lake City Utah, amended its charter from an industrial bank to a fully chartered state bank in 2008. Additionally, CIT Bank, which had primarily funded consumer loans in conjunction with select vendor programs, shifted its focus to commercial lending in 2008. CIT Bank is subject to regulation and examination by the Federal Deposit Insurance Corporation and the Utah Department of Financial Institutions. Non-bank subsidiaries, both in the U.S. and abroad, currently house the majority of the Company's assets. As a bank holding company, we are prohibited from certain business activities including certain of our insurance services and our equity investment activities, and will have to exit these within a specified period.

We provide financing and leasing capital to our clients and their customers in over 30 industries and 50 countries. Our businesses focus on commercial clients with a particular emphasis on middle-market companies. We serve clients in a wide variety of industries including transportation, particularly aerospace and rail, manufacturing, wholesaling, retailing, healthcare, communications, media and entertainment and various service-related industries. We are also a leader in small business lending with our SBA preferred lender operations recognized as the nation's #1 SBA Lender (based on 7(A) program volume) in each of the last nine years.

Each business has industry alignment and focuses on specific sectors, products and markets, with portfolios diversified by client and geography. Our principal product and service offerings include:

Products

- Asset-based loans
- Secured lines of credit
- Leases – operating, finance and leveraged
- Vendor finance programs
- Import and export financing

- Debtor-in-possession / turnaround financing
- Acquisition and expansion financing
- Letters of credit / trade acceptances structuring
- Small business loans

Services

- Financial risk management
- Asset management and servicing
- Merger and acquisition advisory services
- Debt restructuring
- Credit protection
- Account receivables collection
- Debt underwriting and syndication
- Capital markets
- Insurance services small businesses and middle market customers

We previously offered student and mortgage loans to consumers. However, we ceased originating student loans in 2008 and are running off the remaining portfolio whereby the balance will be collected in accordance with the contractual terms. The portfolio consists of approximately 94% government guaranteed loans. We closed the mortgage origination platform in 2007 and sold the remaining assets and operations in 2008. See *Discontinued Operation* section of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Note 1 Discontinued Operation*, of *Item 8. Financial Statements and Supplementary Data* for further discussion on home lending.

We source transactions through direct marketing efforts to borrowers, lessees, manufacturers, vendors and distributors, and to end-users through referral sources and other intermediaries. In addition, our business units work together both in referring transactions between units (i.e. cross-selling) and by combining various products and services to meet our customers' overall financing needs. We also buy and sell participations in syndications of finance receivables and lines of credit and periodically purchase and sell finance receivables on a whole-loan basis.

We set underwriting standards for each business unit and employ portfolio risk management models to achieve desired portfolio demographics. Our collection and servicing operations are centralized across businesses and geographies providing efficient client interfaces and uniform customer experiences.

We generate revenue by earning interest income on the loans we hold on our balance sheet, collecting rentals on the equipment we lease, and earning fee and other income for the financial services we provide. In addition, we syndicate and sell certain finance receivables and equipment to leverage our origination capabilities, reduce concentrations, manage our balance sheet and improve liquidity.

We fund our non-bank business in the global capital markets, principally through asset-backed and other secured financing arrangements, various forms of unsecured debt, \$2.33 billion on sale of preferred stock issue to U.S. Department of the Treasury, bank borrowings, and participation in the capital markets. CIT Bank funds itself via broker-originated deposits and has the authority to issue other forms of FDIC insured deposits. We rely on these diverse funding sources to maintain liquidity and strive to mitigate interest rate, foreign currency, and other market risks through disciplined matched-funding strategies. Our debt ratings are summarized on page 56 in the *Risk Management* section of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

At December 31, 2008, we had total assets of \$80.4 billion including a \$65.8 billion portfolio of owned loans and leased equipment. Common stockholders' equity at December 31, 2008 was \$5.1 billion.

BUSINESS SEGMENTS

CIT meets customers' financing needs through five business segments, which represent our continuing operations. Two of those segments, Corporate Finance and Consumer Finance, originate transactions in CIT Bank. We have an application pending with the Federal Reserve to move most of our remaining business units into CIT Bank.

SEGMENT	MARKET AND SERVICES
Corporate Finance	Lending, leasing and other financial services to principally small and middle-market companies, through industry focused sales teams.
Transportation Finance	Large ticket equipment leases and other secured financing to companies in aerospace, rail and defense industries.
Trade Finance	Factoring, lending, credit protection, receivables management and other trade products to retail supply chain companies.
Vendor Finance	Financing and leasing solutions to manufacturers, distributors and customer end-users around the globe.
Consumer	Consumer loan portfolios in run-off mode, the largest of which consists of government guaranteed student loans.

Our finance and leasing portfolio assets are presented in the following graphs.

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CORPORATE FINANCE

Corporate Finance provides a full spectrum of financing alternatives to borrowers, primarily small and middle market companies. We offer loan structures ranging from working capital loans secured by accounts receivable and inventories, term loans secured by fixed assets to leveraged loans based on operating cash flow and enterprise

valuation. Loans are primarily senior secured and may be fixed or variable rate, and revolving or term. Our clients typically use the proceeds for working capital, asset growth, acquisitions, and debt restructurings. Additionally, we provide equipment lending and leasing products, including loans, leases, wholesale and retail financing packages, operating leases, and sale-leaseback arrangements to meet our customers' needs. We earn interest revenue on receivables we keep on-balance sheet and seek to recognize gains on receivables sold. We also offer investment banking services, primarily targeting leading middle market companies and collect fees for these activities.

We meet our customers' needs through specialized industry groups, including:

Commercial & Industrial provides financing solutions for middle-market companies in numerous sectors, including manufacturers, wholesalers, distributors, importers, retailers, technology companies and service providers.

Communications, Media, & Entertainment provides comprehensive financing solutions to broadcasting, publishing, security, information services, gaming, sports, entertainment and communications companies.

Energy provides corporate advisory, financing and investment solutions to companies throughout the energy and power sectors.

Healthcare offers a full spectrum of healthcare financing solutions and related advisory services to companies across the healthcare industry. Through our client-focused and industry-centric financing and advisory model, CIT Healthcare effectively leverages our knowledge and understanding of the healthcare marketplace. We meet the diverse commercial financing needs of U.S. healthcare providers with a complete set of financing solutions and advisory services.

Small Business Lending originates and services Small Business Administration (SBA) and conventional loans for commercial real estate financing, construction, business acquisition and business succession financing. It has been designated a Preferred Lender by the SBA due to its strong corporate financing record with authority over loan approvals, closings, servicing and liquidations. SBL also earns fees for servicing third party assets, which approximated \$2.1 billion at year end. Small business lending activities are principally focused on the U.S. market.

Syndicated Loan Group manages CIT's originations, trading and investments as principal in bank loan participations and, to a lesser extent, distressed debt.

TRANSPORTATION FINANCE

Transportation Finance specializes in providing customized leasing and secured financing primarily to end-users of aircraft and railcars. Our transportation equipment financing products include operating leases, single investor leases, equity portions of leveraged leases and sale and leaseback arrangements, as well as loans secured by equipment. Our equipment financing clients represent major and regional airlines worldwide, North American railroad companies, and middle-market to larger-sized aerospace and defense companies.

This segment has been servicing the aerospace and rail industries for many years, and in the case of aerospace, has built a global presence with operations in the United States, Canada, Europe and Asia. We have extensive experience in managing equipment over its full life cycle, including purchasing new equipment, equipment maintenance, estimating residual values and remarketing by re-leasing or selling equipment.

The aerospace group provides leasing and financing for commercial aircraft, business aircraft and aerospace and defense companies. We provide aircraft leasing and sales, asset management, finance, banking, technical and engineering, aircraft valuation and advisory services. The team has built strong relationships across the entire aerospace industry, including the major manufacturers, parts suppliers and carriers. These relationships provide us with access to technical information, which enhances our customer service and provides opportunities to finance new

business. Our primary clients include major and regional airlines around the world.

Our commercial aerospace business has offices in the United States, Canada, Europe and Asia and a global reach to our customers. Our international aerospace servicing center in Dublin, Ireland, puts us closer to our international client base and provides us with favorable tax treatment for certain aircraft leasing operations. As of December 31, 2008, our commercial aerospace financing and leasing portfolio totaled \$8.1 billion, consisting of 294 aircraft with a weighted average age of approximately 5 years placed with 108 clients around the world.

The business aircraft team offers financing and leasing programs for owners of business jet aircraft and turbine helicopters primarily in the United States. The aerospace and defense business provides comprehensive financing solutions to the aerospace and defense corporate finance market, as well as the aerospace financial intermediary market.

Our dedicated rail equipment group maintains relationships with numerous leading railcar manufacturers and calls directly on railroads and rail shippers throughout North America. Our rail portfolio, which totaled \$4.8 billion at December 31, 2008, includes leases to all of the U.S. and Canadian Class I railroads (railroads with annual revenues of at least \$250 million) and other non-rail companies, such as shippers and power and energy companies. The operating lease fleet primarily includes: covered hopper cars used to ship grain and agricultural products, plastic pellets and

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cement; gondola cars for coal, steel coil and mill service; open hopper cars for coal and aggregates; center beam flat cars for lumber; boxcars for paper and auto parts; and tank cars.

See Concentrations section of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 17 Commitments of *Item 8. Financial Statements and Supplementary Data* for further discussion of our aerospace portfolio.

TRADE FINANCE

Trade Finance provides factoring, receivable and collection management products, and secured financing to businesses that operate in several industries including apparel, textile, furniture, home furnishings and electronics. Although primarily U.S.-based, we have increased our international business in Asia and Europe. CIT is working with third-party factors located throughout Asia, and through our full-service factoring company based in Frankfurt, Germany we provide factoring and financing services to companies in Europe.

We offer a full range of domestic and international customized credit protection, lending and outsourcing services that include working capital and term loans, factoring, receivable management outsourcing, bulk purchases of accounts receivable, import and export financing and letter of credit programs.

We provide financing to our clients, primarily manufacturers, through the purchase of accounts receivable owed to our clients by their customers, typically retailers. We also guarantee amounts due to our clients' suppliers under letters of credit collateralized by accounts receivable and other assets. The purchase of accounts receivable is traditionally known as factoring and results in the payment by the client of a factoring fee that is commensurate with the underlying degree of credit risk and recourse, and which is generally a percentage of the factored receivables or sales volume. We also may advance funds to our clients, typically in an amount up to 80% of eligible accounts receivable, charging interest on the advance (in addition to any factoring fees), and satisfying the advance by the collection of the factored accounts receivable. We integrate our clients' operating systems with ours to facilitate the factoring relationship.

Clients use our products and services for various purposes, including improving cash flow, mitigating or reducing credit risk, increasing sales, and improving management information. Further, with our TotalSourceSM product, our clients can outsource their bookkeeping, collection, and other receivable processing to us. These services are attractive to industries outside the traditional factoring markets.

VENDOR FINANCE

We have numerous vendor relationships and operations serving customers around the globe. We have significant vendor programs in information technology, telecommunications equipment, healthcare and other diversified asset types across multiple industries. Through our global relationships with industry-leading equipment vendors, including manufacturers, dealers, and distributors, we deliver customized financing solutions to primarily commercial customers of our vendor partners.

Our vendor alliances feature traditional vendor finance programs, joint ventures, profit sharing and other transaction structures with large, sales-oriented partners. In the case of joint ventures, we engage in financing activities jointly with the vendor through a distinct legal entity that is jointly owned. We also use virtual joint ventures, by which we originate the assets on our balance sheet and share with the vendor the economic outcomes from the customer financing activity. A key part of these partnership programs is coordinating with the vendor's product offering systems to improve execution and reduce cycle times.

These alliances allow our vendor partners to focus on their core competencies, reduce capital needs and drive incremental sales volume. As a part of these programs, we offer our partners (1) financing to commercial and consumer end users for the purchase or lease of products, (2) enhanced sales tools such as asset management services, loan processing and real-time credit adjudication, and (3) a single point of contact in our regional servicing hubs to facilitate global sales. In turn, these alliances provide us with an efficient origination platform as we leverage our partners' sales forces.

Vendor Finance includes a small and mid-ticket commercial business, which focuses on leasing office equipment, computers and other technology products primarily in the United States and Canada. We originate products through relationships with manufacturers, dealers, distributors and other intermediaries as well as through direct calling. Vendor Finance also houses CIT Insurance Services, through which we offer insurance and financial protection products in key markets around the world.

CONSUMER

Our Consumer segment includes the run-off of our student loan portfolio and receivables from other consumer lending activities, whereby these receivables are being collected in accordance with their contractual terms. We ceased offering government-guaranteed student loans in 2008 and private student loans during 2007. We own \$12.2 billion of student loans, \$11.4 billion of which is 95-97% guaranteed by the U.S. Government. Approximately 70% of the student loans are serviced in-house, with servicing on the remainder outsourced to third parties. Consumer also includes approximately \$0.3 billion of consumer loans held and serviced by CIT Bank.

See Concentrations section of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and for further discussion of our student lending portfolios.

CORPORATE AND OTHER

Certain expenses are not allocated to the operating segments and are included in Corporate and Other, and consist primarily of the following: (1) certain funding costs, as the segment results reflect debt transfer pricing that matches assets (as of the origination date) with liabilities from an interest rate and maturity perspective; (2) incremental interest costs previously allocated to the Home Lending segment; (3) certain tax provisions and benefits; (4) a portion of credit

loss provisioning in excess of amounts recorded in the segments, primarily reflecting estimation risk; and (5) dividends on preferred securities, as segment risk adjusted returns are based on the allocation of common equity.

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2008 SEGMENT PERFORMANCE

Earnings and Return Summary (dollars in millions)

	Net Income/(Loss)	Return On Risk Adjusted Capital
Corporate Finance	\$ (167.0)	(6.5%)
Transportation Finance	327.1	19.0%
Trade Finance	99.6	12.1%
Vendor Finance	(349.8)	(23.4%)
Consumer	(184.5)	(73.4%)
Corporate and Other	(358.5)	(6.2%)
Net loss from continuing operations, before preferred dividends	\$ (633.1)	(11.0%)

See the Results by Business Segments and Concentrations sections of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 7A. Quantitative and Qualitative Disclosures about Market Risk*, and Note 23 Business Segment Information of *Item 8. Financial Statements and Supplementary Data*, for additional information.

EMPLOYEES

CIT employed approximately 4,995 people at December 31, 2008, of which approximately 3,490 were employed in the United States and approximately 1,505 were outside the United States.

COMPETITION

Our markets are highly competitive, based on factors that vary with product, customer, and geographic region. Our competitors include captive finance companies, global and domestic commercial and investment banks, leasing companies, hedge funds and private equity firms. Many of our larger competitors compete with us globally. In most of our business segments, we have a few large competitors with significant penetration and many smaller niche competitors.

Many of our domestic and global competitors are large companies with substantial financial, technological, and marketing resources. We compete primarily on the basis of financing terms, structure, client service, and price. From time to time, our competitors seek to compete aggressively on the basis of these factors and we may lose market share to the extent we are unwilling to match competitor product structure, pricing or terms that do not meet our credit standards or return requirements.

Over time, there has been substantial consolidation and convergence among companies in the financial services industry. This trend accelerated over the course of the past year as the credit crisis caused numerous mergers and asset acquisitions among industry participants. The trend toward consolidation and convergence has significantly increased

the capital base and geographic reach of some of our competitors. This trend has also hastened the globalization of the financial services markets. To take advantage of some of our most significant international challenges and opportunities, we will have to compete successfully with financial institutions that are larger and better capitalized and that may have a stronger local presence and longer operating history outside the United States.

Other primary competitive factors include industry experience, asset and equipment knowledge, and strong relationships. The regulatory environment in which we and/or our customers operate also may affect our competitive position and ability to compete effectively.

REGULATION

General

CIT Group Inc. is a bank holding company subject to regulation and examination by the Federal Reserve Board (FRB) under the BHC Act. CIT Bank is chartered by the Department of Financial Institutions of the State of Utah as a state bank. CIT Group Inc. s principal regulator is the Federal Reserve and CIT Bank s principal regulators are the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions.

In addition, certain of our subsidiaries are subject to regulation from various agencies. Student Loan Xpress, Inc., a Delaware corporation, conducts its business through various banks authorized by the Department of Education, including Fifth Third Bank, CIT Bank and Liberty Bank, as eligible lender trustees. CIT Small Business Lending Corporation, a Delaware corporation, is licensed by and subject to regulation and examination by the U.S. Small Business Administration. CIT Capital Securities L.L.C., a Delaware limited liability company, is a broker-dealer licensed by the National Association of Securities Dealers, and is subject to regulation by the Financial Industry Regulatory Authority and the Securities and Exchange Commission. CIT Bank Limited, an English corporation, is licensed as a bank and broker-dealer and is subject to regulation and examination by the Financial Services Authority of the United Kingdom.

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Our insurance operations are conducted through The Equipment Insurance Company, a Vermont corporation, Highlands Insurance Company Limited, a Barbados company, and Equipment Protection Services (Europe) Limited, an Irish company. Each company is licensed to enter into insurance contracts and is subject to regulation and examination by insurance regulators in their home jurisdiction. In addition, we have various banking corporations in Brazil, France, Germany, Italy, Belgium, Sweden, and the Netherlands and a broker-dealer entity in Canada, each of which is subject to regulation and examination by banking regulators and securities regulators in their home country.

Banking Supervision and Regulation

We and our wholly-owned banking subsidiary, CIT Bank, like other bank holding companies and banks, are highly regulated at the federal and state levels, respectively. As a bank holding company, the BHC act restricts our activities to banking and activities closely related to banking. However, the BHC Act does grant a new bank holding company, like CIT, two years from the date the entity becomes a bank holding company to comply with the activity restrictions imposed by the BHC Act with respect to those activities that the entity was engaged in when it became a bank holding company. Under the Gramm-Leach-Bliley Act of 1999 (GLB), the activities of a bank holding company are restricted to those activities that were deemed permissible by the Federal Reserve at the time the GLB Act was passed in 1999. The vast majority of our activities are permissible for a bank holding company. The GLB Act also authorized the Federal Reserve to recognize certain bank holding companies that are well capitalized and well managed as financial holding companies (FHC). FHCs are authorized to engage in a broader range of activities, including securities underwriting and dealing, insurance underwriting and agency, and other activities that are determined by the Federal

Reserve to be financial in nature or incidental thereto. We are not registered as a financial holding company, and therefore, if we do not elect and obtain approval to become a FHC, a limited number of our existing activities and assets must be divested or terminated within two years, comprised primarily of a limited number of equity investments and certain insurance agency and reinsurance activities.

As a bank holding company under the BHC Act, CIT is now subject to supervision and examination by the Federal Reserve Board. Under the system of functional regulation established under the BHC Act, the Federal Reserve Board supervises CIT, including all of its non-bank subsidiaries, as an umbrella regulator of the consolidated organization and generally defers to the FDIC and the Utah Department of Financial Institutions, as the primary U.S. regulators of CIT Bank, our U.S. depository institution subsidiary, and to the other U.S. regulators of our U.S. non-depository institution subsidiaries that regulate certain activities of those subsidiaries. Such functionally regulated non-depository institution subsidiaries include our broker-dealer registered with the SEC and our insurance companies regulated by various insurance authorities.

Capital and Operational Requirements

The Federal Reserve Board and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the stated minimum levels, whether because of its financial condition, the nature of its assets, or actual or anticipated growth. The Federal Reserve leverage and risk-based capital guidelines divide a bank's capital framework into tiers. The regulatory capital guidelines currently applicable to bank holding companies are based on the Capital Accord of the Basel Committee on Banking Supervision (Basel I). In addition, bank regulators are currently phasing in revised regulatory capital guidelines based on the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision (Basel II) applicable to certain banking organizations.

We currently compute and report our capital ratios in accordance with the Basel I requirements for the purpose of assessing the adequacy of our capital. Tier 1 capital includes common shareholders' equity, trust preferred securities, minority interests and qualifying preferred stock (including the cumulative preferred stock issued by CIT to the U.S. Department of Treasury in the TARP Capital Purchase Program), less goodwill and other adjustments. Tier 2 Capital consists of preferred stock not qualifying as Tier 1 capital, mandatory convertible stock, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents our qualifying total regulatory capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Under the capital guidelines of the Federal Reserve, certain commitments and off-balance sheet transactions are provided asset equivalent weightings, and together with assets, are divided into risk categories, each of which is assigned a risk weighting ranging from 0% (U.S. Treasury Bonds) to 100%. The minimum Tier 1 capital ratio is four percent and the minimum total capital ratio is eight percent. Our Tier 1 and total risk-based capital ratios under these guidelines were approximately 9.4 percent and 13.1 percent at December 31, 2008. The calculation of regulatory capital ratios are subject to review and consultation with the Federal Reserve, which may result in refinements to the estimated amounts.

The leverage ratio is determined by dividing Tier 1 capital by adjusted quarterly average total assets, after certain adjustments. Well-capitalized bank holding companies must have a minimum Tier 1 leverage ratio of three percent and are not subject to a Federal Reserve directive to maintain higher capital levels. Our leverage ratio at December 31, 2008 was 9.6 percent, which exceeded our leverage ratio requirement. We have committed to the regulators to maintain a total risk-based capital ratio of 13% for the bank holding company.

In connection with the FDIC's approval in December 2008 of CIT Bank's conversion from a Utah industrial bank to a Utah state bank, CIT Bank agreed with the FDIC to minimum capital ratios in excess of well-capitalized levels. Accordingly, CIT Bank agreed to maintain a Tier 1 leverage capital ratio of at least 15% for at least three years after

its conversion to a Utah state bank.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, establishes five capital categories for FDIC-insured banks: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. A depository institution is deemed to be well

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capitalized, the highest category, if it has a total capital ratio of 10% or greater, a Tier 1 capital ratio of 6% or greater and a Tier 1 leverage ratio of 5% or greater and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure. FDICIA requires the applicable federal regulatory authorities to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank's assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

Regulators also must take into consideration: (a) concentrations of credit risk, (b) interest rate risk, and (c) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation will be made as part of the institution's regular safety and soundness examination. In addition, any bank with significant trading activity must incorporate a measure for market risk into their regulatory capital calculations. An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. Under these guidelines, CIT Bank was considered well capitalized as of December 31, 2008.

Acquisitions, Interstate Banking and Branching

Bank holding companies are required to obtain the prior approval of the Federal Reserve before acquiring more than five percent of any class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Act), a bank holding company may acquire banks in states other than its home state, without regard to the permissibility of such acquisition under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to and following the proposed acquisition, control no more than 10% of the total amount of deposits of insured depository institutions in the U.S. and no more than 30% of such deposits in that state (or such amount as established by state law if such amount is lower than 30%).

The Interstate Act also authorizes banks to acquire branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states, or establishing de novo branches in other states, thereby creating interstate branching, provided that, in the case of purchasing branches and establishing new branches in a state in which it does not already have banking operations, such state must have opted-in to the Interstate Act by enacting a law permitting such branch purchases or de novo branching and, in the case of mergers, such state must not opt-out of that portion of the Interstate Act.

Dividends

CIT Group Inc. is a legal entity separate and distinct from CIT Bank and its other subsidiaries. CIT Group Inc., parent of CIT Bank and our other subsidiaries, provides a significant amount of funding for its various subsidiaries, which is generally recorded as intercompany loans. Most of CIT Group Inc.'s revenue is interest on intercompany loans from its subsidiaries, including CIT Bank. Cash can be transferred to CIT Group, Inc. by its subsidiaries, including CIT Bank, through the repayment of intercompany debt or the payment of dividends. CIT Bank is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to limit or prohibit payment thereof.

In addition, the ability of CIT Group Inc. to pay dividends on its common stock may be affected by the various minimum capital requirements, the capital and non-capital standards established under FDICIA, as described above and limitations prescribed by our preferred stock issuances. The right of CIT Group Inc., our stockholders, and our creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of CIT Bank and other subsidiaries.

Federal and state law imposes limitations on the payment of dividends by our bank depository institution subsidiaries. The amount of dividends that may be paid by a state-chartered bank that is a non-member bank of the Federal Reserve System, such as CIT Bank, is limited to the lesser of the amounts calculated under a recent earnings test and an undivided profits test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years, unless the bank obtains the approval of its chartering authority. Under the undivided profits test, a dividend may not be paid in excess of a bank's undivided profits. Utah law imposes similar limitations on Utah state banks.

It is also the policy of the Federal Reserve Board that a bank holding company generally only pay dividends on common stock out of net income available to common shareholders over the past year and only if the prospective rate of earnings retention appears consistent with the bank holding company's capital needs, asset quality, and overall financial condition. In the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has discouraged high dividend pay-out ratios unless both asset quality and capital are very strong. A bank holding company also should not maintain a dividend level that places undue pressure on the capital of bank depository institution subsidiaries, or that may undermine the bank holding company's ability to serve as a source of strength for such bank depository institution subsidiaries. In addition, as a participant in the TARP Capital Purchase Program, CIT is subject to additional restrictions on its ability to pay dividends.

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U.S. Treasury's TARP Capital Purchase Program

On December 31, 2008, CIT issued preferred stock and a warrant to purchase its common stock to the U.S. Treasury as a participant in the TARP Capital Purchase Program. Prior to December 31, 2011, unless we have redeemed all of this preferred stock or the U.S. Treasury has transferred all of this preferred stock to a third party, the consent of the U.S. Treasury will be required for us to, among other things, increase our common stock dividend above a quarterly cash dividend of \$0.10 per share, which was the dividend paid in the fourth quarter of 2008, or repurchase our common stock or outstanding preferred stock except in limited circumstances. In addition, until the U.S. Treasury ceases to own any CIT Group Inc. securities sold under the TARP Capital Purchase Program, the compensation arrangements for our senior executive officers must comply in all respects with the U.S. Emergency Economic Stabilization Act of 2008 and the rules and regulations thereunder, as each may be amended or revised.

Source of Strength

CIT, because it is a bank holding company, is expected by Federal Reserve regulations, to serve as a source of strength to each subsidiary bank and to commit capital and other financial resources to support CIT Bank. This support may be required at times when CIT may not be able to provide such support without adversely affecting its ability to meet other obligations. If CIT is unable to provide such support to CIT Bank, the Federal Reserve could instead require the divestiture of CIT Bank and impose operating restrictions pending the divestiture. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, if a loss is suffered or anticipated by the FDIC either as a result of the failure of a bank or thrift subsidiary or related to FDIC assistance provided to such a subsidiary in danger of failure, the other banking subsidiaries may be assessed for the FDIC's loss, subject to certain exceptions.

Enforcement Powers of Federal Banking Agencies

The Federal Reserve and other banking agencies have broad enforcement powers with respect to an insured depository and its holding company, including the power to terminate deposit insurance, impose substantial fines, and other civil penalties and appoint a conservator or receiver. Failure to comply with applicable laws or regulations could subject CIT Group Inc. or CIT Bank, as well as their officers and directors, to administrative sanctions and potentially substantial civil and criminal penalties.

FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital guidelines could also subject a depository institution to capital raising requirements. Ultimately, critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

The prompt corrective action regulations apply only to depository institutions and not to bank holding companies such as CIT Group Inc. However, the Federal Reserve Board is authorized to take appropriate action at the holding company level, based upon the undercapitalized status of the holding company's depository institution subsidiaries. In certain instances relating to an undercapitalized depository institution subsidiary, the bank holding company would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and might be liable for civil money damages for failure to fulfill its commitments on that guarantee. Furthermore, in the event of the bankruptcy of the parent holding company, the guarantee would take priority over the parent's general unsecured creditors.

Insolvency of an Insured Depository Institution

If the FDIC is appointed the conservator or receiver of an insured depository institution such as CIT Bank, upon its insolvency or in certain other events, the FDIC has the power to (i) transfer any of the depository institution's assets and liabilities to a new obligor without the approval of the depository institution's creditors; (ii) enforce the terms of the depository institution's contracts pursuant to their terms; or (iii) repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

In addition, under federal law, the claims of holders of deposit liabilities and certain claims for administrative expenses against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution, including claims of debt holders of the institution, in the liquidation or other resolution of such an institution by any receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of CIT Bank, the debt holders would be treated differently from, and could receive, if anything, substantially less than, the depositors of the depository institution.

FDIC Deposit Insurance

The deposits of CIT Bank are insured by the FDIC and subject to premium assessments. Regulatory matters could increase the cost of FDIC deposit insurance premiums to an insured bank. FDIC deposit insurance premiums are risk based, resulting in higher premium assessments being charged to banks that have lower capital ratios or higher risk profiles. These risk profiles take into account weaknesses that are found by the primary banking regulator through its examination and supervision of the bank. A negative evaluation by the FDIC could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category.

Transactions with Affiliates

Transactions between CIT Bank and CIT Group and its subsidiaries and affiliates are regulated by the Federal Reserve Board and the FDIC pursuant to Sections 23A and 23B of the Federal Reserve Act. These regulations limit the types and amounts of transactions (including loans to and credit extensions from CIT Bank) that may take place and generally require those transactions to be on an arms-length basis. These regulations generally do not apply to transactions between CIT Bank and its bank subsidiaries. CIT has filed an application with the Federal Reserve for an exemption from Section 23A to transfer between \$22 billion and \$28 billion of assets and operations to CIT Bank. In connection with this transfer, CIT expects that it will be required to repurchase any transferred assets that become past due, to reimburse CIT Bank for credit-related losses due to the transferred assets, or to pledge collateral to CIT Bank to protect it against credit-related losses.

Item 1: Business Overview

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Other Regulation

In addition to U.S. banking regulation, our operations are subject to supervision and regulation by other federal, state, and various foreign governmental authorities. Additionally, our operations may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions. This oversight may serve to:

- regulate credit granting activities, including establishing licensing requirements, if any, in various jurisdictions;
- establish maximum interest rates, finance charges and other charges;
- regulate customers' insurance coverages;
- require disclosures to customers;
- govern secured transactions;
- set collection, foreclosure, repossession and claims handling procedures and other trade practices;
- prohibit discrimination in the extension of credit and administration of loans; and
- regulate the use and reporting of information related to a borrower's credit experience and other data collection.

Changes to the laws of states and countries in which we do business could affect the operating environment in substantial and unpredictable ways. We cannot accurately predict whether such changes will occur or, if they occur, the ultimate effect they would have upon our financial condition or results of operations.

GLOSSARY OF TERMS

Average Earning Assets (AEA) is computed using month end balances and is the average of finance receivables, operating lease equipment, financing and leasing assets held for sale, and some investments, less the credit balances of factoring clients. We use this average for certain key profitability ratios, including return on AEA and net finance revenue as a percentage of AEA.

Average Finance Receivables (AFR) is computed using month end balances and is the average of finance receivables and includes loans and finance leases. It excludes operating lease equipment. We use this average to measure the rate of net charge-offs on an owned basis for the period.

Book Capital is the sum of common equity, preferred stock, junior subordinated notes, convertible debt (equity units) and preferred capital securities and is used in certain management ratios.

Derivative Contract is a contract whose value is derived from a specified asset or an index, such as interest rates or foreign currency exchange rates. As the value of that asset or index changes, so does the value of the derivative contract. We use derivatives to reduce interest rate, foreign currency or credit risks. We also offer derivatives to our own customers to enable those customers to reduce their own interest rate, foreign currency or credit risks. The derivative contracts we use include interest-rate swaps, cross-currency swaps, foreign exchange forward contracts, and credit default swaps.

Efficiency Ratio is the percentage of salaries and general operating expenses to Total Net Revenue. (See definition that follows). We use the efficiency ratio to measure the level of expenses in relation to revenue earned.

Finance receivables include loans and capital lease receivables. In certain instances, we use the term *Loans* to also mean loans and capital lease receivables, as presented on the balance sheet.

Financing and Leasing Assets include loans, capital and finance leases, leveraged leases, operating leases, assets held for sale, and other investments.

Held for Investment describes loans that CIT has the ability and intent to hold in portfolio for the foreseeable future or until maturity. These are carried at amortized cost, unless it is determined that other than temporary impairment has occurred, and then a charge is recorded in the current period statement of income.

Held for Sale describes loans that we intend to sell in the near-term. These are carried at the lower of cost or market, with a charge reflected in the current period statement of income if the cost (or current book value) exceeds the market value.

Interest income includes interest earned on finance receivables, cash balances and dividends on investments.

Lease capital and finance is an agreement in which the party who owns the property (lessor), CIT in our finance business permits another party (lessee), our customers, to use the property with substantially all of the economic benefits and risks of ownership passed to the lessee.

Lease leveraged is a lease in which a third party, a long-term creditor, provides non-recourse debt financing. We are party to these lease types either as a creditor or as the lessor.

Lease operating is a lease in which we retain beneficial ownership of the asset, collect rental payments, recognize depreciation on the asset, and retain the risks of ownership, including obsolescence.

Lower of Cost or Market (LOCOM) relates to the carrying value of an asset. The cost refers to the current book balance, and if that balance is higher than the market value, then an impairment charge is reflected in the current period statement of income.

Net Finance Revenue reflects Net Interest Revenue plus rental income on operating leases less depreciation on operating lease equipment, which is a direct cost of equipment ownership. This subtotal is a key measure in the evaluation of our business.

Net Finance Revenue after Credit Provision reflects net finance revenue after credit costs. This subtotal is also called risk adjusted revenue by management as it reflects the periodic cost of credit risk.

Net (loss) income (attributable) available to Common Shareholders (net (loss) income) reflects net (loss) income after preferred dividends and is utilized to calculate return on common equity and other performance measurements.

Non-GAAP Financial Measures are balances, amounts or ratios that do not readily agree to balances disclosed in financial statements presented in accordance with accounting principles generally accepted in the U.S. We use non-GAAP measures to provide additional information and insight into how current operating results and financial position of the business compare to historical operating results and financial position of the business and trends, as well as adjusting for certain nonrecurring or unusual transactions.

Non-accruing Assets include loans placed on non-accrual status, typically after becoming 90 days delinquent or prior to that time due to doubt of collectibility of principal and interest.

Non-interest Revenue or Other Income, includes rental income on operating leases, syndication fees, gains from dispositions of receivables and equipment, factoring commissions, loan servicing and other fees.

Owned assets mean those assets that are on balance sheet.

Retained Interest is the portion of the interest in assets we retain when we sell assets in an off-balance sheet securitization transaction.

Residual Values represent the estimated value of equipment at the end of the lease term. For operating leases, it is the value to which the asset is depreciated at the end of its useful economic life (i.e., salvage or scrap value).

Return on Common Equity (ROE) is net income available to common stockholders, expressed as a percentage of average common equity, and is a key measurement of profitability.

Risk Weighted Assets (RWA) is the denominator to which Total Capital and Tier 1 Capital is compared to derive the respective ratios. RWA is comprised of both on-balance sheet assets and certain off-balance sheet items (for example loan commitments, purchase commitments or derivative contracts), all of which are adjusted by certain risk-weightings based upon, among other things, the relative credit risk of the counterparty.

Securitized assets are assets that we sold and still service.

Special Purpose Entity (SPE) is a distinct legal entity created for a specific purpose in order to isolate the risks and rewards of owning its assets and incurring its liabilities. We typically use SPEs in off-balance sheet securitization transactions, joint venture relationships, and certain structured leasing transactions.

Syndication and Sale of Receivables result from originating leases and receivables with the intent to sell a portion, or the entire balance, of these assets to other financial institutions. We earn and recognize fees and/or gains on sales, which are reflected in other income, for acting as arranger or agent in these transactions.

Tangible Capital and Metrics exclude goodwill, other intangible assets and some other comprehensive income items. We use tangible metrics in measuring capitalization.

Tier 1 Capital and Tier 2 Capital are regulatory capital as defined in the capital adequacy guidelines issued by the Federal Reserve. Tier 1 Capital is Total Stockholders Equity reduced by goodwill and intangibles and adjusted by elements of other comprehensive income. Tier 2 Capital adjusts Tier 1 Capital for other preferred stock that does not qualify as Tier 1 mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt, and allowance for credit losses up to 1.25% of risk weighted assets.

Total Regulatory Capital is the sum of Tier 1 and Tier 2 capital, subject to certain adjustments, as applicable.

Total Net Revenue is the combination of net interest revenue and other income less depreciation expense on operating lease equipment. This amount excludes provision for credit losses and valuation allowances from total net revenue and other income and is a measurement of our revenue growth.

Unpaid Principal Balance (UPB) refers to the remaining unpaid principal balance of a loan and is used in the discussion regarding student lending assets and reflects the carrying value, before applying any recorded discount or valuation allowance.

Yield-related Fees are collected in connection with our assumption of underwriting risk in certain transactions in addition to interest income. We recognize yield-related fees, which include prepayment fees and certain origination fees, in Interest Income over the life of the lending transaction.

Item 1A. Risk Factors

You should carefully consider the following discussion of risks, and the other information provided in this Annual Report on Form 10-K. Our business activities involve various elements of risk. The risks described below are not the only ones facing us. Additional risks that are presently unknown to us or that we currently deem immaterial may also impact our business. We consider the following issues to be the most critical risks to the success of our business:

OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED BY REGULATIONS WHICH WE ARE AND WILL BECOME SUBJECT TO, AS A RESULT OF BECOMING A BANK HOLDING COMPANY, BY NEW REGULATIONS OR BY CHANGES IN OTHER REGULATIONS OR THE APPLICATION THEREOF.

On December 22, 2008, the Board of Governors of the Federal Reserve System approved our application to become a bank

Item 1A: Risk Factors

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holding company and the Department of Financial Institutions of the State of Utah approved our application to convert our Utah industrial bank to a Utah state bank. We expect to be able to continue to engage in most of the activities in which we currently engage. However, since we are not a financial holding company, certain of our existing businesses are not permissible under regulations applicable to a bank holding company, including certain of our insurance services and our equity investment activities. In addition, we are subject to the comprehensive, consolidated supervision of the Federal Reserve, including risk-based and leverage capital requirements and information reporting requirements. This regulatory oversight is established to protect depositors, federal deposit insurance funds and the banking system as a whole, not security holders. In addition, as a result of discussions with the banking regulators, we are implementing a comprehensive compliance management program, which includes, among other things, strengthening management of CIT Bank and hiring additional personnel, which will increase our expenses for the foreseeable future.

The financial services industry, in general, is heavily regulated. Proposals for legislation further regulating the financial services industry are continually being introduced in the United States Congress and in state legislatures. The agencies regulating the financial services industry also periodically adopt changes to their regulations. In light of current conditions in the U.S. financial markets and economy, regulators have increased the level and scope of their supervision and their regulation of the financial services industry. In addition, in October 2008, Congress passed the Emergency Economic Stabilization Act of 2008 (EESA), which in turn created the TARP and the Capital Purchase Program. Under EESA, Congress also established the Special Inspector General for TARP, who is charged with monitoring, investigating and reporting on how the recipients of funds under TARP utilize such funds. Similarly, there is a substantial prospect that Congress will restructure the regulation and supervision of financial institutions in the foreseeable future. We are unable to predict how this increased supervision and regulation will be fully implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition and results of operations.

The financial services industry is also heavily regulated in many jurisdictions outside of the United States. We have subsidiaries in various countries that are licensed as banks, banking corporations, broker-dealers, and insurance companies, all of which are subject to regulation and examination by banking, securities, and insurance regulators in their home jurisdiction. Given the evolving nature of regulations in many of these jurisdictions, it may be difficult for us to meet these requirements even after we establish operations and receive approvals. Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market, on our ability to permanently reinvest our earnings, and on our reputation generally.

We are also affected by the economic and other policies adopted by various governmental authorities and bodies in the United States and other jurisdictions. For example, the actions of the Federal Reserve and international central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold. In addition, such changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

IF WE DO NOT MAINTAIN SUFFICIENT CAPITAL TO SATISFY REGULATORY CAPITAL REQUIREMENTS IN THE FUTURE, THERE COULD BE AN ADVERSE EFFECT ON THE MANNER IN WHICH WE DO BUSINESS, OR WE COULD BECOME SUBJECT TO VARIOUS ENFORCEMENT ACTIONS.

In connection with our application to become a bank holding company, we executed a Subordinated Notes Exchange, an Equity Unit Exchange, and a public offering of shares of our common stock in order to increase our level of regulatory capital to satisfactory levels. However, we have no assurances that our existing level of regulatory capital will continue to be sufficient in the current uncertain economic period.

Under regulatory capital adequacy guidelines, CIT and its principal banking subsidiary, CIT Bank, will be required to meet requirements that involve quantitative measures of assets, liabilities and certain off-balance sheet items. Failure to meet and maintain the appropriate capital levels could affect our status as a bank holding company and eligibility for a streamlined review process for acquisition proposals, have a material effect on our financial condition and results of operations, and subject us to a variety of enforcement actions, as well as certain restrictions on our business. In addition to being well-capitalized, CIT and CIT Bank are subject to capital guidelines that involve qualitative judgments by regulators about the entities' status as well-managed and the entities' compliance with Community Reinvestment Act obligations.

If we do not maintain sufficient regulatory capital, we may become subject to enforcement actions (including CIT Bank becoming subject to FDIC conservatorship or receivership) or otherwise be unable to successfully execute our business plan. In addition, if unanticipated market factors emerge and/or we are unable to access the credit markets to

meet our capital and liquidity needs in the future, we may be precluded from making acquisitions, we may be subject to formal and informal enforcement actions by the Federal Reserve, CIT Bank may be placed in FDIC conservatorship or receivership or suffer other consequences, and such actions could impair our ability to successfully executing our business plan and have a material adverse effect on our business, results of operations, and financial position.

ALTHOUGH WE HAVE BECOME A BANK HOLDING COMPANY, WE NEED TO IMPLEMENT ADDITIONAL MEASURES TO REALIZE THE FULL BENEFIT OF THAT STATUS, AND FAILURE TO DO SO MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND OPERATIONS

Our business may be adversely affected if we cannot expand our ability to take deposits sufficiently or develop other sources to meet the funding needs of CIT Bank.

We are exploring a variety of options that would allow us to expand our deposit-taking capabilities, to potentially benefit from certain U.S. government programs to support financial institutions, or to execute on other measures designed to manage our liquidity position, including potential asset sales or secured

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financings or acquisitions of other banking institutions. Each of these measures is subject to a number of uncertainties, including but not limited to obtaining government approvals for certain measures and locating suitable transaction counterparties for other measures. In addition, we may face strong competition for deposits from other new as well as existing bank holding companies similarly seeking larger and more stable pools of funding. There are significant risks that we will not execute these changes successfully, even if we obtain all the necessary approvals or locate suitable transaction counterparties. Further, if we are successful in implementing any of these options, they may not achieve their anticipated benefits. A failure to successfully implement some or all of the options we are exploring could have a material adverse effect on our business.

Our business may be adversely affected if we do not obtain approval to participate in the Temporary Liquidity Guarantee Program or other government programs.

Eligibility to participate in the Temporary Liquidity Guarantee Program is subject to the approval of the FDIC and such approvals are discretionary. Although we have become a bank holding company, we may not be successful in achieving the other elements of our liquidity plan, including participation in the Temporary Liquidity Guarantee Program. Our inability to achieve the other elements of our liquidity plan would have a material adverse effect on our business, results of operations and financial position (including our ability to meet our scheduled debt maturities of approximately \$10 billion by the end of 2009).

Our ability to execute our operating plan may be adversely affected if our application for an exemption from Section 23A to transfer assets to CIT Bank is not approved.

We have applied to the Federal Reserve for an exemption from Section 23A of the Federal Reserve Act, to allow a one-time series of asset transfers of between \$22 billion and \$28 billion that would otherwise exceed the quantitative limits that Section 23A places on certain transactions between a member bank and its affiliates. If our application is not granted for all or a significant portion of the assets, it could severely limit our ability to gradually shift our primary operating platform to CIT Bank and could have a material adverse effect on our business, results of operations and financial position.

Our business may be adversely affected if we do not successfully implement our project to transform our compliance, risk management, finance, treasury, operations, and other areas of our business to meet the standards of a bank holding company.

As a result of becoming a bank holding company and converting our Utah industrial bank to a Utah state bank, we have analyzed our business to identify areas that require improved policies and procedures to meet the regulatory requirements and standards for banks and bank holding companies, including but not limited to in compliance, risk management, finance, treasury, and operations. We are developing and implementing project plans to improve policies and procedures in the areas identified. If we have not identified all of the required improvements, or if we are unsuccessful in implementing the policies and procedures that have been identified, we could be subject to a variety of formal and informal enforcement actions that could result in the imposition of certain restrictions on our business, or preclude us from making acquisitions, and such actions could impair our ability to execute our business plan and have a material adverse effect on our business, results of operations, or financial position.

OUR LIQUIDITY OR ABILITY TO RAISE DEBT MAY BE LIMITED BY MARKET CONDITIONS, CREDIT RATINGS DOWNGRADES, OR REGULATORY OR CONTRACTUAL RESTRICTIONS.

Our traditional business model depends upon access to the debt capital markets to provide sources of liquidity and efficient funding for asset growth. These markets have exhibited heightened volatility and dramatically reduced liquidity. Liquidity in the debt capital markets has become significantly more constrained. The unsecured debt markets are unavailable to us, while secured borrowing is more costly and interest rates available to us have increased significantly relative to benchmark rates, such as U.S. treasury securities and LIBOR. Recent downgrades in our short and long-term credit ratings have worsened these general conditions and had the practical effect of leaving us without current access to the commercial paper market and other unsecured term debt markets, which were historically significant sources of liquidity for us, and necessitated our action to draw down on our bank credit facilities. As a result of these developments, we have shifted our funding sources primarily to secured borrowings, including both on-balance sheet and off-balance sheet securitizations. For our business, secured funding is significantly less efficient than unsecured debt facilities. Further, while we have remaining capacity with respect to this funding source, there are limits to the amount of assets that can be encumbered without affecting our ability to maintain our debt ratings at various levels. Additional adverse developments in the economy, long-term disruption in the capital markets, deterioration in our business performance or further downgrades in our credit ratings (particularly a downgrade below investment grade) could further limit our access to these markets and increase our cost of capital. If any one of these developments occurs, or if we are unable to regain access to the commercial paper or unsecured term debt markets, it would adversely affect our business, operating results and financial condition.

Our ability to satisfy our cash needs may also be constrained by regulatory or contractual restrictions on the manner in which we may use portions of our cash on hand. For example, our total cash position of \$8.4 billion at December 31, 2008 included cash and short-term investments of \$1.2 billion at CIT Bank and \$2.7 billion of restricted cash, largely related to securitization transactions, and other cash and short-term investment balances which are not immediately available. The cash and investments at CIT Bank are available solely for the bank's funding and investment requirements. The restricted cash related to securitization transactions is available solely for payments to certificate holders. The cash and investments of the Bank and the restricted cash related to securitization transactions cannot be transferred to or used for the benefit of any other affiliate of ours. In addition, as part of our business we extend lines of credit, some of which can be drawn by the borrowers at any time. If the borrowers on these lines of credit access these lines or increase their rate of borrowing either as a result of their business needs or due to a perception that we may be unable to fund these lines of credit in the future, this could degrade our liquidity position substantially which could have a material adverse effect on our business.

Item 1A: Risk Factors

OUR RESERVES FOR CREDIT LOSSES MAY PROVE INADEQUATE OR WE MAY BE NEGATIVELY AFFECTED BY CREDIT RISK EXPOSURES.

Our business depends on the creditworthiness of our customers and their ability to fulfill their obligations to us. We maintain a consolidated reserve for credit losses on finance receivables that reflects management's judgment of losses inherent in the portfolio. We periodically review our consolidated reserve for adequacy considering economic conditions and trends, collateral values and credit quality indicators, including past charge-off experience and levels of past due loans, past due loan migration trends, and non-performing assets. We cannot be certain that our consolidated reserve for credit losses will be adequate over time to cover credit losses in our portfolio because of adverse changes in the economy or events adversely affecting specific customers, industries or markets. The current economic environment is dynamic and the credit worthiness of our customers and the value of collateral underlying our receivables can change significantly over very short periods of time. Our reserves may not keep pace with changes in the creditworthiness of our customers or collateral values. If the credit quality of our customer base materially decreases, if the risk of a market, industry, or group of customers changes significantly, or if our reserves for credit losses are not adequate, our business, financial condition and results of operations could suffer.

In addition to customer credit risk associated with loans and leases, we are also exposed to other forms of credit risk, including counterparties to our derivative transactions, loan sales, syndications and equipment purchases. These counterparties include other financial institutions, manufacturers and our customers. If our credit underwriting processes or credit risk judgments fail to adequately identify or assess such risks, or if the credit quality of our derivative counterparties, customers, manufacturers, or other parties with which we conduct business materially deteriorates, we may be exposed to credit risk related losses that may negatively impact our financial condition, results of operations or cash flows.

WE MAY BE ADVERSELY AFFECTED BY FURTHER DETERIORATION IN ECONOMIC CONDITIONS THAT IS GENERAL OR SPECIFIC TO INDUSTRIES, PRODUCTS OR GEOGRAPHIC AREAS.

A further deepening of the current recession, prolonged economic weakness, or other adverse economic or financial developments in the U.S. or global economies or affecting specific industries, geographic locations and/or products, could make it difficult for us to originate new business, given the resultant reduced demand for consumer or commercial credit. In addition, a downturn in certain industries may result in a reduced demand for the products that we finance in that industry or negatively impact collection and asset recovery efforts.

For example, decreased demand for the products of various manufacturing customers due to the current recession may adversely affect their ability to repay their loans and leases with us. Similarly, a decrease in the level of airline passenger traffic due to the current recession or a decline in shipping volumes due to a recession in particular industries may adversely affect our aerospace or rail businesses.

Credit quality also likely would be further impacted during a prolonged economic slowdown or recession as borrowers may fail to meet their debt payment obligations. Adverse economic conditions have and could further result in declines in collateral values, which also decreases our ability to fund against collateral. Accordingly, higher credit and collateral related losses could impact our financial position or operating results.

OUR ABILITY TO RECOGNIZE TAX BENEFITS ON FUTURE DOMESTIC U.S. TAX LOSSES AND OUR EXISTING U.S. NET OPERATING LOSS POSITION MAY BE LIMITED.

Given the magnitude of our U.S. Federal and state and local tax loss carry-forwards (net operating loss carry-forwards or NOLs) and the corresponding valuation allowances recorded following the sale of our Home Lending business in 2008, CIT could be limited in recognizing tax benefits on any future losses from US operations. Additionally, our ability to fully utilize our existing U.S. Federal NOL (approximately \$4.1 billion) could be limited should the Company undergo an ownership change as described under section 382 of the Internal Revenue Code. An ownership change is generally defined as a greater than 50% change in its equity ownership by value over a three-year period. We may experience an ownership change in the future as a result of changes in our stock ownership.

UNCERTAINTIES RELATED TO OUR BUSINESS MAY RESULT IN THE LOSS OF OR DECREASED BUSINESS WITH CUSTOMERS.

Our business depends on our ability to provide a wide range of quality products to our customers and our ability to attract new customers. If our customers are uncertain as to our ability to continue to provide the same breadth and quality of products, we may be unable to attract new customers and we may experience lower business with or a loss of customers.

WE MAY BE ADVERSELY AFFECTED BY SIGNIFICANT CHANGES IN INTEREST RATES.

Although we generally employ a matched funding approach to managing our interest rate risk, including matching the repricing characteristics of our assets with our liabilities, significant increases in market interest rates or widening of our credit spreads, or the perception that an increase may occur, could adversely affect both our ability to originate new finance receivables and our profitability. During the second half of 2007 and all of 2008, credit spreads for almost all financial institutions, and particularly our credit spreads, widened dramatically and made it highly uneconomical for us to borrow in the unsecured debt markets to fund loans to our customers. Conversely, a decrease in interest rates could result in accelerated prepayments of owned and securitized finance receivables.

WE MAY BE REQUIRED TO TAKE ADDITIONAL IMPAIRMENT CHARGES FOR GOODWILL OR INTANGIBLE ASSETS RELATED TO ACQUISITIONS.

We have acquired certain portions of our business and certain portfolios through acquisitions and bulk purchases. Further, as part of our long-term business strategy, we may continue to pursue acquisitions of other companies or asset portfolios. In connection with prior acquisitions, we have accounted for the portion of the purchase price paid in excess of the book value of the assets acquired as goodwill or intangible assets, and we may be required to account for similar premiums paid on future acquisitions in the same manner.

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Under the applicable accounting rules, goodwill is not amortized and is carried in our financial statements at its original value, subject to periodic review and evaluation for impairment, whereas intangible assets are amortized over the life of the asset. Our common stock has been trading below both our book value and tangible book value per share for an extended period of time. As a result, we have been conducting quarterly impairment reviews. If, as a result of our periodic review and evaluation of our goodwill and intangible assets for potential impairment, we determine that changes in the business itself, the economic environment including business valuation levels and trends, or the legislative or regulatory environment have adversely affected either the fair value of the business or the fair value of our individual segments, we may be required to take an impairment charge to the extent that the carrying values of our goodwill or intangible assets exceeds the fair value of the business in any segments with goodwill and intangible assets. Also, if we sell a business for less than the book value of the assets sold, plus any goodwill or intangible assets attributable to that business, we may be required to take an impairment charge on all or part of the goodwill and intangible assets attributable to that business.

During the third quarter, we determined that the estimated fair value of the Vendor Finance segment declined, resulting in an impairment of this segment's entire goodwill and most of its intangible asset balances, representing virtually the entire \$467.8 million pretax charge taken in 2008. At year end, the results of the Step 1 process indicated potential impairment of the entire goodwill balance relating to the Corporate Finance segment, the Step 2 analysis indicated that the fair value shortfall was attributable to the substantially lowered estimated fair values of the net tangible assets (primarily finance receivables), rather than the goodwill (franchise value) of the segment. Therefore, no impairment charge was required with respect to the Corporate Finance segment goodwill at December 31, 2008. Although we did not take any impairment charges as a result of our annual goodwill impairment testing in the fourth

quarter of 2008, on the \$699 million of goodwill and intangible assets remaining at December 31, 2008, we cannot assure that we will not recognize material impairment charges in the future.

BUSINESSES OR ASSET PORTFOLIOS ACQUIRED MAY NOT PERFORM AS EXPECTED AND WE MAY NOT BE ABLE TO ACHIEVE ADEQUATE CONSIDERATION FOR DISPOSITIONS.

As part of our long-term business strategy, we may pursue acquisitions of other companies or asset portfolios as well as dispose of non-strategic businesses or portfolios. In particular, as part of our strategy to increase deposits at CIT Bank, we may pursue acquisitions of other banks or retail bank branches. Future acquisitions may result in potentially dilutive issuances of equity securities and the incurrence of additional debt, which could have a material adverse effect on our business, financial condition and results of operations. Such acquisitions may involve numerous other risks, including difficulties in integrating the operations, services, products and personnel of the acquired company; the diversion of management's attention from other business concerns; entering markets in which we have little or no direct prior experience; or the potential loss of key employees of the acquired company. Acquired businesses and asset portfolios may have credit related risks arising from substantially different underwriting standards associated with those businesses or assets. In addition, if we acquire another bank or retail bank branches, we may acquire consumer loan products, such as home mortgages or student loans, as part of such acquisition. As a bank holding company, we must obtain prior approval of any acquisitions from the Federal Reserve, which may not approve the acquisition or may approve it subject to conditions on how we operate our business.

We are currently executing on a number of measures designed to manage our liquidity position, including potential asset sales. There can be no assurance that we will be successful in completing all or any of these transactions. These transactions, if completed, may reduce the size of our business and it is not currently part of our long-term strategy to replace the volume associated with these businesses. From time to time, we also receive inquiries from third parties regarding our potential interest in disposing of other types of assets, such as student lending and other commercial finance or vendor finance assets, which we may or may not choose to pursue.

There is no assurance that we will receive adequate consideration for any asset or business dispositions. As a result, our future disposition of businesses or asset portfolios could have a material adverse effect on our business, financial condition and results of operations.

ADVERSE OR VOLATILE MARKET CONDITIONS COULD CONTINUE TO NEGATIVELY IMPACT FEES AND OTHER INCOME.

In 2005, we began pursuing strategies to leverage our expanded asset generation capability and diversify our revenue base in order to generate higher levels of syndication and participation income, advisory fees, servicing fees and other types of fee income to increase other income as a percentage of total revenue. These revenue streams are dependent on market conditions and, therefore, can be more volatile than interest on loans and rentals on leased equipment. Current market conditions, including lower liquidity levels in the syndication market and our strategy to manage our growth due to our own funding constraints, have had a direct negative impact on syndication activity, and have resulted in significantly lower fee generation. If we are unable to sell or syndicate a transaction after it is originated, this activity will involve the assumption of greater underwriting risk than we originally intended and could increase our capital requirements to support our business or expose us to the risk of valuation allowances for assets held for sale. In addition, we also generate significant fee income from our factoring business. If our clients become concerned about our liquidity position and our ability to provide these services going forward and reduce their amount of business with us, this could further negatively impact our fee income and have a material adverse effect on our business. Continued disruption to the capital markets or the failure of such initiatives to result in increased asset and revenue levels could adversely affect our financial position and results of operations.

ADVERSE FINANCIAL RESULTS OR OTHER FACTORS COULD LIMIT OUR ABILITY TO PAY DIVIDENDS.

Our board of directors decides whether we will pay dividends on our common stock. That decision depends upon, among other things, legal and regulatory restrictions on the payment of dividends by us, general economic and business conditions, our strategic and operational plans, our financial results and condition, contractual restrictions, our credit ratings, short and long-term liquidity and capital needs, and such other factors as the board of directors may consider to be relevant. If any of these factors are adversely affected, it may impact our ability to pay dividends on our common stock. During the first quarter of 2009, our board of directors reduced the quarterly dividend on our common stock by 80%, from \$0.10 per share to \$0.02 per share, and the Board previously reduced our dividend in the first quarter of 2008 by 60%, from \$0.25 per share to \$0.10 per share. There is a possibility that our board of directors could determine to further reduce or eliminate dividends payable on our common stock in the future.

In addition, the terms of our preferred stock and junior subordinated notes restrict our ability to pay dividends on our common stock if we do not make distributions on our preferred stock and junior subordinated notes. Further, we are prohibited from declaring dividends on our preferred stock and from paying interest on our junior subordinated notes if we do not meet certain financial tests, provided that the limitation does not apply if we pay such dividends and interest out of net proceeds that we have received from the sale of common stock. While we were in compliance for the second quarter of 2008, we were not in compliance with these financial tests for the last two quarters of 2007 or any other quarter of 2008. We sold common stock to cover such dividend and interest payments during the fourth quarter of 2007 and the first, third and fourth quarters of 2008, and we obtained a forward commitment from two investment banks to purchase additional shares, at our option, in the second and third quarters of 2008. If we are unable to sell our common stock in the future, and we continue to fail to meet the requisite financial tests, then we will be prohibited from declaring dividends on our preferred stock, paying interest on our junior subordinated notes, or declaring dividends on our common stock.

Furthermore, under the terms of the Capital Purchase Program and the perpetual preferred stock issued to the U.S. Treasury pursuant to such program, the consent of the U.S. Treasury will be required for any increase in common dividends per share until the third anniversary of the date of the investment unless prior to such third anniversary the perpetual preferred stock issued pursuant to the Capital Purchase Program is redeemed in whole or the U.S. Treasury has transferred all of the perpetual preferred stock to third parties.

COMPETITION FROM BOTH TRADITIONAL COMPETITORS AND NEW MARKET ENTRANTS MAY ADVERSELY AFFECT OUR RETURNS, VOLUME AND CREDIT QUALITY.

Our markets are highly competitive and are characterized by competitive factors that vary based upon product and geographic region. We have a wide variety of competitors that include captive and independent finance companies, commercial banks and thrift institutions, industrial banks, community banks, leasing companies, hedge funds, insurance companies, mortgage companies, manufacturers and vendors.

We compete primarily on the basis of pricing, terms and structure. To the extent that our competitors compete aggressively on any combination of those factors, we could lose market share. Should we match competitors' terms, it is possible that we could experience margin compression and/or increased losses.

WE MAY NOT BE ABLE TO REALIZE OUR ENTIRE INVESTMENT IN THE EQUIPMENT WE LEASE.

The realization of equipment values (residual values) during the life and at the end of the term of a lease is an

important element in the leasing business. At the inception of each lease, we record a residual value for the leased equipment based on our estimate of the future value of the equipment at the expected disposition date. Internal equipment management specialists, as well as external consultants, determine residual values.

A decrease in the market value of leased equipment at a rate greater than the rate we projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment, recession or other adverse economic conditions, or other factors, would adversely affect the current or the residual values of such equipment. Further, certain equipment residual values, including commercial aerospace residuals, are dependent on the manufacturer's or vendor's warranties, reputation and other factors, including market liquidity. In addition, we may not realize the full market value of equipment if we are required to sell it to meet liquidity needs or for other reasons outside of the ordinary course of business. Consequently, there can be no assurance that we will realize our estimated residual values for equipment.

The degree of residual realization risk varies by transaction type. Capital leases bear the least risk because contractual payments cover approximately 90% of the equipment's cost at the inception of the lease. Operating leases have a higher degree of risk because a smaller percentage of the equipment's value is covered by contractual cash flows at lease inception. Leveraged leases bear the highest level of risk as third parties have a priority claim on equipment cash flows.

INVESTMENT IN AND REVENUES FROM OUR FOREIGN OPERATIONS ARE SUBJECT TO VARIOUS RISKS AND REQUIREMENTS ASSOCIATED WITH TRANSACTING BUSINESS IN FOREIGN COUNTRIES.

An economic recession or downturn, increased competition, or business disruption associated with the political or regulatory environments in the international markets in which we operate could adversely affect us. In addition, while we generally hedge our translation and transaction exposures, foreign currency exchange rate fluctuations, or the inability to hedge effectively in the future, could have a material adverse effect on our investment in international operations and the level of international revenues that we generate from international asset based financing and leasing. Reported results from our operations in foreign countries may fluctuate from period to period due to exchange rate movements in relation to the U.S. dollar, particularly exchange rate movements in the Canadian dollar, which is our largest non-U.S. exposure. Recent weakness in the U.S. dollar has negatively impacted the U.S. dollar value of our revenues that are paid in other currencies. A further weakening of the U.S. dollar will further negatively impact the U.S. dollar value of our international operations.

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U.S. generally accepted accounting principles (GAAP) require that income earned from foreign subsidiaries should be treated as being taxed as if they were distributed to the parent company, unless those funds are permanently reinvested outside the United States. To meet this permanent reinvestment standard, we must demonstrate that there is no foreseeable need for the funds by the parent company and that there is a specific plan for reinvestment of the undistributed earnings of the funds by the subsidiary. Federal income taxes have not been provided on approximately \$1.3 billion of cumulative earnings of foreign subsidiaries that we have determined to be permanently reinvested. If we sell a foreign business or significant foreign assets, we may not be able to redeploy some or all of the funds generated from a sale outside the United States and would be required to treat the funds as repatriated currently for purposes of GAAP. While it is not practicable to estimate the amount of tax that we would have to provide for under GAAP in such an event, the impact on us may be material.

Foreign countries have various compliance requirements for financial statement audits and tax filings, which are required to obtain and maintain licenses to transact business. If we are unable to properly complete and file our statutory audit reports or tax filings, regulators or tax authorities in the applicable jurisdiction may restrict our ability

to do business.

UNCERTAINTIES RELATED TO OUR BUSINESS MAY CAUSE A LOSS OF EMPLOYEES AND MAY OTHERWISE MATERIALLY ADVERSELY AFFECT OUR ABILITY TO ATTRACT NEW EMPLOYEES.

Our future results of operations will depend in part upon our ability to retain existing highly skilled and qualified employees and to attract new employees. Failure to continue to attract and retain such individuals could materially adversely affect our ability to compete. Uncertainties about the future prospects of our business may materially adversely affect our ability to attract and retain key management, technical and other personnel. This inability to retain key personnel could have an adverse effect on our ability to successfully operate our business or to meet our compliance, regulatory, and other reporting requirements.

EXECUTIVE COMPENSATION RESTRICTIONS ON TARP RECIPIENTS COULD MATERIALLY AFFECT OUR ABILITY TO RETAIN AND/OR RECRUIT.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the Act) was signed into law. The Act includes an amendment and restatement of Section 111 of the Emergency Economic Stabilization Act of 2008 (EESA) that significantly expands and strengthens executive compensation restrictions applicable to entities, including CIT, that participate in TARP. The Act also includes a number of other requirements, including but not limited to implementing a say-on-pay policy that allows for an annual non-binding shareholder vote on executive compensation and a policy related to the approval of excessive or luxury expenditures, as identified by the U.S. Treasury, including corporate aircraft, office and facility renovations, entertainment and holiday parties and other activities or events that are not reasonable expenditures for staff development, performance incentives or similar measures in the normal course of business. The Act s executive compensation restrictions generally will continue for so long as any obligation arising from TARP financial assistance remains outstanding, other than government-held warrants. The provisions of the Act and importantly the U.S. Treasury regulations that will implement the Act could have a material effect on our ability to recruit and retain individuals with the experience and skill necessary to manage successfully our business out of its current difficulties and during the long term.

Item 1B. Unresolved Staff Comments

There are no unresolved SEC staff comments.

Item 2. Properties

CIT operates in the United States, Canada, Europe, Latin America, Australia and the Asia-Pacific region. CIT occupies approximately 2.0 million square feet of office space, the majority of which is leased. Such office space is suitable and adequate for our needs and we utilize, or plan to utilize, substantially all of our leased office space.

Item 3. Legal Proceedings

SECURITIES CLASS ACTION

On July 25, 2008 and August 22, 2008, putative class action lawsuits were filed in the United States District Court for the Southern District of New York against CIT, its Chief Executive Officer and its Chief Financial Officer. The lawsuits allege violations of the Securities Exchange Act of 1934 (1934 Act) and Rule 10b-5 promulgated thereunder during the period from April 18, 2007 to March 5, 2008.

On August 15, 2008, a putative class action lawsuit was filed in the United States District Court for the Southern District of New

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York by the holder of CIT PrZ equity units against CIT, its Chief Executive Officer, its Chief Financial Officer and members of its Board of Directors. The lawsuit alleges violations of Sections 11 and 12 of the Securities Act of 1933 with respect to the Company's registration statement and prospectus filed with the SEC on October 17, 2007 through March 5, 2008.

On September 5, 2008, a shareholder derivative lawsuit was filed in the United States District Court for the Southern District of New York against CIT, its Chief Executive Officer, its former Controller and members of its Board of Directors, alleging defendants breached their fiduciary duties to the plaintiff and abused the trust placed in them by wasting, diverting and misappropriating CIT's corporate assets. On September 10, 2008, a similar shareholder derivative action was filed in New York County Supreme Court against CIT, its Chief Executive Officer, its Chief Financial Officer and members of its Board of Directors.

Each of the above lawsuits is premised upon allegations that the Company made false and misleading statements and or omissions about its financial condition by failing to account in its financial statements or, in the case of the preferred stockholder, its registration statement and prospectus, for private student loans related to a pilot training school, which, plaintiffs allege were highly unlikely to be repaid and should have been written off. Plaintiffs seek, among other relief, unspecified damages and interest. CIT believes the allegations in these actions are without merit and intends to vigorously defend these actions.

U.S. DEPARTMENT OF EDUCATION OIG AUDIT

On January 5, 2009, the Office of Inspector General for the U.S. Department of Education issued an Audit Report addressed to Fifth Third Bank, as eligible lender trustee for three student loan companies that received financing from and sold loans to Student Loan Xpress (SLX). The OIG Audit Report alleges that each of the three lenders had violated rules on prohibited inducements for the marketing of student loans on over \$3 billion of guaranteed student loans originated by the lenders and sold to SLX. The OIG Audit Report recommended that the Office of Federal Student Aid of the Department of Education find that SLX and each of the three lenders had committed anti-inducement violations. Based in part on the advice of outside counsel, management believes the Company has complied with all applicable rules and regulations in this matter. However, since the Company has ceased originating student loans, management is attempting to resolve these matters as expeditiously as possible through a financial settlement, which we believe will not have a material adverse effect on our financial condition or results of operations.

PILOT TRAINING SCHOOL BANKRUPTCY

In February 2008, a helicopter pilot training school filed for bankruptcy and ceased operating. Student Loan Xpress, Inc. (SLX), a subsidiary of CIT engaged in the student lending business, had originated private (non-government guaranteed) loans to students of the school, which totaled approximately \$196.8 million in principal and accrued interest as of December 31, 2007. SLX ceased originating new loans to students of this school in mid-May 2007, but a majority of the student borrowers had not completed their training when the school ceased operations. Collectability of the outstanding principal and interest on the balance of the loans will depend on a number of factors, including a student's current ability to repay the loan, whether a student has completed the pilot licensing requirements, whether a student can complete any remaining education requirements at another institution (including making further tuition payments and accessing previous education records) and satisfy any remaining licensing requirements.

After the school filed for bankruptcy, and ceased operations, CIT voluntarily placed those students who were in school at the time of the closure in grace such that no payments under their loans are required to be made and no interest on

their loans is accruing, pending further notice. Lawsuits, including four putative class action lawsuits, have been filed against SLX and other lenders alleging, among other things, violations of state consumer protection laws. In addition, several other attorneys who purport to represent student borrowers have threatened litigation if their clients do not receive relief with respect to their debts to SLX. CIT participated in a mediation with several class counsels and the parties have made substantial progress towards a resolution of the student claims against SLX. The Attorneys General of several states are reviewing the impact of the helicopter pilot training school's closure on the student borrowers and any possible role of SLX. CIT is cooperating in each of the Attorney General inquiries. Management believes the Company has good defenses in each of these pending and threatened matters and with respect to the Attorneys General inquiries. However, since the loans are unsecured and uncertainties exist regarding collection, management continues to attempt to resolve these matters as expeditiously as possible.

STUDENT LOAN INVESTIGATIONS

In connection with investigations into (i) the relationships between student lenders and the colleges and universities that recommend such lenders to their students, and (ii) the business practices of student lenders, CIT and/or SLX received requests for information from several state Attorneys General and several federal governmental agencies. In May, 2007, CIT entered into an Assurance of Discontinuance (AOD) with the New York Attorney General (NYAG), pursuant to which CIT contributed \$3.0 million into a fund established to educate students and their parents concerning student loans and agreed to cooperate with the NYAG's investigation, in exchange for which, the NYAG agreed to discontinue its investigation concerning certain alleged conduct by SLX. CIT is fully cooperating with the remaining investigations.

VENDOR FINANCE BILLING AND INVOICING INVESTIGATION

In the second quarter of 2007, the office of the United States Attorney for the Central District of California requested that CIT produce the billing and invoicing histories for a portfolio of customer accounts that CIT purchased from a third-party vendor. The request was made in connection with an ongoing investigation being conducted by federal authorities into billing practices involving that portfolio. State authorities in California have been conducting a parallel investigation. It appears the investigations are being conducted under the Federal False Claims Act and its California equivalent. CIT is cooperating with these investigations, and substantial progress has been made towards a resolution of the investigations. Based on the facts known to date, CIT believes its exposure will not be material.

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LEHMAN BROTHERS BANKRUPTCY

In conjunction with certain interest rate and foreign currency hedging activities, the Company had counterparty receivables from Lehman Specialty Financing Inc (LSF), a subsidiary of Lehman Brothers Holding Inc. (Lehman) totaling \$33 million related to derivative transactions. On September 15, 2008, Lehman filed a petition under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. In October 2008, LSF filed a Chapter 11 petition in the same court. The Company terminated the swaps prior to the bankruptcy, but has not received payment for the amounts owed, resulting in a bankruptcy claim against LSF. Based on management's assessment of the collectability of the outstanding balance and the corresponding potential impairment of this asset, the Company recorded a \$15 million pretax valuation charge in the fourth quarter of 2008.

RESERVE FUND INVESTMENT

At February 27, 2009, the Company had a remaining principal balance of \$86 million (of an initial \$600 million) invested in the Reserve Primary Fund (the Reserve Fund), a money market fund. The Reserve Fund currently is in orderly liquidation under the supervision of the SEC and its net asset value had fallen below its stated value of \$1.00.

In September 2008, the Company requested redemption, and received confirmation with respect to a 97% payout on a portion of the investment. As a result, the Company accrued a pretax charge of \$18 million in the third quarter representing the Company's estimate of loss based on the 97% partial payout confirmation.

On February 26, 2009, the Board of Trustees of the Reserve Fund (the Board) announced their decision to initially set aside \$3.5 billion in a special reserve under the plan of liquidation, to cover potential liabilities for damages and associated expenses related to lawsuits and regulatory actions against the fund. The special reserve may be increased or decreased as further information becomes available. As a result, pursuant to the liquidation plan, interim distributions will continue to be made up to 91.72% unless the Board determines a need to increase the special reserve. Amounts in the special reserve will be distributed to shareholders once claims, if any are successful, and the related expenses have been paid or set aside for payment.

The determination of the total distribution to CIT is subject to the distribution available to all investors of this fund and may take a long period of time. As a result, potential recovery may vary from the recorded investment. The Company will continue to monitor further developments with respect to the estimate of loss.

OTHER LITIGATION

In addition, there are various legal proceedings and government investigations against or including CIT, which have arisen in the ordinary course of business. While the outcomes of the ordinary course legal proceedings and the related activities are not certain, based on present assessments, management does not believe that they will have a material adverse effect on CIT.

Item 4. Submission of Matters to a Vote of Security Holders

We did not submit any matters to a vote of security holders during the three months ended December 31, 2008.

Item 4: Submission of Matters to a Vote of Security Holders

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PART TWO

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange. The following table sets forth the high and low reported closing prices for CIT's common stock for each of the quarterly periods in the two years ended December 31, 2008.

	2008		2007	
	High	Low	High	Low
Common Stock Price				
First Quarter	\$ 30.68	\$ 9.63	\$ 61.36	\$ 50.96
Second Quarter	\$ 15.25	\$ 6.81	\$ 61.16	\$ 52.80
Third Quarter	\$ 11.53	\$ 6.14	\$ 57.63	\$ 33.28
Fourth Quarter	\$ 7.48	\$ 1.83	\$ 41.85	\$ 22.76

During the year ended December 31, 2008, we paid a dividend of \$0.25 per common share during the first quarter and \$0.10 each quarter thereafter for a total of \$0.55 per share. During the year ended December 31, 2007, we paid a dividend of \$0.25 per common share each quarter for a total of \$1.00 per share. On January 21, 2009, the Board of Directors approved a quarterly dividend of \$0.02 per share to be paid February 27, 2009, to shareholders of record on

February 17, 2009.

Our dividend practice is to pay a dividend while maintaining sufficient capital to support our business. The declaration and payment of future dividends are subject to the discretion of our board of directors and limitations set by the preferred stock described below. Any determination as to the payment of dividends, including the level of dividends, will depend on, among other things, general economic and business conditions, our strategic and operational plans, our financial results and condition, contractual, legal and regulatory restrictions on the payment of dividends by us, and such other factors as the board of directors may consider to be relevant.

The terms of Senior Preferred Series D issued to the U.S. Department of the Treasury (UST) on December 31, 2008 state that no dividends may be declared or paid on junior preferred shares, preferred shares ranking pari passu with the Senior Preferred, or common shares (other than in the case of pari passu preferred shares, dividends on a pro rata basis with the Senior Preferred), nor may CIT repurchase or redeem any junior preferred shares, preferred shares ranking pari passu with the Senior Preferred or common shares, unless (i) in the case of cumulative Senior Preferred all accrued and unpaid dividends for all past dividend periods on the Senior Preferred are fully paid or (ii) in the case of non-cumulative Senior Preferred the full dividend for the latest completed dividend period has been declared and paid in full. The United States Department of Treasury's consent shall be required for any increase above the last payment of common dividends, which was \$0.10 per share, until the third anniversary of the date of this investment, unless prior to such third anniversary the Senior Preferred is redeemed in whole or the UST has transferred all of the Senior Preferred to third parties.

The terms of certain of our outstanding preferred stock and junior subordinated notes restrict our ability to pay dividends on our common stock if and so long as we do not make distributions on our preferred stock or we do not pay all accrued and unpaid interest on our junior subordinated notes, in full when due. Further, we are prohibited from declaring dividends on our preferred stock and from paying interest on our junior subordinated notes if, among other things, our average four quarters fixed charge ratio is less than or equal to 1.10 on the dividend declaration date or on the thirtieth day prior to the interest payment date, as the case may be. Our average four quarters fixed charge ratio is defined as (a) the sum, for our most recently completed four fiscal quarters, of the quotient of (x) our earnings (excluding income taxes, interest expense, extraordinary items, goodwill impairment and amounts related to discontinued operations) and (y) interest expense plus preferred dividends, divided by (b) four.

Our average four-quarter fixed charge ratio was below 1.10 periodically during 2008. Notwithstanding the foregoing, we may declare such dividends and pay such interest to the extent of any net proceeds that we have received from the sale of common stock during the 90 days prior to the declaration of the dividend or the 180 days prior to the interest payment date. We have not been in compliance with these financial tests since June 30, 2007, with the exception of the June 2008 quarter. We sold common stock to cover such dividend and interest payments during the fourth quarter of 2007 (1.0 million shares) and the 2008 first quarter (1.3 million shares) and fourth quarter (2.8 million shares). If we are unable to sell our common stock in the future, and we continue to fail to meet the requisite financial tests, then we will be prohibited from declaring dividends on our preferred stock, paying interest on our junior subordinated notes, or declaring dividends on our common stock.

As of February 17, 2009, there were 73,154 beneficial owners of CIT common stock.

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All equity compensation plans in effect during 2008 were approved by our shareholders, and are summarized in the following table.

**Number of Securities
Remaining Available for**

	Number of Securities to be Issued Upon Exercise of Outstanding Options ⁽¹⁾	Weighted-Average Exercise Price of Outstanding Options	Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) ⁽²⁾
	(A)	(B)	(C)
Equity Compensation Plans			
Approved by Security Holders	16,646,479	\$31.73	8,279,814

(1) Excludes 3,439,001 unvested restricted shares and 1,064,203 unvested performance shares outstanding under the Long-Term Equity Compensation Plan.

(2) Balance as of December 31, 2008 and excludes 5,556,045 in issuance related to January 2009 awards of options and other equity compensation.

We had no equity compensation plans that were not approved by shareholders. For further information on our equity compensation plans, including the weighted average exercise price, see *Item 8. Financial Statements and Supplementary Data, Note 16 Retirement, Other Postretirement and Other Benefit Plans*.

There were no repurchases of CIT common stock during 2008.

	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
Balance at September 30, 2008	23,228,581			689,096
October 1 - 31, 2008				689,096
November 1 - 30, 2008				689,096
December 1 - 31, 2008				689,096
Total Purchases				
Reissuances ⁽¹⁾	16,900,737			
Balance at December 31, 2008	6,327,844			

(1) Includes the issuance of approximately 14 million shares in connection with an equity unit exchange offer, 2.8 million shares of our common stock to permit declaration of fourth quarter preferred dividends, as well as issuances for the employee stock purchase plan.

The remaining shares that may yet be repurchased relate to the 2007 continuation of the common stock repurchase program. The program may be discontinued at any time and is not expected to have a significant impact on our capitalization.

STOCK PERFORMANCE GRAPH

The following graph compares the yearly cumulative total stockholder return of our common stock during the last five years to the cumulative total return of the S&P Financial Index and the S&P 500 Index for the same period. The results are based on an assumed \$100 invested at December 31, 2003, and daily reinvestment of dividends.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</u>
CIT	\$ 100.00	\$ 129.27	\$ 148.12	\$ 162.11	\$ 71.49	\$ 14.33
S&P 500	\$ 100.00	\$ 110.88	\$ 116.32	\$ 134.69	\$ 142.09	\$ 89.51
S&P Financial	\$ 100.00	\$ 110.88	\$ 118.09	\$ 140.80	\$ 114.72	\$ 51.31

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Item 6. Selected Financial Data

The following tables set forth selected consolidated financial information regarding our results of operations and balance sheets and has been updated to present activity on a continuing operations basis and present the operations of the home lending business as a discontinued operation. The data presented below is explained further in, and should be read in conjunction with, *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* and *Item 8. Financial Statements and Supplementary Data*. Also see *Item 8, Note 1 (Discontinued Operation)* for data pertaining to discontinued operation.

(At or for the Years Ended December 31, dollars in millions, except per share data)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Results of Operations					
Net interest revenue	\$ 499.1	\$ 821.1	\$ 789.0	\$ 874.1	\$ 960.2
Provision for credit losses	1,049.2	241.8	159.8	165.3	159.5
Total other income	2,460.3	3,567.8	2,898.1	2,708.7	2,277.0
Total other expenses	2,986.5	3,051.1	2,319.2	1,939.4	1,889.3
Net (loss) income from continuing operations, before preferred stock dividends	(633.1)	792.0	925.7	918.5	742.4
Net (loss) income from discontinued operation	(2,166.4)	(873.0)	120.3	30.6	11.2
Net (loss) income (attributable) available to common stockholders	(2,864.2)	(111.0)	1,015.8	936.4	753.6
Income (loss) per share from continuing operations diluted	(2.69)	3.93	4.41	4.30	3.45
Income (loss) per share from discontinued operation diluted	(8.37)	(4.50)	0.59	0.14	0.05
Cash dividends per common share, paid	0.55	1.00	0.80	0.61	0.52
Balance Sheet Data					
Loans including receivables pledged	\$ 53,126.6	\$ 53,760.9	\$ 45,203.6	\$ 35,878.5	\$ 29,892.1
Allowance for loan losses	1,096.2	574.3	577.1	540.2	553.8
Operating lease equipment, net	12,706.4	12,610.5	11,017.9	9,635.7	8,290.9
Goodwill and intangible assets, net	698.6	1,152.5	1,008.4	1,011.5	596.5
Assets of discontinued operation	44.2	9,308.6	10,387.1	8,789.8	5,811.5
Total assets	80,448.9	90,613.4	77,485.7	63,386.6	45,299.8

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Total debt and deposits	66,377.5	69,161.0	60,704.8	47,864.5	37,724.8
Total stockholders' equity	8,124.3	6,960.6	7,751.1	6,962.7	6,055.1
Total owned and securitized assets	\$ 67,823.7	\$ 73,428.2	\$ 63,220.2	\$ 53,200.7	\$ 46,154.3

Selected Data and Ratios

Profitability (continuing operations)

Net income (loss) before preferred dividend as a percentage of average common stockholders' equity	(11.0)%	11.6%	13.6%	14.8%	13.0%
Net finance revenue as a percentage of average earning assets	2.05%	2.71%	3.08%	3.38%	-3.97%
Return on average total assets	(0.85)%	1.03%	1.50%	1.81%	1.71%
Dividend payout ratio	N/M	25.4%	18.1%	14.2%	15.1%
Total ending equity to total ending assets	10.1%	7.7%	10.0%	11.0%	13.4%

Credit Quality

Non-accrual loans as a percentage of finance receivables	2.66%	0.89%	0.69%	0.83%	1.08%
Net credit losses as a percentage of average finance receivables	0.90%	0.35%	0.33%	0.52%	0.88%
Reserve for credit losses as a percentage of finance receivables	2.06%	1.07%	1.28%	1.51%	1.85%
Reserve for credit losses, excluding specific reserves as a percentage of finance receivables, excluding guaranteed student loans	1.48%	1.21%	1.44%	1.53%	1.71%

Capital (period end)

Tier 1 Capital	9.4%	N/A	N/A	N/A	N/A
Total Risk-based Capital	13.1%	N/A	N/A	N/A	N/A
Tangible capital to owned and securitized assets	14.3%	8.8%	9.4%	9.8%	10.7%

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The following table presents the individual components of net interest revenue and operating lease margins. It is followed by a second table that disaggregates the changes in net interest revenue and operating lease margin to either the change in average balances (Volume) or the change in average rates (Rate).

Year to Date Average Balances⁽¹⁾ and Associated Income and Expense (dollars in millions)

	December 31, 2008			December 31, 2007			December 31, 2006		
	Average Balance	Average Interest	Average Rate (%)	Average Balance	Average Interest	Average Rate (%)	Average Balance	Average Interest	Average Rate (%)
Deposits with banks	\$ 6,138.8	\$ 151.0	2.46%	\$ 2,820.5	\$ 136.2	4.83%	\$ 1,770.5	\$ 85.8	4.85%
Investments ⁽⁵⁾	435.5	33.2	7.62%	174.2	25.3	14.52%	97.5	2.0	2.05%
Loans and leases (including held for sale) ⁽³⁾⁽⁶⁾									
U.S.	44,677.4	2,580.8	6.27%	42,931.2	3,222.7	8.30%	35,793.1	2,575.0	8.12%
Non-U.S.	10,524.3	873.2	8.33%	9,855.3	853.9	8.69%	6,790.2	662.0	9.77%
Total loans and leases⁽³⁾	55,201.7	3,454.0	6.68%	52,786.5	4,076.6	8.38%	42,583.3	3,237.0	8.41%
Total interest earning assets / interest income⁽³⁾	61,776.0	3,638.2	6.25%	55,781.2	4,238.1	8.21%	44,451.3	3,324.8	8.24%

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Operating lease equipment, net ⁽²⁾									
U.S. Operating lease equipment, net ⁽²⁾	6,211.4	358.5	5.77%	5,643.3	413.0	7.32%	4,646.1	403.8	8.69%
Non-U.S. operating lease equipment, net ⁽²⁾	6,376.8	461.6	7.24%	6,140.7	405.6	6.61%	5,812.7	294.3	5.06%
Total operating lease equipment, net⁽²⁾	12,588.2	820.1	6.51%	11,784.0	818.6	6.94%	10,458.8	698.1	6.67%
Total earning assets⁽³⁾	74,364.2	\$ 4,458.3	6.29%	67,565.2	\$ 5,056.7	7.97%	54,910.1	\$ 4,022.9	7.92%
Non interest earning assets									
Cash and due from banks	1,409.1			1,238.3			892.1		
Allowance for loan losses	(754.4)			(559.8)			(561.6)		
All other non-interest earning assets	6,385.2			5,713.2			4,507.9		
Assets of discontinued operations ⁽⁴⁾	4,549.1			10,860.8			9,167.8		
Total Average Assets	\$85,953.2			\$84,817.7			\$68,916.3		
Average Liabilities									
Borrowings									
Deposits	\$ 2,292.0	\$ 101.7	4.44%	\$ 2,999.9	\$ 149.4	4.98%	\$ 1,340.9	\$ 69.0	5.15%
Short-term borrowings	778.4	57.7	7.41%	5,043.7	294.2	5.83%	4,884.2	239.8	4.91%
Long-term borrowings	66,112.9	2,979.7	4.51%	59,176.4	2,973.4	5.02%	46,500.5	2,227.0	4.79%
Total interest-bearing liabilities	69,183.3	\$ 3,139.1	4.54%	67,220.0	\$ 3,417.0	5.08%	52,725.6	\$ 2,535.8	4.81%
U.S. credit balances of factoring clients	3,488.3			4,095.7			4,090.4		
Non-U.S. credit balances of factoring clients	37.9			33.7			12.0		
Non-interest bearing liabilities, minority interests and shareholders equity									
Other liabilities	3,990.5			4,381.0			4,314.7		
Liabilities of discontinued operations	2,495.0			1,618.2			122.0		
Minority interest	52.5			125.2			293.2		
Stockholders Equity	6,705.7			7,343.9			7,358.4		

Total Average Liabilities and Stockholders Equity	\$85,953.2		\$84,817.7		\$68,916.3
Non-interest income spread		1.75%		2.89%	3.11%
Impact on non-interest bearing assets ⁽⁴⁾		0.11%		(0.31)%	(0.18)%
Net interest income / yield on average earning assets ⁽³⁾	<u>\$ 1,319.2</u>	1.86%	<u>\$ 1,639.7</u>	2.58%	<u>\$ 1,487.1</u> 2.93%

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The table below disaggregates the year-over-year changes (2008 versus 2007 and 2007 versus 2006) in net interest revenue as presented in the preceding tables between volume (level of lending or borrowing) and rate (rates charged our customers or incurred on our borrowings). The lower rates in 2008, in both our lending and borrowing, reflect the overall drop in market interest rates. The Company's lending rates declined further than borrowing rates due to the increase in the Company's borrowing spreads (over LIBOR).

Changes in Net Interest Income (dollars in millions)

	2008 Compared to 2007			2007 Compared to 2006		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
	Volume	Rate	Net	Volume	Rate	Net
Interest Income						
Loans and leases						
U.S.	\$ 91.0	\$ (751.6)	\$ (660.6)	\$ 592.3	\$ 55.4	\$ 647.7
Non-U.S.	79.6	(41.6)	38.0	266.5	(74.6)	191.9
Total loans and leases	170.6	(793.2)	(622.6)	858.8	(19.2)	839.6
Deposits with banks	81.6	(66.8)	14.8	50.7	(0.3)	50.4
Investments	19.9	(12.0)	7.9	11.1	12.2	23.3
Interest income	272.1	(872.0)	(599.9)	920.6	(7.3)	913.3
Total operating lease equipment, net ⁽²⁾	41.8	(40.3)	1.5	98.8	21.7	120.5
Interest Expense						
Interest on deposits	(31.4)	(16.3)	(47.7)	82.6	(2.2)	80.4
Interest on short-term borrowings	(316.2)	79.7	(236.5)	9.3	45.1	54.4
Interest on long-term borrowings	312.6	(306.3)	6.3	636.9	109.5	746.4

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Interest expense	(35.0)	(242.9)	(277.9)	728.8	152.4	881.2
Net interest revenue	\$ 348.9	\$ (669.4)	\$ (320.5)	\$ 290.6	\$ (138.0)	\$ 152.6

- (1) *We have not historically recorded average balances on a daily basis and have not developed our systems and processes to generate this information. Therefore the average balances presented are derived based on month end balances during the year. Tax exempt income was not significant in any of the years presented.*
- (2) *Operating lease rental income is a significant source of revenue; therefore we have presented the revenues net of depreciation.*
- (3) *The balance presented is calculated based on the average balance of the loans and leases net of average credit balances for factoring clients.*
- (4) *The negative rates in 2007 and 2006 reflect the weighting impact of the Assets of discontinued operation as part of the non-earning asset denominator while not including any earnings associated with these assets.*
- (5) *Investments are included in Other Assets on the Consolidated Balance Sheets and do not include retained interests in securitizations as revenues from these are part of other income . Average yields reflect average historical cost.*
- (6) *Non-accrual loans and related income are included in the respective categories.*

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

CIT Group Inc., (we, CIT or the Company), is a bank holding company that provides financing and leasing capital for commercial companies throughout the world. Covering a wide variety of industries, we offer vendor, equipment, commercial, and structured financing products, as well as factoring and management advisory services. CIT is the parent of CIT Bank, a newly chartered Utah state bank (formerly a Utah industrial bank). CIT operates primarily in North America, with locations in Europe, Latin America, Australia and the Asia-Pacific region. CIT has been providing capital solutions since its formation in 1908. The Company became a bank holding company in late 2008. A more detailed description of CIT is located in Part I *Item 1. Business Section*.

The discussions that follow present activity on a continuing operations basis and present the operations of the home lending business as a discontinued operation. See *Discontinued Operation* and *Note 1* in *Item 8. Financial Statements and Supplementary Data* for further information.

In the following discussion we use financial terms that are relevant to our business. You can find a glossary of other key terms used in our business in Part I *Item 1. Business Section*.

This *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Quantitative and Qualitative Disclosures about Market Risk* contain certain non-GAAP financial measures. See *Non-GAAP Financial Measurements* for reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures.

During 2008, our primary focus was on maintaining liquidity and preserving capital. The following chart is based on our historic metrics which management used to determine the performance of the Company and what we are striving to return to, including generating income and growing our earning assets.

KEY PERFORMANCE METRICS	MEASUREMENTS
<i>Profitability</i> Our ability to generate income on investments to produce returns to our shareholders and build our capital base to support future growth. We measure our performance in this area by:	<ul style="list-style-type: none"> • Net income (from continuing operations) per common share (EPS); • Net income as a percentage of average common equity (ROE); and • Net income as a percentage of average earning assets (ROA).
<i>Asset Generation</i> Our ability to originate new business and build our earning assets. We measure our performance in these areas by:	<ul style="list-style-type: none"> • Origination volumes by unit; and • Levels of financing and leasing assets
<i>Revenue Generation</i> Our ability to lend money at rates in excess of our cost of borrowing, earn rentals on the equipment we lease, and generate other income. We measure our performance in this area by:	<ul style="list-style-type: none"> • Finance revenue as a percentage of average earning assets (AEA); • Net finance revenue as a percentage of AEA; • Operating lease revenue as a percentage of average operating lease equipment (AOL) and • Levels of net finance revenue and other income
<i>Liquidity and Market Rate Risk Management</i> Our ability to obtain funding at competitive rates, which depends on maintaining high quality assets, strong capital ratios, and high credit ratings, and our ability to manage our interest rate and currency rate risk, where our goal is to substantially insulate our interest margins and profits from movements in market interest rates and foreign currency exchange rates. We measure our liquidity and market rate risk management by:	<ul style="list-style-type: none"> • Various interest sensitivity and liquidity measurements, which we discuss in <i>Risk Management</i> .

KEY PERFORMANCE METRICS	MEASUREMENTS
<i>Credit Risk Management</i> Our ability to evaluate the credit worthiness of our customers, both during the credit granting process and after the advancement of funds, and to maintain high-quality assets while balancing income potential with adequate credit loss reserve levels. We assess our credit risk management by:	<ul style="list-style-type: none"> • Compliance with formal underwriting policies and procedures to evaluate credit and collateral risk prior to granting funds. • Net charge-offs as a percentage of average finance receivables; • Non-performing assets as a percentage of finance receivables; • Delinquent assets as a percentage of finance receivables; • Reserve for credit losses as a percentage of finance receivables; and • Concentration risk by geographic region, industry and customer.
<i>Equipment and Residual Risk Management</i> Our ability to evaluate collateral risk in leasing and lending transactions and to remarket equipment at lease termination. We	<ul style="list-style-type: none"> • Compliance with formal underwriting policies and procedures to evaluate credit and collateral risk prior to granting funds.

measure these activities by:	<ul style="list-style-type: none"> ● Gains and losses on equipment sales; and ● Equipment utilization and value of equipment off-lease.
<i>Expense Management</i> Our ability to maintain efficient operating platforms and infrastructure in order to run our business at competitive cost levels. We track our efficiency by:	<ul style="list-style-type: none"> ● Efficiency ratio, which is the ratio of operating expenses to total net revenue.
<i>Capital Management</i> Our ability to maintain a strong capital base to support our debt credit ratings and asset growth. We measure our performance in this area by:	<ul style="list-style-type: none"> ● Tier 1 and Total Capital ratios; ● Tangible capital base; ● Tangible book value per common share; and ● Tangible capital as a percentage of earning assets.

STRATEGIC TRANSFORMATION TO A BANK HOLDING COMPANY

The commercial paper and the credit markets disruption that began in 2007 and continued throughout 2008, as well as investor concerns with performance in our Home Lending business and private student loan portfolio, resulted in our inability to economically access the commercial paper and unsecured term debt markets that served as our primary source of funding for decades.

In March 2008, in response to these capital market conditions, we utilized our back-up bank credit facilities and commenced a strategy to shrink our business and re-focus on commercial lending. We also began to transition our funding model to a more balanced one that relies more on secured borrowings and deposits from our bank. Throughout the process, we emphasized the maintenance of strong liquidity combined with preservation of franchise value. The culmination of our efforts during 2008 was the Company's strategic transition to a bank holding company and the receipt of \$2.33 billion of TARP funds from the U.S. Treasury in December.

We believe the actions taken to transition to a bank holding company (BHC) structure and exit consumer lending better position the Company to manage through the current environment and should ultimately bring us more stable and reliable funding and a lower cost of capital.

Maintenance of Adequate Liquidity

Since drawing on our bank lines, we generated significant alternative sources of liquidity. We obtained new committed secured borrowing facilities from Goldman Sachs and Wells Fargo and structured secured arrangements to fund future deliveries of aircraft. We executed a series of strategic asset sales, including the disposition of our home lending business, the pruning of older aircraft from our commercial aircraft fleet and the sale of select corporate finance loans and related unfunded commitments. In doing so, we effectively cleared our pipeline of held-for-sale assets.

We also proactively managed new business volumes and utilized portfolio collection inflows as a source of liquidity. We sold common and preferred shares in both April and December. In addition to providing liquidity, the April capital raise facilitated our home lending exit, while the December offering was a vital component of capital in support of our application for BHC status. We ended the year with a strong cash position and alternate liquidity through committed asset-backed facilities.

Additionally and critical to our transformation to a bank holding company, on January 12, 2009, we applied for participation in the FDIC's Temporary Liquidity Guarantee Program (TLGP) in an amount up to \$10 billion) and we are pursuing a Section 23A asset transfer waiver exemption from the Federal Reserve of between \$22 - \$28 billion. These initiatives, if approved, will significantly extend the company's liquidity runway (including through increased capacity by our bank to borrow from the Federal Reserve) and enable the Company to grow its bank deposit base and

increase our lending volumes.

As we work on the TLGP and Section 23A requests with the regulators, we continue to closely track our liquidity position. If we are unsuccessful in these government funding initiatives, our liquidity plan entails satisfying our approximate \$11 billion in 2009

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funding obligations utilizing our existing cash, committed alternative liquidity and significantly reducing loan originations. See *Risk Management* for more information on funding and liquidity.

Focus on Commercial Franchise

While liquidity management was a top priority in 2008, maintaining a market presence with our key commercial clients through unprecedented market turmoil was another principal management objective. We originated over \$17.2 billion of commercial loans and leases and generated over \$42 billion of factoring volume. We maintained high levels of equipment utilization and extended our position as the number one provider of Small Business Administration loans in the 7A product area to nine consecutive years. We continued to serve as a trusted financial provider and advisor to our middle-market clients, advising on both debt restructurings and merger and acquisition engagements. We believe the actions taken to sustain client relationships and the franchise better position us to capitalize on the significant middle-market lending opportunities which will be present when the economy turns.

Another element of our 2008 strategy was the exit from and liquidation of our consumer businesses, principally home lending and student lending. The Company completed its exit from the residential mortgage business on July 8, 2008 by selling (for total consideration of approximately \$6.1 billion, including cash of \$1.8 billion and the assumption of \$4.3 billion of related secured financing by the buyer) all of our home lending and manufactured housing receivables to third parties. We closed on the contracted sale of the remaining mortgage servicing operations in February 2009.

In late 2007, we ceased origination of private student loans, and followed that decision by stopping U.S. government guaranteed loan originations in the second quarter of 2008. The Company also ceased originating commercial real estate loans in the Corporate Finance segment in 2008. See Results from Business Operations in the Financing and Leasing Assets section for more information on the performance of our commercial businesses and *Note 1 Discontinued Operations* for more information regarding the results and loss on disposal relating to our home lending business.

Transition to a Bank Holding Company

In the wake of several capital market events in 2008, which included the further seizing-up of lending markets and failure of select wholesale market-funded companies, and in conjunction with the substantial liquidity and capital enhancement programs being implemented by the government, we pursued a strategy to transition CIT to a bank holding company. Concurrently, the Company applied for participation in the Capital Purchase Program (CPP) within the Treasury's Troubled Asset Relief Program (TARP) and requested the FDIC and Utah regulators to approve a charter expansion of CIT Bank from a Utah industrial bank to a full charter as a Utah state bank.

In order to bolster our capital levels in conjunction with our bank and bank holding company applications, we executed a series of regulatory capital raising initiatives in December 2008 including the following transactions:

- Generated \$413 million of Tier 1 capital, including the issuance of 14 million shares of common stock and a

pretax gain on debt extinguishment of approximately \$99 million, in exchange for the extinguishment of \$490 million of Equity Units and the payment of \$82 million of cash.

- Issued \$1.15 billion of subordinated notes, which qualify as Tier 2 capital, and paid approximately \$550 million in cash in exchange for \$1.7 billion of previously outstanding senior notes.
- Raised approximately \$328 million of common equity (Tier 1 capital) net of commissions paid, through the sale of 86.25 million common shares.

Following these actions, our BHC and TARP applications were approved and, as a result, we received \$2.33 billion in cash in return for Tier-1 qualifying CIT perpetual preferred stock, and related warrants issued to the U.S. Department of the Treasury under the CPP. CIT Bank, our wholly-owned industrial bank subsidiary, was granted permission and changed its charter to a Utah state bank. These actions, in conjunction with other balance sheet management initiatives, improved our ratio of total tangible capital to owned and securitized assets, which includes owned and securitized finance and leasing assets, to 14.3% and resulted in Tier 1 and Total Capital Ratios for regulatory purposes of 9.4% and 13.1% at December 31, 2008.

Being a BHC will require extensive new reporting requirements with the Federal Reserve. It will also require upgrading certain risk management functions, including compliance, operations, treasury, credit and enterprise risk management. We have hired regulatory experts to assist us and incurred approximately \$31 million of operating expenses during the fourth quarter of 2008 in this transition. We expect to incur additional transition operating expenses in 2009 related to upgrading these functions. Ultimately, we believe that being a BHC will provide CIT with expanded opportunities for funding and greater access to capital, which will lead to a more stable and diverse long-term funding model.

Strategic Priorities and 2009 Overview

2008 was a transformational year for CIT and our work continues into 2009. Advancing our BHC strategy is a top priority for the Company and we will work to develop and enhance regulatory relationships with the FDIC, Federal Reserve Bank and U.S. Treasury in support of this critical initiative. We will strive to build a scalable bank infrastructure not only to generate the requisite bank holding company reporting, but also to implement flexible operating and management systems capable of supporting our broad asset origination capabilities, as well as an immediate and long-term deposit strategy.

Another element of our strategy is to transition our funding model to that of a BHC as we seek to develop funding options capable of consistently providing diverse and economically efficient sources of capital to our commercial franchise businesses. We have recently applied for the TLGP. Participation in this program would enable us to issue government-guaranteed debt, which would significantly enhance our liquidity runway and support business growth. The Company submitted its letter application to the FDIC on January 12, 2009, and believes it is eligible to issue up to \$10 billion of guaranteed debt if approved by the FDIC. The program's current expiration date is October 31, 2009. The request for participation in the TLGP program is currently pending with the FDIC.

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We are working with regulators to expand our loan originations within the Bank and are pursuing a waiver of Section 23A, which restricts transactions with affiliates in the transfer of existing assets and/or businesses into the Bank. A waiver will enable us to diversify the Bank's assets and better utilize the Bank's deposit taking capabilities. CIT Bank has requested that the Federal Reserve grant an exemption from the limitations of Section 23A to permit CIT to transfer to CIT Bank between \$22 billion to \$28 billion of financing and leasing assets in stages over the course of the year. In addition, CIT intends to transfer the origination and servicing platforms for most of its U.S. business into CIT Bank. The request for a Section 23A exemption is currently pending with the Federal Reserve and FDIC.

CIT Bank will also be working on expanding its funding profile. As a state regulated institution, the bank has the authority to raise demand deposits and other sources of funding, in addition to the broker-placed certificates of deposit it originated as an industrial loan company.

In 2009, we will focus on measures that will return CIT to long-term profitability. We seek to maintain financial strength, and to drive additional operating efficiencies. In the absence of a return to more normal credit markets and/or access to the FDIC's TLGP program, we will continue to fund the business primarily with secured financings and will constrain new lending and leasing volumes and asset growth. Given our current forecast for sustained economic contraction, we expect 2009 financial results to reflect the following:

- Increased credit costs and the continued building of reserves in line with the economic environment;
- Continued pressure on finance margins due to increased borrowing costs and higher nonaccrual assets potentially offset by any benefits received from financing under TLGP and/or Section 23A waiver;
- Continued softness in non-interest income, reflective of lower market activity and fewer sale and syndication gains; and
- Decreased operating expenses due to lower headcount and other cost savings initiatives, which will be partially offset by required investments related to being a BHC.

Given the uncertainty of the success of the various government initiatives on the financial markets and the U.S. economy overall, it is difficult to forecast specific metrics over the next twelve months. Therefore, it is uncertain at this time whether we will be profitable in 2009.

2008 RESULTS OVERVIEW

For the full year 2008, we recorded a loss from continuing operations of \$633.1 million (\$697.8 million after preferred dividends), or \$2.69 per common share, compared to income of \$792.0 million (\$762.0 million), or \$3.93 per share for 2007 and \$925.7 million (\$895.5 million), or \$4.41 per share for 2006. Including the loss from discontinued operation, reflecting the sale of our home lending business in 2008, the net loss attributable to common shareholders was \$2,864.2 million, versus a net loss of \$111.0 million in 2007 and net income of \$1,015.8 million in 2006. These 2008 results reflect the Company's primary focus on managing for liquidity. The constrained credit markets resulted in compressed margins as we were charged incrementally higher funding rates and we carried higher cash balances to maintain high levels of liquidity. The economy affected our customers, as credit trends weakened and we increased our reserve for credit losses. Throughout the year we continuously controlled expenses. Total salaries and general operating expenses for 2008 were below the prior two years.

The year included the following noteworthy items:

- Goodwill and intangible asset impairment charges (\$467.8 million pretax) related almost entirely to the Vendor Finance segment reflecting diminished earnings expectations for the segment. We are in the process of restructuring and refocusing this unit in order to return the business to acceptable profitability. The charges represent the entire goodwill and the majority of the intangible assets attributable to the segment.
- Work force reduction and facility closing charges throughout 2008 totaled \$166.5 million, reflecting the elimination of employees in conjunction with downsizing operations across the Company. Employee headcount for continuing operations totaled approximately 4,995 at December 31, 2008 down 22% from 6,375 a year ago.
- Lower of cost or market valuation allowances and losses on asset sales completed for liquidity purposes were approximately \$126 million.
- Charges in the European Vendor Finance business and certain corporate functions resulting from deficiencies in reconciliation controls relating primarily to a number of prior year periods. (See discussion that follows)
- Securitization retained interest impairment charges totaled \$85 million and included approximately \$33 million pretax impairment charge that should have been recorded concurrently with the 2007 fourth quarter

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sale of our Dell Financial Services Joint Venture equity interest. (See discussion that follows)

- Net gains of \$73.5 million relating to the early extinguishment of debt during the last quarter and charges relating to the discontinuation of our commercial paper hedging program.
- Impairment charges of \$61 million on our commercial real estate portfolio and investments, including amounts related to foreclosed properties.

During 2008 management corrected errors applicable to prior periods. These adjustments aggregated \$100.1 million (pretax). The two principal components included:

- 1) The 2007 fourth quarter sale of the Company's 30% interest in the U.S. based Dell Financial Services Joint Venture. The gain recorded in 2007 was \$247 million. This sale caused a repricing of debt in a related securitization vehicle. Therefore, an adjustment of \$32.7 million was recorded in the first quarter of 2008 as it was determined that the estimated fair value of a

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\$720 million retained securitization in consumer receivables was overstated.

- 2) Pretax adjustments applicable to prior periods aggregating \$68.8 million were recorded in 2008 to correct errors not identified in previously unreconciled accounts. The adjustments predominately arose out of our Vendor Finance European headquarters located in Dublin, Ireland where business acquisitions made during 2004 and 2007 were not properly integrated as the existing systems were unable to effectively process information. During 2007 and through 2008 management undertook a rigorous program to identify and account for all exposures emanating from bringing the reconciliations current, and to remediate and improve the transaction processes and systems. The \$68.8 million was principally related to years 2004, 2005 and 2006. The adjustments affected several lines on the consolidated 2008 income statement, most notably a \$7.6 million reduction to interest income, \$15.8 million decrease to other income, \$32.7 million increase to non-operating expenses and \$12.7 million increase to goodwill and impairment charges. Recoveries of certain elements of these booked adjustments through offset or third party reimbursement are being pursued by the Company. The level of the recoveries is not expected to be significant. The related internal controls over the reconciliation process have been substantially remediated, with appropriate modifications made to oversight, reporting, structure and accountability.

In accordance with the Company's policy, which is based on the principles of SAB 99 and SAB 108, management concluded, with the agreement of its Audit Committee, that the adjustments were not individually or in the aggregate material to the 2008 consolidated financial statements or to each of the corresponding preceding year's financial statements as reported.

The financial statements filed within this Form 10-K are revised from those within a Form 8-K dated January 22, 2008 that was filed in conjunction with our fourth quarter earnings release. These changes were the result of refining our valuation reserve for taxes on discontinued operations and the ongoing remediation of reconciliation controls. The impact of these adjustments is as follows:

	As updated 10-K	As reported 8-K
Loss from continuing operations before provision for income taxes and minority interest	\$ (1,076.3)	\$ (1,095.2)
Net loss from continuing operations before preferred stock dividends	(633.1)	(644.6)

Loss from discontinued operation		(2,166.4)		(2,153.4)
Net loss attributable to common stockholders		(2,864.2)		(2,862.7)
Total Stockholders Equity	\$	8,124.3	\$	8,105.7

NET FINANCE REVENUE

The following tables present management's view of the consolidated margin, in dollars and as a percent of average earning assets, based on the following income statement line-items.

Net Finance Revenue for the years ended December 31 (dollars in millions)

	2008	2007	2006
Interest income	\$ 3,638.2	\$ 4,238.1	\$ 3,324.8
Rental income on operating leases	1,965.3	1,990.9	1,721.6
Finance revenue	5,603.5	6,229.0	5,046.4
Less: Interest expense	(3,139.1)	(3,417.0)	(2,535.8)
Depreciation on operating lease equipment	(1,145.2)	(1,172.3)	(1,023.5)
Net finance revenue	\$ 1,319.2	\$ 1,639.7	\$ 1,487.1
Average Earnings Asset (AEA)	\$ 64,225.8	\$ 60,595.7	\$ 48,345.1
As a % of AEA:			
Interest Income	5.66%	6.99%	6.88%
Rental income on operating leases	3.06%	3.29%	3.56%
Finance revenue	8.72%	10.28%	10.44%
Less: Interest expense	(4.89)%	(5.64)%	(5.24)%
Depreciation on operating lease equipment	(1.78)%	(1.93)%	(2.12)%
Net finance revenue	2.05%	2.71%	3.08%
As a % of AEA by Segment:			
Corporate Finance	2.74%	3.12%	3.19%
Transportation Finance	2.63%	2.81%	2.60%
Trade Finance	3.98%	5.79%	6.01%
Vendor Finance	3.93%	4.70%	5.68%
Commercial Segments	3.06%	3.59%	3.76%
Consumer	0.91%	1.18%	1.51%
Consolidated net finance revenue	2.05%	2.71%	3.08%

The year over year variances in the net finance revenue percentages are summarized in the table below:

Change in Net Finance Revenue as a % of AEA

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Years ended December 31	2008	2007
Net finance revenue prior year	2.71%	3.08%
Funding related	(0.35)	(0.14)
Higher cash balances	(0.05)	
Increased non-accrual accounts	(0.07)	
Lower yield-related fees	(0.01)	(0.10)
Increase in percentage of government guaranteed student loans	(0.03)	(0.07)
Lower operating lease margins	(0.10)	
Other factors	(0.05)	(0.06)
Net finance revenue current year	2.05%	2.71%

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Net finance revenue in 2008 of \$1,319.2 million decreased 20% on constrained 6% growth in average earning assets, as the Company strategically controlled growth to maintain liquidity. Factors contributing to the significant decrease included higher funding costs, lower asset yields and higher liquidity costs, as summarized in the previous table. Net finance revenue increased 10% in 2007 from the prior year level due to a corresponding increase of 25% in average earning assets. As a percentage of average earning assets, net revenue decreased to 2.05% in 2008 from 2.71% in prior year and 3.08% in 2006. The decline was primarily due to the cost of increased liquidity and the widening of the CIT's borrowing spreads over benchmark rates, coupled with higher non-accrual accounts and compressed operating lease margins.

Though market interest rates (e.g., LIBOR) have declined over the past year, our funding costs have not fully benefited from the lower market interest rates, as the Company has not been able to access the unsecured debt markets. Our borrowing spreads over benchmark rates have increased significantly and we have experienced credit downgrades during the year. As described in *Capitalization* and in the *Liquidity* section of *Risk Management*, we largely withdrew from the unsecured corporate debt market beginning in the second half of 2007, and from the commercial paper market in the first quarter of 2008. During the period, we have relied more heavily on our bank credit facilities and secured financing sources with longer terms and higher rates.

Net finance revenue for our commercial segments and corporate and other (including the cost of increased liquidity and other unallocated treasury costs) as a percentage of average earning assets declined to 2.34% in the current year from 3.06% in the prior year. See *Results by Business Segment - Corporate and Other* for more information regarding net interest expense related to central treasury operations included in Corporate and Other.

Net Operating Lease Revenue as a % of AOL for the years ended December 31 (dollars in millions)

	2008	2007	2006
Rental income on operating leases	15.61%	16.89%	16.46%
Depreciation on operating lease equipment	(9.10)%	(9.95)%	(9.79)%
Net operating lease revenue	6.51%	6.94%	6.67%
Average Operating Lease Equipment (AOL)	\$ 12,588.2	\$ 11,784.0	\$ 10,458.8

The decrease from the prior year in net operating lease revenue as a percentage of average operating lease assets reflects lower lease rates primarily in rail coupled with adjustments in certain residual balances. The increase in 2007 from prior year was due to strong rental rates in aerospace. All of our commercial aircraft are under contract at December 31, 2008. All of our 2009 order book, and approximately 40% of the aircraft in our 2010 delivery order book have been placed on lease. Rail rates remain stable, though utilization has softened for cars used for residential construction, consistent with the slowing housing market in 2008 and 2007. See *Concentrations Operating Leases* for additional information regarding operating lease assets.

CREDIT METRICS

Overall credit metrics deteriorated in 2008 largely tracking with the weakened economy and poor market conditions that persisted throughout 2008 and notably worsened in the third and fourth quarters. These declines are reflected in significantly higher non-accrual loans and charge-offs during the period with increases in all segments. Based on current external economic and market indicators and ongoing portfolio pressures, we currently expect asset quality to remain under pressure throughout 2009 with ongoing negative trends in all key credit metrics and business segments.

Reserve and Provision for Credit Losses for the years ended December 31 (dollars in millions)

	2008	2007	2006	2005	2004
Reserve balance beginning of period	\$ 574.3	\$ 577.1	\$ 540.2	\$ 553.8	\$ 609.8
Provision for credit losses	1,049.2	241.8	159.8	165.3	159.5
Reserve changes relating to foreign currency translation, acquisitions, other	(36.8)	(64.6)	10.4	4.3	21.8
Net additions to the reserve for credit losses	1,012.4	177.2	170.2	169.6	181.3
Gross charge-offs					
Corporate Finance	184.6	84.1	75.6	71.2	161.2
Transportation Finance		0.1	1.4	55.3	14.9
Trade Finance	64.2	33.5	42.4	25.3	27.4
Vendor Finance	73.8	14.6	15.9	34.7	55.1
Foreign commercial	109.3	77.1	54.0	41.7	37.2
Consumer	125.9	56.0	15.5	10.4	3.6
Total gross charge-offs	557.8	265.4	204.8	238.6	299.4
Recoveries					
Corporate Finance	13.6	20.2	41.9	26.4	30.1
Transportation Finance	1.3	32.7		1.7	0.8
Trade Finance	1.9	2.1	5.2	2.4	4.0
Vendor Finance	19.9	9.2	11.9	14.5	23.7
Foreign commercial	24.6	18.2	10.8	9.1	3.1
Consumer	6.0	3.0	1.7	1.3	0.4
Total recoveries	67.3	85.4	71.5	55.4	62.1
Net Credit losses	490.5	180.0	133.3	183.2	237.3

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Reserve balance	end of period	\$ 1,096.2	\$ 574.3	\$ 577.1	\$ 540.2	\$ 553.8
Reserve for credit losses as a percentage of finance receivables		2.06%	1.07%	1.28%	1.51%	1.85%
Reserve for credit losses as a percentage of non-accrual loans		77.5%	120.3%	186.0%	181.4%	172.3%
Reserve for credit losses (excluding specific reserves) as a percentage of finance receivables, excluding guaranteed student loans		1.48%	1.21%	1.44%	1.53%	1.66%
Net charge-offs as a percentage of average finance receivables		0.90%	0.35%	0.33%	0.52%	0.88%

The consolidated reserve for credit losses is intended to provide for losses inherent in the portfolio. We estimate the ultimate outcome of collection efforts, realization of collateral values, and other pertinent factors. We may make additions or reductions to the consolidated reserve level depending on changes to economic conditions or credit metrics, including non-performing accounts, or other events affecting obligors or industries. The total reserve for credit losses of \$1,096 million at December 31, 2008 represents management's best estimate of credit losses inherent in the portfolio based on currently available information. *See Risk Factors* for additional disclosure on approach and reserve adequacy.

The reserve for credit losses includes three key components: (1) specific reserves for loans that are impaired under SFAS 114, (2) reserves for estimated losses incurred in the portfolio based on historic and projected charge-offs, and (3) reserves for incurred estimated losses in the portfolio based upon economic risks, industry and geographic concentrations and other factors.

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Net charge-offs (charge-offs net of recoveries) for the years ended December 31
(dollars in millions, % as a percentage of average owned finance receivables)

	2008		2007		2006		2005		2004	
Owned										
Corporate Finance	\$177.3	0.82%	\$69.6	0.34%	\$37.6	0.22%	\$48.6	0.35%	\$143.3	1.10%
Transportation Finance	(1.3)	(0.05)%	(32.3)	(1.39)%	1.4	0.08%	53.5	2.34%	6.6	0.37%
Trade Finance	62.2	0.92%	31.6	0.44%	37.4	0.55%	22.9	0.34%	23.3	0.37%
Vendor Finance	132.3	1.24%	58.0	0.57%	43.1	0.60%	49.0	0.66%	86.9	1.19%
Commercial Segments										
Commercial Segments	370.5	0.89%	126.9	0.32%	119.5	0.36%	174.0	0.57%	260.1	0.88%
Consumer	120.0	0.94%	53.1	0.49%	13.8	0.19%	9.1	0.22%		
Total	\$490.5	0.90%	\$180.0	0.35%	\$133.3	0.33%	\$183.1	0.52%	\$260.1	0.88%

Corporate Finance net charge-offs were up significantly in 2008 in virtually each component of the segment's business other than in equipment leasing which decreased modestly from 2007 levels. The communications, media & entertainment, commercial & industrial and commercial real estate components experienced the greatest increases within the segment. The higher 2004 charge-off balance related to the telecommunications industry and the Canadian construction portfolio.

Transportation Finance had no charge-offs in 2008 and minimal charge-offs in 2007. The higher charge-offs in 2005 and 2004 were principally in the commercial aerospace business. The industry environment improved in 2007, which

resulted in the reported recovery.

Trade Finance net-charge offs doubled in 2008 over 2007 levels due to the current weakened retail and manufacturing environments.

Vendor Finance higher charge-offs in 2008 were concentrated in smaller ticket borrowings principally in the U.S. and European markets. The increase in 2007 reflected higher international charge-offs. The higher recoveries in 2008 were a function of recovering some of the amounts charged off earlier in the year.

Consumer charge-offs in 2008 increased due to higher losses on private (non-U.S. government guaranteed) student loans. The 2007 charge-offs related to consumer loans originated in the Utah bank.

Finance receivables as of December 31 (dollars in millions)

	2008	2007	2006	2005	2004
Corporate Finance	\$ 20,768.8	\$ 21,326.2	\$ 20,190.2	\$ 14,891.1	\$ 13,079.9
Transportation Finance	2,647.6	2,551.3	2,123.3	1,895.4	2,956.2
Trade Finance	6,038.0	7,330.4	6,975.2	6,691.4	6,204.1
Vendor Finance	11,199.6	10,373.3	6,888.9	7,048.0	7,415.8
Commercial Segments	40,654.0	41,581.2	36,177.6	30,525.9	29,656.0
Consumer	12,472.6	12,179.7	9,026.0	5,353.9	236.0
Total Finance Receivables	\$ 53,126.6	\$ 53,760.9	\$ 45,203.6	\$ 35,879.8	\$ 29,892.0

Credit Reserves for Finance Receivables

Reserves

Commercial	\$ 857.9	\$ 512.2	\$ 548.8	\$ 528.8	\$ 545.0
Consumer	238.3	62.1	28.3	11.4	8.8
Total	\$ 1,096.2	\$ 574.3	\$ 577.1	\$ 540.2	\$ 553.8

Commercial and Consumer Finance Receivables to Total Finance Receivables

Commercial	76.5%	77.3%	80.0%	85.1%	99.2%
Consumer	23.5%	22.7%	20.0%	14.9%	0.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Non-accrual, Restructured and Past Due Loans as of December 31 (dollars in millions)

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	2008	2007	2006	2005	2004
Non-accrual Loans					
U.S.	\$ 1,081.7	\$ 387.0	\$ 269.1	\$ 238.4	\$ 277.0
Foreign	138.8	82.0	38.2	58.4	43.8
Commercial Segment	1,220.5	469.0	307.3	296.8	320.8
Consumer	194.1	8.5	3.0	1.0	0.6
Non-accrual loans	\$ 1,414.6	\$ 477.5	\$ 310.3	\$ 297.8	\$ 321.4
Restructured loans(1)					
U.S.	\$ 107.6	\$ 44.2	\$ 9.9	\$ 20.7	\$ 19.8
Foreign	21.7	23.7			
Restructured loans	\$ 129.3	\$ 67.9	\$ 9.9	\$ 20.7	\$ 19.8
Accruing loans past due 90 days or more					
	\$ 669.6	\$ 454.8	\$ 370.2	\$ 87.4	\$ 77.2

Foregone Interest on Loans(2)			2008
	U.S.	Foreign	Total
Interest revenue that would have earned at original terms	\$ 126.0	\$ 26.9	\$ 152.9
Interest recorded	58.2	11.8	70.0
Foregone interest revenue	\$ 67.8	\$ 15.1	\$ 82.9

(1) We have not previously systematically tracked restructured loans, therefore, the restructured balances are based upon best available information. System limitations prevent us from obtaining historic data relating to these loans once they have been restructured. On a prospective basis, we expect to implement changes to our processes and systems to generate this information.

(2) Non-accrual and restructured loans

In addition to the above, we continue to experience pressure on other potential problem loans and leases that may, under continued market, economic and industry stresses, result in further additions to Non-accrual loans. Specifically, in the past several years, CIT's Corporate Finance business has led or participated in a significant number of secured leveraged cash flow loans in industries such as media, entertainment and other commercial and industrial sectors that are being impacted by the current economic cycle. Further, CIT's Trade Finance business provides factoring, lending and credit protection services directly to many retailers and manufacturers and suppliers to retailers that are experiencing a challenging operating environment in the face of reduced consumer demand. Finally, CIT's Vendor Finance business has financing and leasing arrangements with a broad dispersion of customers domestically and globally in many markets that are exhibiting deteriorating economic indicators.

In summary, we anticipate that the challenging economic and market environment impacting our clients will persist in 2009. As a result, we expect deteriorating trends in our non-accrual loans and charge-offs to continue, with further weakness across a broad dispersion of industry sectors as our customers and clients face weak demand for their products and increased cost of capital. In our experience, credit losses have historically extended beyond the end of

recessionary periods and, thus, our ability to navigate through this difficult credit cycle will be partly dependent on how successfully we are able to execute on our risk management and work out strategies.

Cross Border Transactions

Cross-border outstandings reflect monetary claims on borrowers domiciled in foreign countries from the perspective of each CIT's local office. Cross-border outstandings primarily include cash deposited with foreign banks and receivables from residents of a foreign country, reduced by amounts funded in the same currency as the claim and recorded in the same office. The following table includes all countries in which there exist cross-border claims of 0.75% or greater of total consolidated assets at December 31, 2008.

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December 31, 2008 Cross-border Outstandings

Country	Banks	Government	Other	Net Local Country Claims	Total
Canada	\$ 315.9	\$	\$ 337.1	\$ 2,541.1	\$ 3,194.1
United Kingdom	1,551.7			300.7	1,852.4
Germany	471.2		263.9	589.0	1,324.1
France	467.4		221.3	166.2	854.9
Ireland	75.6			598.9	674.5

OTHER INCOME

Other income for the years ended December 31 (dollars in millions)

	2008	2007	2006
Rental income on operating leases	1,965.3	1,990.9	1,721.6
Other:			
Fees and commissions	234.6	490.4	526.6
Factoring commissions	197.2	226.6	233.4
Gains on sales of leasing equipment	173.4	117.1	122.8
Gains on loan sales and syndication fees	15.6	234.0	260.4
Valuation allowances for receivables held for sale	(103.9)	(22.5)	(15.0)
Gains on portfolio dispositions	4.2	483.2	
Investment (losses) gains	(19.0)	2.8	1.3
(Losses) gains on securitizations	(7.1)	45.3	47.0
Total other:	495.0	1,576.9	1,176.5
Total other income	2,460.3	3,567.8	2,898.1

Total other income decreased sharply in 2008 due to the loss of previously existing revenue opportunities such as loan sales and syndications caused by the severe downturn in the credit and capital markets that started in 2007.

Nonetheless, we continue to focus on diversification of other income to generate revenue as we strive to return to profitability.

Rental income on operating leases is earned from equipment leased to customers. See *Net Finance Revenues* and *Financing and Leasing Assets Results by Business Segment* for additional information regarding rental income. See *Concentrations Operating Leases* for additional information regarding operating lease assets.

Fees and commissions are comprised of asset management, agent and servicing fees, including securitization-related servicing fees, accretion and impairments, advisory and agent fees, as well as income from joint venture operations.

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2008 Fees and commissions include:

- \$61 million of impairment charges on previously foreclosed, and ongoing interests in, commercial real estate properties;
- \$85 million in retained interest impairment charges largely reflecting the repricing of debt underlying various securitization conduit vehicles in the Vendor Finance segment; approximately \$41 million relates to the conduit vehicle associated with the Dell Financial Services joint venture interest (DFS), which includes approximately \$33 million due to the repricing of debt that was triggered by the sale of CIT's joint venture equity interest in DFS and should have been reflected in earnings for the quarter ended December 31, 2007; the remaining amount includes charges in other conduit vehicles triggered by liquidity considerations;
- \$15.8 million of charges related to the European Vendor Finance business and our N.J. accounting support unit, resulting from the remediation of reconciliation items that relate primarily to a number of prior year periods;
- \$15 million valuation charge related to approximately \$33 million due from a Lehman Brothers entity on previously terminated derivative transactions. See *Note 18 Legal Proceedings*;
- 2008 was also negatively impacted by lower joint venture earnings, reflecting the 2007 year end sale of our interest in the DFS joint venture; and
- the negative trends above were partially offset by \$27 million of fourth quarter gains on derivatives that do not qualify for hedge accounting treatment, including foreign exchange derivatives and swaps that previously hedged our commercial paper program.

The small decline in 2007 from 2006 reflected increased securitization impairment charges, lower joint venture earnings and reduced structuring fees, offset in part by higher advisory fees. 2006 also benefited from a \$16.4 million gain in connection with a commercial aircraft insurance recovery.

Factoring commissions declined 13% in 2008 reflecting the weakened retail environment directly resulting in lower factoring volumes. Commissions decreased 3% in 2007 due to lower commission rates reflecting the prior year customer lending environment.

Gains on sales of leasing equipment increased in 2008 reflecting gain on sale of commercial aircraft. Gains decreased 5% in 2007, as a decline in end of lease activity in both the U.S. and International businesses in Vendor Finance was offset by strong equipment sale gains in the Transportation Finance rail business.

Gains on loan sales and syndication fees included approximately \$23 million in losses on sales of receivables for liquidity purposes.

Commercial loan sales and syndication volume was approximately \$4.7 billion (27% of commercial origination volume) in 2008 versus \$6.1 billion (21%) in prior year. The decrease in volume from 2007 reflects the continued market illiquidity with lower demand for syndications and receivable sales, and our strategic focus on limiting new business volume offset by the sale of loans in Corporate Finance for liquidity purposes. Gains dropped 10% in 2007 from a very strong 2006, reflecting the slow down in the syndication markets beginning in the second half of 2007. In addition to a 30% decline in Corporate Finance in 2007, the consolidated sale and syndication income trend reflected a considerable reduction in student lending asset sales from prior periods.

Valuation allowance for receivables held for sale in 2008 primarily reflects charges to recognize the lower of cost or market valuation related to the first quarter decision to sell \$4.6 billion of Corporate Finance segment asset-based loans and related commitments (\$1.4 billion of loans and \$3.2 billion of commitments). The 2007 valuation adjustment of \$22.5 million related to an energy plant asset, while the \$15.0 million in 2006 related to aerospace and railcar assets.

Gains on portfolio dispositions were \$4.2 million in 2008 reflecting limited activity. 2007 strategic asset sales included our U.S. Construction business, the Company's 30% ownership interest in Dell Financial Services joint venture at a gain, and our U.S. Systems Leasing portfolio. See *Concentrations* for additional information regarding Dell Financial Services.

Investment (losses) gains in 2008 represent a pretax charge of \$18 million relating to an investment in a money market fund. At February 26, 2009 we have approximately \$86 million remaining invested in the Reserve Primary Fund (the Reserve Fund), down from \$600 million initially invested due to payouts made during the fourth quarter of 2008 and first quarter of 2009. In September 2008, the Company requested redemption, and received confirmation with respect to a 97% payout and accrued a pretax charge of \$18 million in the third quarter representing the estimated loss based on the 97% partial payout confirmation. See *Note 18 - Legal Proceedings in Item 8. Financial Statements and Supplementary Data* for further information.

(Losses) gains on securitization declined in 2008 as off-balance sheet securitizations we