CIT GROUP INC
Form 10-Q
November 09, 2011
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
*Washington, D.C. 20549*

**FORM 10-Q**

| | | | |
|---|---|---|---|
| \|X\| | Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934<br>*For the quarterly period ended September 30, 2011* | \|_\| | Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 |

*Commission File Number: 001-31369*

CIT GROUP INC.
*(Exact name of Registrant as specified in its charter)*

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

(212) 461-5200
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_| Smaller reporting company |_|.

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

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

As of October 31, 2011 there were 200,640,096 shares of the registrant’s common stock outstanding.

CONTENTS

Part One—Financial Information

ITEM 1. Consolidated Financial Statements
CIT GROUP INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS (unaudited)** (dollars in millions – except per share data)

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Assets | | |
| Cash and due from banks | $568.9 | $734.1 |
| Interest bearing deposits, including restricted balances of $2,025.8 at September 30, 2011 and $2,553.8 at December 31, 2010[1] | 6,320.2 | 10,469.9 |
| Investment securities | 723.1 | 328.5 |
| Trading assets at fair value derivatives | 77.3 | 25.7 |
| Assets held for sale[1] | 1,512.6 | 1,218.5 |
| Loans (see Note 5 for amounts pledged) | 21,812.3 | 24,500.5 |
| Allowance for loan losses | (414.5 ) | (416.2 ) |
| Total loans, net of allowance for loan losses[1] | 21,397.8 | 24,084.3 |
| Operating lease equipment, net (see Note 5 for amounts pledged)[1] | 11,191.0 | 11,136.7 |
| Unsecured counterparty receivable | 534.0 | 534.5 |
| Goodwill | 264.5 | 277.4 |
| Intangible assets, net | 73.5 | 119.2 |
| Other assets | 1,814.9 | 2,029.4 |
| Total Assets | $44,477.8 | $50,958.2 |
| Liabilities | | |
| Deposits | $4,958.9 | $4,536.2 |
| Trading liabilities at fair value derivatives | 93.5 | 126.3 |
| Credit balances of factoring clients | 1,092.9 | 935.3 |
| Other liabilities | 2,427.3 | 2,466.9 |
| Long-term borrowings, including $1,706.1 and $3,686.3 contractually due within twelve months at September 30, 2011 and December 31, 2010, respectively | 27,001.0 | 33,979.8 |
| Total Liabilities | 35,573.6 | 42,044.5 |
| Stockholders' Equity | | |
| Common stock: $0.01 par value, 600,000,000 authorized | | |
| Issued: 200,947,645 at September 30, 2011 and 200,690,938 at December 31, 2010 | 2.0 | 2.0 |
| Outstanding: 200,636,456 at September 30, 2011 and 200,463,197 at December 31, 2010 | | |
| Paid-in capital | 8,453.8 | 8,434.1 |
| Retained earnings | 499.6 | 498.3 |
| Accumulated other comprehensive income | (39.4 ) | (9.6 ) |
| Treasury stock: 311,189 shares at September 30, 2011 and 227,741 at December 31, 2010, at cost | (12.5 ) | (8.8 ) |
| Total Common Stockholders' Equity | 8,903.5 | 8,916.0 |
| Noncontrolling minority interests | 0.7 | (2.3 ) |
| Total Equity | 8,904.2 | 8,913.7 |
| Total Liabilities and Equity | $44,477.8 | $50,958.2 |

[1] *The following table presents information on assets and liabilities related to Variable Interest Entities (VIEs) that are consolidated by the Company. The difference between total VIE assets and liabilities represents the Company's*

*interests in those entities, which were eliminated in consolidation. The assets of the consolidated VIEs will be used to settle the liabilities of those entities and, except for the Company's interest in the VIEs, are generally not available to the creditors of CIT or any affiliates of CIT.*

| | | |
|---|---|---|
| Assets | | |
| Interest bearing deposits, restricted | $695.0 | $931.2 |
| Assets held for sale | 171.7 | 100.0 |
| Total loans, net of allowance for loan losses | 9,839.9 | 12,041.5 |
| Operating lease equipment, net | 2,948.1 | 2,900.0 |
| Total Assets | $13,654.7 | $15,972.7 |
| Liabilities | | |
| Beneficial interests issued by consolidated VIEs (classified as long-term borrowings) | $8,995.2 | $10,764.7 |
| Total Liabilities | $8,995.2 | $10,764.7 |

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

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**CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)** (dollars in millions – except per share data)

| | **Quarters Ended September 30,** | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010[(1)] | 2011 | 2010[(1)] |
| Interest income | | | | |
| Interest and fees on loans | $502.6 | $830.9 | $1,732.4 | $2,944.8 |
| Interest and dividends on investments | 8.2 | 7.2 | 23.7 | 21.8 |
| Interest income | 510.8 | 838.1 | 1,756.1 | 2,966.6 |
| Interest expense | | | | |
| Interest on long-term borrowings | (573.4) | (710.4) | (2,028.5) | (2,310.2) |
| Interest on deposits | (28.4) | (23.7) | (77.9) | (62.8) |
| Interest expense | (601.8) | (734.1) | (2,106.4) | (2,373.0) |
| Net interest revenue | (91.0) | 104.0 | (350.3) | 593.6 |
| Provision for credit losses | (47.8) | (165.1) | (255.9) | (637.9) |
| Net interest revenue, after credit provision | (138.8) | (61.1) | (606.2) | (44.3) |
| Other income | | | | |
| Rental income on operating leases | 408.0 | 397.7 | 1,239.2 | 1,241.4 |
| Other | 234.8 | 289.5 | 752.9 | 778.4 |
| Total other income | 642.8 | 687.2 | 1,992.1 | 2,019.8 |
| Total revenue, net of interest expense and credit provision | 504.0 | 626.1 | 1,385.9 | 1,975.5 |
| Other expenses | | | | |
| Depreciation on operating lease equipment | (123.3) | (161.7) | (429.3) | (512.5) |
| Operating expenses | (219.9) | (228.8) | (682.1) | (768.3) |
| Loss on debt extinguishments | (146.6) | — | (146.6) | — |
| Total other expenses | (489.8) | (390.5) | (1,258.0) | (1,280.8) |
| Income before provision for income taxes | 14.2 | 235.6 | 127.9 | 694.7 |
| Provision for income taxes | (31.1) | (117.3) | (123.7) | (248.9) |
| Net income before attribution of noncontrolling interests | (16.9) | 118.3 | 4.2 | 445.8 |
| Net income attributable to noncontrolling interests, after tax | 0.6 | (2.5) | (2.9) | (3.8) |
| Net (loss) income | $(16.3) | $115.8 | $1.3 | $442.0 |
| | | | | |
| Basic earnings per common share | $(0.08) | $0.58 | $0.01 | $2.21 |
| Diluted earnings per common share | $(0.08) | $0.58 | $0.01 | $2.20 |
| | | | | |
| Average number of common shares basic (thousands) | 200,714 | 200,323 | 200,659 | 200,147 |
| Average number of common shares diluted (thousands) | 200,714 | 200,668 | 200,837 | 200,464 |

(1) These restated balances were disclosed in Note 26 of the Company s Form 10-K for the year ended December 31, 2010.

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

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**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)** (dollars in millions)

| | Common Stock | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income / (Loss) | Treasury Stock | Noncontrolling Interest in Subsidiaries | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| December 31, 2010 | $ 2.0 | $ 8,434.1 | $ 498.3 | $ (9.6) | $ (8.8) | $ (2.3) | $ 8,913.7 |
| Net income | | | 1.3 | — | — | 2.9 | 4.2 |
| Foreign currency translation adjustments | | | | (29.2) | | | (29.2) |
| Change in fair values of derivatives qualifying as cash flow hedges | | | | 1.0 | | | 1.0 |
| Unrealized gain on available for sale equity investments, net | | | | (1.5) | | | (1.5) |
| Minimum pension liability adjustment | | | | (0.1) | | | (0.1) |
| Total comprehensive (loss) | | | | | | | (25.6) |
| Restricted stock and stock option expenses | — | 19.4 | | — | (3.7) | — | 15.7 |
| Equity distribution | | | | | | 0.1 | 0.1 |
| Employee stock purchase plan participation | | 0.3 | | | | | 0.3 |
| September 30, 2011 | $ 2.0 | $ 8,453.8 | $ 499.6 | $ (39.4) | $ (12.5) | $ 0.7 | $ 8,904.2 |
| | | | | | | | |
| December 31, 2009 | $ 2.0 | $ 8,398.0 | $ — | $ — | $ — | $ 1.4 | $ 8,401.4 |
| Adoption of new accounting pronouncement | | | (18.4) | | | (8.4) | (26.8) |
| Net income | | | 442.0 | | | 3.8 | 445.8 |
| Foreign currency translation adjustments | | | | 0.6 | | | 0.6 |
| Change in fair values of derivatives qualifying as cash flow hedges | | | | — | | | — |
| Unrealized gain on available for sale equity investments, net | | | | 0.8 | | | 0.8 |
| Minimum pension liability adjustment | | | | (0.3) | | | (0.3) |
| Total comprehensive income | | | | | | | 446.9 |
| Restricted stock and stock option expenses | | 28.6 | | | (4.0) | | 24.6 |
| Equity distribution | | | | | | (0.2) | (0.2) |
| September 30, 2010[(1)] | $ 2.0 | $ 8,426.6 | $ 423.6 | $ 1.1 | $ (4.0) | $ (3.4) | $ 8,845.9 |

(1) These restated balances were disclosed in Note 26 of the Company's Form 10-K for the year ended December 31, 2010.

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

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**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)** (dollars in millions)

| | Nine Months Ended September 30, 2011 | 2010[(1)] |
|---|---|---|
| Cash Flows From Operations | | |
| Net income | $1.3 | $442.0 |
| Adjustments to reconcile net income to net cash flows from operations: | | |
| Provision for credit losses | 255.9 | 637.9 |
| Net depreciation, amortization and (accretion) | 404.9 | (437.6) |
| Net gains on equipment, receivable and investment sales | (385.4) | (352.4) |
| Loss on debt extinguishment | 121.6 | — |
| Provision for deferred income taxes | 26.0 | 109.2 |
| Decrease in finance receivables held for sale | 11.4 | 13.1 |
| Decrease (increase) in other assets | 87.4 | (355.2) |
| (Decrease) increase in accrued liabilities and payables | (122.8) | 224.2 |
| Net cash flows provided by operations | 400.3 | 281.2 |
| Cash Flows From Investing Activities | | |
| Loans extended and purchased | (15,225.4) | (13,659.6) |
| Principal collections of loans and investments | 16,719.8 | 19,282.3 |
| Purchases of investment securities | (13,928.4) | (131.9) |
| Proceeds from maturities and sales of investment securities | 13,512.2 | 152.2 |
| Proceeds from asset and receivable sales | 2,524.0 | 3,912.5 |
| Purchases of assets to be leased and other equipment | (1,080.5) | (867.6) |
| Net decrease in short-term factoring receivables | (39.2) | 346.4 |
| Change in restricted cash | 528.0 | (162.2) |
| Net cash flows provided by investing activities | 3,010.5 | 8,872.1 |
| Cash Flows From Financing Activities | | |
| Proceeds from the issuance of term debt | 4,876.1 | 2,662.9 |
| Repayments of term debt | (12,577.1) | (10,266.3) |
| Net increase (decrease) in deposits | 441.6 | (401.9) |
| Net repayments of non-recourse leveraged lease debt | (4.5) | (17.7) |
| Collection of security deposits and maintenance funds | 418.3 | 542.2 |
| Repayment and usage of security deposits and maintenance funds | (352.1) | (487.8) |
| Net cash flows used in financing activities | (7,197.7) | (7,968.6) |
| (Decrease) increase in cash and cash equivalents | (3,786.9) | 1,184.7 |
| Unrestricted cash and cash equivalents, beginning of period | 8,650.2 | 8,405.2 |
| Unrestricted cash and cash equivalents, end of period | $4,863.3 | $9,589.9 |
| | | |
| Supplementary Cash Flow Disclosure | | |
| Interest paid | $1,546.7 | $2,092.4 |
| Federal, foreign, state and local income taxes paid (collected), net | $55.0 | $3.1 |
| Supplementary Non Cash Flow Disclosure | | |
| Transfer of finance receivables from held for investment to held for sale | $1,778.3 | $2,147.5 |
| Transfer of finance receivables from held for sale to held for investment | $133.3 | $64.8 |

(1)

These restated balances were disclosed in Note 26 of the Company's Form 10-K for the year ended December 31, 2010.

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

**NOTE 1 — BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

CIT Group Inc. became a bank holding company (“BHC”) in 2008 and has provided financial solutions to its clients since its formation in 1908. We provide financing and leasing capital principally for small businesses and middle market companies in a wide variety of industries and offer vendor, equipment, commercial and structured financing products, as well as factoring and management advisory services. CIT is the parent of CIT Bank, a state-chartered bank in Utah. We operate primarily in North America, with locations in Europe, Latin America and Asia.

**BASIS OF PRESENTATION**

**Principles of Consolidation**

The accompanying consolidated financial statements include financial information related to CIT Group Inc., a Delaware Corporation, and its majority owned subsidiaries, including CIT Bank (collectively, “CIT” or the “Company”), and those variable interest entities (“VIEs”) where the Company is the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the consolidated financial statements.

In preparing the consolidated financial statements, all significant intercompany accounts and transactions have been eliminated. These consolidated financial statements, which have been prepared in accordance with the instructions to Form 10-Q, do not include all information and note disclosures required by generally accepted accounting principles in the United States of America (“GAAP”). The financial statements in this Form 10-Q have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (U.S.), but in the opinion of management include all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of CIT’s financial position, results of operations and cash flows in accordance with GAAP. These consolidated financial statements should be read in conjunction with our current Form 10-K on file.

The consolidated financial statements include the effects of adopting Fresh Start Accounting (“FSA”) upon emergence from bankruptcy on December 10, 2009, based on a convenience date of December 31, 2009 (the “Convenience Date”), as required by GAAP. Accretion and amortization of certain FSA adjustments began on January 1, 2010, and are included in the Statements of Operations and Cash Flows. See the Company’s Annual Report on Form 10-K for the year ended December 31, 2010 (“Form 10-K”), “Notes 1 — Business and Summary of Significant Accounting Policies” and “Note 25 — Fresh Start Accounting”, for additional FSA and reorganization information.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions. Some of the more significant estimates include: fresh start accounting fair values; valuation of deferred tax assets; lease residual values and depreciation of operating lease equipment; and allowance for loan losses. Additionally, where applicable, the policies conform to accounting and reporting guidelines prescribed by bank regulatory authorities.

**Restatement**

The September 30, 2010 amounts have been restated to correct for errors found by the Company subsequent to the filing of its third quarter 2010 report on Form 10-Q related primarily to the application of FSA, the effects of which were disclosed in the Company’s December 31, 2010 Form 10-K. The effect of the restatement decreased net income for the quarter ended September 30, 2010 by approximately $16 million to $116 million and increased net income for the nine months then ended by $24 million to $442 million as compared to the amount originally reported in the September 30, 2010 Form 10-Q. Comparisons to the 2010 third quarter balances are to the restated amounts. See the Company’s December 31, 2010 Form 10-K, Note 26 — Selected Quarterly Financial Data (Unaudited), for further information.

**SIGNIFICANT ACCOUNTING POLICIES**

**Investments**

During 2011, the Company utilized cash to invest in securities. Previously, investments were not considered significant and our Form 10-K did not include an investment policy. The following summarizes the Company's accounting policies relating to investment securities:

· Debt and equity securities classified as "available-for-sale" (AFS) are carried at fair value with changes in fair value reported in accumulated other comprehensive income, net of applicable income taxes. Credit- related declines in fair value that are determined to be other than temporary are recorded in earnings immediately. Realized gains and losses on sales are included in *Other income* on a specific identification cost basis, and interest and dividend income on AFS securities is included in *Interest and dividends on investments*.
· Debt securities classified as "held-to-maturity" represent securities that the Company has both the ability and the intent to hold until maturity, and are carried at amortized cost. For those securities that the Company does not intend to sell or expect to be required to sell, credit-related impairment is recognized in earnings, with the non-credit related impairment recorded in Accumulated Other Comprehensive Income ("AOCI"). Interest on such securities is included in *Interest and dividends on investments*.
· Equity investments without readily determinable fair values are carried at cost and periodically assessed for other-than-temporary impairment, with the cost basis reduced when impairment is deemed to be other-than-temporary.

**NEW ACCOUNTING PRONOUNCEMENTS**

**Disclosures about the Credit Quality of Finance Receivables and the Allowance for Credit Losses**

In July 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Finance Receivables and the Allowance for Credit Losses*, which provides guidance that requires enhanced disclosures surrounding the credit characteristics of the Company's loan portfolio. The Company adopted the required disclosures of this guidance in its Form 10-K, Notes 1, 2 and 3, which included enhanced qualitative accounting policies and quantitative disclosures on segment and class levels as well as credit characteristics. The new disclosures on the roll forward of the allowance for credit losses were effective for the first quarter 2011 Form 10-Q and are disclosed in Note 3. The adoption of this guidance affects CIT's disclosures regarding loans and allowance for loan losses, but does not affect its financial condition or results of operations. The FASB had deferred the Troubled Debt Restructuring ("TDR") disclosure requirements that were part of this ASU, to be concurrent with the effective date of recently issued guidance for identifying TDRs. See discussion below under Troubled Debt Restructurings.

**Goodwill Impairment Test**

In December 2010, FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. Under ASC Topic 350, goodwill is tested for impairment at the reporting unit level utilizing a two-step approach. Step 1 compares the fair value of a reporting unit to its carrying value and if there is a shortfall, then Step 2 is completed. Step 2 measures the amount of impairment. This update requires that the Step 2 test be performed if the reporting unit has zero or negative carrying amount and qualitative factors exist indicating that it is more likely than not that a goodwill impairment exists. No additional disclosures are required by this update. This update is effective for public companies beginning after December 15, 2010. At the date of adoption, a cumulative-effect adjustment to beginning retained earnings should be recorded if impairment of any reporting unit exists. The adoption of the guidance did not have a material impact on the Consolidated Balance Sheets or Statements of Operations.

In addition, in September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment,* that permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test required in FASB Account Standard Codification ("ASC") Topic 350, *Intangibles—Goodwill & Other*. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The ASU's objective is to simplify how an entity tests goodwill for impairment and is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with an early adoption permitted. The Company is evaluating the requirements but does not believe that it will have a material impact on the Consolidated Balance Sheets or Statements of Operations upon adoption.

**Troubled Debt Restructurings**

In April 2011, the FASB issued ASU 2011-02, *A Creditor's Determination of Whether Restructuring Is a Troubled Debt Restructuring*, to clarify the guidance for accounting for TDRs, effective for interim and annual periods beginning after June 15, 2011. The ASU clarifies the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties, such as:

- Creditors cannot assume that debt extensions at or above a borrower's original contractual rate do not constitute troubled debt restructurings.
- If a borrower doesn't have access to funds at a market rate for debt with characteristics similar to the restructured debt that may indicate that the creditor has granted a concession.
- A borrower that is not currently in default may still be considered to be experiencing financial difficulty when payment default is considered probable in the foreseeable future.

The ASU was effective for the Company's third quarter Form 10Q and its adoption did not have a material impact on the Consolidated Balance Sheets or Statements of Operations.

In addition, the TDR disclosure requirements of ASU 2010-20, *Disclosures about the Credit Quality of Finance Receivables and the Allowance for Credit Losses* , that had been deferred in ASU 2011-01, *Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, became effective for the Company's third quarter Form 10Q. ASU 2010-20 requires the following additional TDR disclosures:

- The nature and financial effect of TDRs that occurred during the period by class of financing receivables and their effect on the Allowance for Loan and Lease Losses, and
- The nature and amount of financing receivables modified as TDRs within the previous 12 months that defaulted during the reporting period by class of financing receivables and their effect on the Allowance for Loan and Lease Losses.

The Company adopted the guidance for the third quarter Form 10Q and the additional disclosures on the nature and extent of TDRs are included in Note 2. The adoption of the guidance did not affect materially the Allowance for Loan and Lease Losses.

**Fair Value Measurement**

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820)*: *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.* The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. The disclosure requirements have been enhanced. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The amendment is effective for fiscal years beginning after December 15, 2011, with early adoption prohibited. The Company is evaluating the impact of this amendment.

**Comprehensive Income**

In June 2011, the FASB issued ASU 2011-05 to amend the guidance on the presentation of comprehensive income in FASB ASC Topic 220, *Comprehensive Income* that would require companies to present a single statement of comprehensive income or two consecutive statements. The proposed guidance would make the financial statement presentation of other comprehensive income more prominent by eliminating the alternative to present comprehensive income within the statement of equity. The ASU will be effective for annual periods beginning after December 15, 2011.

The adoption of the guidance will not affect the Company's financial condition but will change the presentation of the statement of operations.

On October 21, 2011, the Financial Accounting Standards Board (FASB) decided to propose a deferral of the new requirement to present reclassifications of other comprehensive income on the face of the income statement. Companies would still be required to adopt the other requirements contained in the new accounting standard for the presentation of comprehensive income.

**NOTE 2 — LOANS**

The following table presents finance receivables by segment, based on obligor location:

**Finance Receivables** (dollars in millions)

| | September 30, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| Corporate Finance | $5,694.0 | $1,471.5 | $7,165.5 | $6,482.4 | $1,999.8 | $8,482.2 |
| Transportation Finance | 1,004.6 | 343.1 | 1,347.7 | 1,098.8 | 290.1 | 1,388.9 |
| Trade Finance | 2,408.5 | 142.6 | 2,551.1 | 2,207.7 | 179.7 | 2,387.4 |
| Vendor Finance | 2,314.7 | 1,550.0 | 3,864.7 | 2,582.9 | 1,583.2 | 4,166.1 |
| Consumer | 6,867.5 | 15.8 | 6,883.3 | 8,058.8 | 17.1 | 8,075.9 |
| Total | $18,289.3 | $3,523.0 | $21,812.3 | $20,430.6 | $4,069.9 | $24,500.5 |

The following table presents selected information related to components of the net investment in finance receivables.

**Components of Net Investment in Finance Receivables**
(dollars in millions)

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Unearned Income | $(1,098.8) | $(1,356.3) |
| Net amortized deferred fees and costs | 31.9 | 16.0 |
| Total finance leases | 4,117.2 | 4,522.1 |

Certain of the following tables present credit-related information at the "class" level in accordance with ASU 2010-20, Disclosures about the Credit Quality of Finance Receivables and the Allowance for Credit Losses. A class is generally a disaggregation of a portfolio segment. In determining the classes, CIT considered the finance receivable characteristics and methods it applies in monitoring and assessing credit risk and performance.

**Credit Quality Information**

The following table summarizes finance receivables by the risk ratings that bank regulatory agencies utilize to classify credit exposure and which are consistent with indicators the Company monitors. Risk ratings are reviewed on a regular and ongoing basis by Credit Risk Management and are adjusted as necessary for updated information affecting the borrowers' ability to fulfill their obligations. Loans rated as substandard, doubtful and loss are considered classified loans. Classified loans plus special mention loans are considered criticized loans.

The definitions of these ratings are as follows:

- Pass – finance receivables in this category do not meet the criteria for classification in one of the categories below.
- Special mention – a special mention asset exhibits potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment

prospects.

- Substandard – a substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower, and is characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected.
- Doubtful – a doubtful asset has weaknesses that make collection or liquidation in full unlikely on the basis of current facts, conditions, and values.

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- Loss – a loss asset is considered uncollectible and of little or no value. The Company's assets classified as loss are generally charged off and therefore do not appear in the following tables.

Substantially all of the commercial Doubtful accounts were on non-accrual status at September 30, 2011 and December 31, 2010, and approximately one-fifth and one-third, respectively, of the Substandard accounts were on non-accrual status as of those dates.

**Finance Receivables*[1]* – By Classification** (dollars in millions)

| September 30, 2011 | Corporate Finance Other | Corporate Finance SBL | Transportation Finance | Trade Finance | Vendor Finance US | Vendor Finance International | Total Commercial | Total Consumer | Totals[1] |
|---|---|---|---|---|---|---|---|---|---|
| Grade: | | | | | | | | | |
| Pass | $4,312.3 | $276.6 | $727.6 | $2,011.9 | $1,990.3 | $1,565.3 | $10,884.0 | $6,779.4 | $17,663.4 |
| Special mention | 1,078.0 | 238.2 | 355.4 | 320.4 | 136.7 | 102.3 | 2,231.0 | 382.5 | 2,613.5 |
| Substandard | 1,103.3 | 155.8 | 238.3 | 186.9 | 144.1 | 78.7 | 1,907.1 | 405.1 | 2,312.2 |
| Doubtful | 252.8 | 146.8 | 26.4 | 31.9 | 38.8 | 18.0 | 514.7 | 2.6 | 517.3 |
| Total | $6,746.4 | $817.4 | $1,347.7 | $2,551.1 | $2,309.9 | $1,764.3 | $15,536.8 | $7,569.6 | $23,106.4 |
| Non-accrual loans | $514.0 | $169.6 | $54.5 | $94.0 | $58.3 | $22.7 | $913.1 | $0.6 | $913.7 |

| December 30, 2010 | Corporate Finance Other | Corporate Finance SBL | Transportation Finance | Trade Finance | Vendor Finance US | Vendor Finance International | Total Commercial | Total Consumer | Totals[1] |
|---|---|---|---|---|---|---|---|---|---|
| Grade: | | | | | | | | | |
| Pass | $4,843.4 | $360.9 | $652.3 | $1,977.9 | $2,198.5 | $1,867.9 | $11,900.9 | $7,348.4 | $19,249.3 |
| Special mention | 1,275.6 | 161.0 | 540.8 | 244.3 | 142.5 | 193.1 | 2,557.3 | 358.2 | 2,915.5 |
| Substandard | 1,205.1 | 211.8 | 192.4 | 123.0 | 180.7 | 135.4 | 2,048.4 | 614.4 | 2,662.8 |
| Doubtful | 460.0 | 183.6 | 3.4 | 42.2 | 55.4 | 60.8 | 805.4 | 1.6 | 807.0 |
| Total | $7,784.1 | $917.3 | $1,388.9 | $2,387.4 | $2,577.1 | $2,257.2 | $17,312.0 | $8,322.6 | $25,634.6 |
| Non-accrual loans | $1,025.4 | $214.4 | $63.2 | $164.4 | $80.2 | $67.7 | $1,615.3 | $0.7 | $1,616.0 |

(1) Balances include $1,294.1 million and $1,134.1 million of loans in Assets Held for Sale at September 30, 2011 and December 31, 2010, respectively, which are measured at the lower of cost or fair value. ASU 2010-20 does not require inclusion of these finance receivables in the disclosures above. However, until they are disposed of, the Company manages the credit risk and collections of finance receivables held for sale consistently with its finance receivables held for investment, so that Company data are tracked and used for management purposes on an aggregated basis, as presented above. Other than finance receivables, Assets Held for Sale total on the balance sheet also include operating lease equipment held for sale, which are not included in the above table.

**Past Due and Non-accrual Loans**

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

**Finance Receivables*[(1)]* – Delinquency Status** (dollars in millions)

| | 30–59 Days Past Due | 60–89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Finance Receivables[(1)] |
|---|---|---|---|---|---|---|
| At September 30, 2011 | | | | | | |
| Commercial | | | | | | |
| Corporate Finance Other | $21.5 | $6.6 | $61.5 | $89.6 | $6,656.8 | $ 6,746.4 |
| Corporate Finance SBL | 14.4 | 5.7 | 33.4 | 53.5 | 763.9 | 817.4 |
| Transportation Finance | 2.6 | 4.7 | 2.3 | 9.6 | 1,338.1 | 1,347.7 |
| Trade Finance | 24.8 | 1.1 | 0.5 | 26.4 | 2,524.7 | 2,551.1 |
| Vendor Finance US | 42.7 | 15.2 | 14.0 | 71.9 | 2,238.0 | 2,309.9 |
| Vendor Finance International | 9.8 | 4.3 | 6.1 | 20.2 | 1,744.1 | 1,764.3 |
| Consumer | 237.0 | 146.2 | 406.0 | 789.2 | 6,780.4 | 7,569.6 |
| Total | $352.8 | $183.8 | $523.8 | $1,060.4 | $22,046.0 | $ 23,106.4 |
| At December 31, 2010 | | | | | | |
| Commercial | | | | | | |
| Corporate Finance – Other | $43.2 | $33.7 | $149.2 | $226.1 | $7,558.0 | $ 7,784.1 |
| Corporate Finance – SBL | 21.8 | 8.6 | 73.0 | 103.4 | 813.9 | 917.3 |
| Transportation Finance | 9.0 | 1.8 | 0.6 | 11.4 | 1,377.5 | 1,388.9 |
| Trade Finance | 35.0 | 1.8 | 1.3 | 38.1 | 2,349.3 | 2,387.4 |
| Vendor Finance – US | 59.4 | 23.2 | 20.3 | 102.9 | 2,474.2 | 2,577.1 |
| Vendor Finance – International | 20.2 | 11.5 | 10.6 | 42.3 | 2,214.9 | 2,257.2 |
| Consumer | 351.4 | 175.9 | 434.1 | 961.4 | 7,361.2 | 8,322.6 |
| Total | $540.0 | $256.5 | $689.1 | $1,485.6 | $24,149.0 | $ 25,634.6 |

(1) Balances include $1,294.1 million and $1,134.1 million of loans in Assets Held for Sale at September 30, 2011 and December 30, 2010, respectively. Other than finance receivables, Assets Held for Sale total on the balance sheet also include operating lease equipment held for sale, which are not included in the above table.

The following table sets forth non-accrual loans and assets received in satisfaction of loans (repossessed assets). Non-accrual loans include loans greater than $500,000 that are individually evaluated and determined to be impaired, as well as loans less than $500,000 that are delinquent (generally for more than 90 days).

**Finance Receivables on Non-accrual Status** (dollars in millions)

| | September 30, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| | Held for Investment | Held for Sale | Total | Held for Investment | Held for Sale | Total |
| Commercial | | | | | | |
| Corporate Finance Other | $243.1 | $270.9 | $514.0 | $969.3 | $56.1 | $1,025.4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Corporate Finance SBL | 150.1 | 19.5 | 169.6 | 214.4 | — | 214.4 |
| Transportation Finance | 54.5 | — | 54.5 | 63.2 | — | 63.2 |
| Trade Finance | 94.0 | — | 94.0 | 164.4 | — | 164.4 |
| Vendor Finance US | 58.3 | — | 58.3 | 80.2 | — | 80.2 |
| Vendor Finance International | 20.9 | 1.8 | 22.7 | 40.4 | 27.3 | 67.7 |
| Consumer | 0.2 | 0.4 | 0.6 | 0.4 | 0.3 | 0.7 |
| Total non-accrual loans | $621.1 | $292.6 | $913.7 | $1,532.3 | $83.7 | $1,616.0 |
| Repossessed assets | | | 11.9 | | | 21.1 |
| Total non-performing assets | | | $925.6 | | | $1,637.1 |
| Government guaranteed accruing loans past due 90 days or more | | | $405.8 | | | $433.6 |
| Other accruing loans past due 90 days or more | | | 2.0 | | | 1.7 |
| Total accruing loans past due 90 days or more | | | $407.8 | | | $435.3 |

Payments received on non-accrual financing receivables are generally applied against outstanding principal.

**Impaired Loans**

The Company's policy is to review for impairment finance receivables greater than $500,000 that are on non-accrual status. Consumer loans and small-ticket loan and lease receivables that have not been modified in a troubled debt restructuring, as well as short-term factoring receivables, are included (if appropriate) in the reported non-accrual balances above, but are excluded from the impaired finance receivables disclosure below as charge-offs are typically determined and recorded for such loans when they are more than 120 – 150 days past due.

The following table contains information about impaired finance receivables and the related allowance for credit losses, exclusive of finance receivables that were identified as impaired at the Convenience Date for which the Company is applying the income recognition and disclosure guidance in ASC 310-30 (Loans and Debt Securities Acquired with Deteriorated Credit Quality), which are disclosed further below in this note.

**Impaired Loans at or for the Nine months ended September 30, 2011** (dollars in millions)

| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|
| With no related allowance recorded: | | | | |
| Commercial | | | | |
| Corporate Finance Other | $ 51.9 | $97.9 | $ — | $ 151.5 |
| Corporate Finance SBL | 41.8 | 74.0 | — | 42.0 |
| Transportation Finance | 5.8 | 7.3 | — | 8.3 |
| Trade Finance | 39.0 | 55.2 | — | 77.1 |
| Vendor Finance US | 13.6 | 24.7 | — | 18.4 |
| Vendor Finance International | 6.6 | 18.9 | — | 12.5 |
| With an allowance recorded: | | | | |
| Commercial | | | | |
| Corporate Finance Other | 78.4 | 105.0 | 25.7 | 111.6 |
| Corporate Finance SBL | 40.2 | 43.1 | 8.5 | 46.9 |
| Transportation Finance | 49.0 | 54.7 | 12.2 | 52.0 |
| Trade Finance | 48.6 | 48.6 | 10.1 | 28.6 |
| Total Commercial Impaired Loans(1) | 374.9 | 529.4 | 56.5 | 548.9 |
| Total Loans Impaired at Convenience date(2) | 238.5 | 821.5 | 5.5 | 476.2 |
| Total | $ 613.4 | $1,350.9 | $ 62.0 | $ 1,025.1 |

(1) Interest income recorded while the loans were impaired was not material for the quarter and nine months ended September 30, 2011.

(2) Details of finance receivables that were identified as impaired at the Convenience date are presented under Loans and Debt Securities Acquired with Deteriorated Credit Quality.

**Impaired Loans for the Nine Months Ended September 30, 2010** (dollars in millions)
Average Recorded Investment $564.5

**Impaired Loans at December 31, 2010**(1) (dollars in millions)

| | Recorded Investment(1) | Unpaid Principal Balance(1) | Related Allowance |
|---|---|---|---|

| | | | |
|---|---|---|---|
| With no related allowance recorded: | | | |
| Commercial | | | |
| Corporate Finance – Other | $235.3 | $377.5 | $— |
| Corporate Finance – SBL | 50.7 | 72.2 | — |
| Transportation Finance | 11.0 | 12.8 | — |
| Trade Finance | 131.5 | 150.0 | — |
| Vendor Finance – US | 26.5 | 51.5 | — |
| Vendor Finance – International | 15.7 | 38.6 | — |
| With an allowance recorded: | | | |
| Commercial | | | |
| Corporate Finance – Other | 148.8 | 161.8 | 43.3 |
| Corporate Finance – SBL | 51.9 | 54.5 | 12.7 |
| Transportation Finance | 56.4 | 57.6 | 10.0 |
| Trade Finance | 27.1 | 31.1 | 5.3 |
| Total Commercial | $754.9 | $1,007.6 | $71.3 |

(1) December 31, 2010 balances were conformed to current presentation and adjusted to exclude $81.2 million of recorded net investment and $161.1 million of unpaid principal related to loans classified in Assets Held for Sale.

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Impairment occurs when, based on current information and events, it is probable that CIT will be unable to collect all amounts due according to contractual terms of the agreement. The Company has established review and monitoring procedures designed to identify, as early as possible, customers that are experiencing financial difficulty. We capture and analyze credit risk based on our internal probability of obligor default (PD) and loss given default (LGD) ratings. A PD rating is determined by evaluating borrower credit-worthiness, including analyzing credit history, financial condition, cash flow adequacy, financial performance and management quality. An LGD rating is predicated on transaction structure, collateral valuation and related guarantees or recourse. Further, related considerations in determining probability of collection include the following:

- Instances where the primary source of payment is no longer sufficient to repay the loan in accordance with terms of the loan document;
- Lack of current financial data related to the borrower or guarantor;
- Delinquency status of the loan;
- Borrowers experiencing problems, such as operating losses, marginal working capital, inadequate cash flow or business interruptions;
- Loans secured by collateral that is not readily marketable or that is susceptible to deterioration in realizable value; and
- Loans to borrowers in industries or countries experiencing economic instability.

Impairment is measured as the shortfall between estimated value and recorded investment in the finance receivable. A specific allowance or charge-off is recorded for the shortfall. In instances where the estimated value exceeds the recorded investment, no specific allowance is recorded. The estimated value is determined using fair value of collateral and other cash flows if the finance receivable is collateralized, or the present value of expected future cash flows discounted at the contract’s effective interest rate. In instances when the Company measures impairment based on the present value of expected future cash flows, the change in present value is reported in the provision for credit losses.

The following summarizes key elements of the Company’s policy regarding the determination of collateral fair value in the measurement of impairment:

- “Orderly liquidation value” is the basis for collateral valuation;
- Appraisals are updated annually or more often as market conditions warrant; or
- Appraisal values are discounted in the determination of impairment if the:
- appraisal does not reflect current market conditions; or
- collateral consists of inventory, accounts receivable, or other forms of collateral, which may become difficult to locate, collect or subject to pilferage in a liquidation.

**Loans and Debt Securities Acquired with Deteriorated Credit Quality**

For purposes of this presentation, finance receivables that were identified as impaired at the Convenience Date are presented separately below. The Company is applying the income recognition and disclosure guidance in ASC 310-30 (Loans and Debt Securities Acquired with Deteriorated Credit Quality) to loans considered impaired under FSA at the time of emergence. The Company has no other loans reported under this guidance.

| (dollars in millions) | September 30, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Outstanding balance[(1)] | Related Allowance | Carrying Amount | Outstanding balance[(1)] | Related Allowance |
| Commercial | $237.1 | $818.0 | $5.5 | $795.6 | $1,914.6 | $54.9 |
| Consumer | 1.4 | 3.5 | — | 1.5 | 14.3 | — |
| Totals loans | $238.5 | $821.5 | $5.5 | $797.1 | $1,928.9 | $54.9 |

(1)

Represents the sum of contractual principal, interest and fees earned at the reporting date, calculated as pre-FSA net investment plus inception to date of charge-offs.

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| (dollars in millions) | Quarter Ended September 30, 2011 | | Quarter Ended September 30, 2010 | |
|---|---|---|---|---|
| | Provision for Credit Losses | Net Charge-offs | Provision for Credit Losses | Net Charge-offs |
| Commercial | $(3.2) | $4.6 | $23.5 | $20.9 |
| Consumer | (0.2) | (0.2) | 1.3 | 1.3 |
| Totals loans | $(3.4) | $4.4 | $24.8 | $22.2 |
| | **Nine Months Ended September 30, 2011** | | **Nine Months Ended September 30, 2010** | |
| | Provision for Credit Losses | Net Charge-offs | Provision for Credit Losses | Net Charge-offs |
| Commercial | $51.6 | $101.0 | $109.2 | $75.0 |
| Consumer | (0.5) | (0.5) | 3.2 | 3.2 |
| Totals loans | $51.1 | $100.5 | $112.4 | $78.2 |

The following table presents the changes to the accretable discount related to all loans accounted for under ASC 310-30 (loans acquired with deteriorated credit quality).

**Accretable discount activity for loans accounted for under ASC 310-30 at Emergence Date** (dollars in millions):

| | Quarter Ended September 30, 2011 | Nine Months Ended September 30, 2011 |
|---|---|---|
| Accretable discount, beginning of period | $ 135.4 | $ 207.2 |
| Accretion | (4.9) | (30.4) |
| Disposals/transfers[1] | (12.2) | (58.5) |
| Accretable discount, end of period | $ 118.3 | $ 118.3 |

(1) Amounts include transfers of non-accretable to accretable discounts, which were not material for the quarter and nine months ended September 30, 2011.

**Troubled Debt Restructurings**

The Company periodically modifies the terms of finance receivables in response to borrowers' difficulties. Modifications that include a financial concession to the borrower are accounted for as troubled debt restructurings (TDRs).

CIT uses a consistent methodology across all loans to determine if a modification is with a borrower that has been determined to be in financial difficulty and was granted a concession. Specifically, our policies on TDR identification include the following examples of indicators used to determine whether the borrower is in financial difficulty:

· Borrower is in default
· Borrower has declared bankruptcy
· Growing doubt about the borrower's ability to continue as a going concern
· Borrower has insufficient cash flow to service debt
· Borrower is de-listing securities
· Borrower's inability to obtain funds from other sources
· Breach of financial covenants by the borrower

If the borrower is determined to be in financial difficulty, then CIT utilizes the following criteria to determine whether a concession has been granted to the borrower:

- Assets used to satisfy debt are less than CIT's recorded investment in the receivable
- Modification of terms – interest rate changed to below market rate
- Maturity date extension at an interest rate less than market rate
- The borrower does not otherwise have access to funding for debt with similar risk characteristics in the market at the restructured rate and terms
- Capitalization of interest
- Increase in interest reserves
- Conversion of credit to Payment-In-Kind (PIK)
- Delaying principal and/or interest for a period of three months or more
- Partial forgiveness of the balance

Modified loans that are classified as TDRs are individually evaluated and measured for impairment. Modified loans that meet the definition of a TDR are subject to our standard impaired loan policy, namely that non-accrual loans in excess

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of $500,000 are individually reviewed for impairment, while non-accrual loans less than $500,000 are considered as part of homogenous pools and are included in the determination of the non-specific allowance.

The recorded investment of TDRs at September 30, 2011 and December 31, 2010 was $318.4 million and $461.7 million, of which 89% and 95% were on non-accrual. Corporate Finance receivables accounted for 81% and 73% of the total TDRs. At September 30, 2011 and December 31, 2010, there were $39.1 million and $19.6 million, respectively, of commitments to lend additional funds to borrowers whose loan terms have been modified in TDRs.

The tables that follow present additional information related to modifications qualifying as TDRs that occurred during the quarter and nine months ended September 30, 2011.

**Recorded investment of TDRs that occurred during the quarter and nine month period ended September 30, 2011:**

| | Quarter Ended September 30, 2011 | Nine Months Ended September 30, 2011 |
|---|---|---|
| Commercial | | |
| Corporate Finance – Other | $ 34.4 | $ 70.2 |
| Corporate Finance – SBL | 1.4 | 11.9 |
| Transportation Finance | — | 25.3 |
| Trade Finance | 5.6 | 19.2 |
| Vendor Finance – US | 0.8 | 2.8 |
| Vendor Finance – International | — | 2.8 |
| Total | $ 42.2 | $ 132.2 |

**Recorded investment of TDRs that experience a payment default[(1)] at the time of default, in the period presented, and for which the payment default occurred within one year of the modification:**

| | Quarter Ended September 30, 2011 | Nine Months ended September 30, 2011 |
|---|---|---|
| Commercial | | |
| Corporate Finance – Other | $0.1 | $0.1 |
| Corporate Finance – SBL | 4.2 | 5.6 |
| Transportation Finance | — | 25.3 |
| Vendor Finance – International | — | 0.7 |
| Total | $4.3 | $31.7 |

(1) *Payment default in the table above is one missed payment.*

The financial impact of the various modification strategies that the Company employs in response to borrower difficulties is a follows:

- The nature of modifications qualifying as TDR's, based upon investment at September 30, 2011, was payment deferral – 73%, covenant relief, other – 18%, interest rate reductions – 6% and debt forgiveness – 3%;
- Debt forgiveness, or the reduction in amount owed by borrower, results in incremental provision for credit losses, in the form of higher charge-offs. While these types of modifications have the greatest individual impact on the allowance, the combined financial impact for the nine months approximated $5 million, as debt forgiveness is a relatively small component of the Company's modification programs;
- Payment deferrals, the most common type of the Company's modification programs, result in lower net present value of cash flows and increased provision for credit losses to the extent applicable. Interest rate reductions result in

incremental reduction in interest revenue charged to the customer, but are a relatively small part of our restructuring programs. The financial impact of these modifications is not significant given the reduction to recorded investment balances from FSA discount and the moderate length of deferral periods. Additionally, in some instances, modifications improve the Company's economic return through increased interest rates and fees, but are reported as TDR's due to assessments regarding the borrowers' ability to independently obtain similar funding in the market and assessments of the relationship between modified rates and terms and comparable market rates and terms; and

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

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**NOTE 3 — ALLOWANCE FOR LOAN LOSSES**

The following table presents changes in the allowance for loan losses.

**Allowance for Loan Losses and Recorded Investment in Finance Receivables** (dollars in millions)

**At or for periods ended September 30,**

| | 2011 Corporate Finance | Transportation Finance | Trade Finance | Vendor Finance | Total Commercial | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | | | |
| Quarters ended | | | | | | | |
| Beginning balance | $277.9 | $29.1 | $35.3 | $81.7 | $424.0 | $— | $424.0 |
| Provision for credit losses | 37.5 | 2.2 | 4.4 | 3.1 | 47.2 | 0.6 | 47.8 |
| Changes relating to sales, foreign currency translation, other | (4.5) | (0.1) | (3.7) | (2.4) | (10.7) | — | (10.7) |
| Gross charge-offs[(2)] | (46.2) | — | (4.3) | (19.7) | (70.2) | (0.9) | (71.1) |
| Recoveries | 5.3 | — | 2.5 | 16.4 | 24.2 | 0.3 | 24.5 |
| Allowance balance end of period | $270.0 | $31.2 | $34.2 | $79.1 | $414.5 | $— | $414.5 |
| Nine Months Ended | | | | | | | |
| Beginning balance | $303.7 | $23.7 | $29.9 | $58.9 | $416.2 | $— | $416.2 |
| Provision for credit losses | 173.3 | 8.7 | 11.7 | 59.8 | 253.5 | 2.4 | 255.9 |
| Change relating to new accounting pronouncement[(1)] | — | — | — | — | — | — | — |
| Changes relating to sales, foreign currency translation, other | (9.2) | (0.5) | (3.4) | (1.6) | (14.7) | — | (14.7) |
| Gross charge-offs[(2)] | (224.5) | (0.8) | (14.7) | (75.5) | (315.5) | (3.3) | (318.8) |
| Recoveries | 26.7 | 0.1 | 10.7 | 37.5 | 75.0 | 0.9 | 75.9 |
| Allowance balance end of period | $270.0 | $31.2 | $34.2 | $79.1 | $414.5 | $— | $414.5 |
| Individually evaluated for impairment | $34.2 | $12.2 | $10.1 | $— | $56.5 | $— | $56.5 |
| | 232.1 | 19.0 | 24.1 | 77.3 | 352.5 | — | 352.5 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Collectively evaluated for impairment | | | | | | | |
| Loans acquired with deteriorated credit quality[3] | 3.7 | — | — | 1.8 | 5.5 | — | 5.5 |
| Allowance balance end of period | $270.0 | $31.2 | $34.2 | $79.1 | $414.5 | $— | $414.5 |
| Reserve for unfunded lending commitments[4] | $13.8 | $1.2 | $7.6 | $— | $22.6 | $— | $22.6 |
| Financing receivables: | | | | | | | |
| Individually evaluated for impairment | $212.3 | $54.8 | $87.6 | $20.2 | $374.9 | $— | $374.9 |
| Collectively evaluated for impairment | 6,742.8 | 1,292.9 | 2,463.5 | 3,817.8 | 14,317.0 | 6,881.9 | 21,198.9 |
| Loans acquired with deteriorated credit quality[3] | 210.4 | — | — | 26.7 | 237.1 | 1.4 | 238.5 |
| Ending balance | $7,165.5 | $1,347.7 | $2,551.1 | $3,864.7 | $14,929.0 | $6,883.3 | $21,812.3 |
| Percent of loans total loans | 32.9 % | 6.2 % | 11.7 % | 17.7 % | 68.4 % | 31.6 % | 100.0 % |

(1) Reflects reserves associated with loans consolidated in accordance with 2010 adoption of accounting guidance on consolidation of variable interest entities.

(2) Gross charge-offs include $40 million that were charged directly to the allowance for loan losses for the September 30, 2011 quarter, of which $36 million related to Corporate Finance with the remainder related primarily to Trade Finance.  Amounts for the nine month period were $154 million, of which $142 million related to Corporate Finance and the remainder to Trade Finance.

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

(4) Represents additional credit loss reserves for unfunded lending commitments and letters of credit recorded in Other Liabilities.

The allowance for loan losses balance prior to emergence was eliminated in FSA. The balance reflects estimated amounts for loans originated subsequent to the Emergence Date, loans that were held in VIEs that the Company has consolidated, and incremental amounts required on loans that were on the books at the Emergence Date.

**NOTE 4 — INVESTMENT SECURITIES**

At the end of the 2011 first quarter, the Company utilized cash to purchase U.S. Treasury securities. During the second and third quarters of 2011, the Company also purchased U.S. Government Agency securities. These investments typically mature in 91 days or less, and the carrying value approximates fair value.

Total investment securities include debt and equity securities. Debt instruments primarily consisted of U.S. Treasuries, U.S. agency bonds and foreign government bonds while equity securities include common stock and warrants.

**Investment Securities** (dollars in millions)

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Debt securities available-for-sale | $ 450.0 | $ — |
| Equity securities available-for-sale | 17.1 | 37.5 |
| Debt securities held-to-maturity[1] | 175.6 | 195.9 |
| Non-marketable equity securities carried at cost[2] | 80.4 | 95.1 |
| Total investment securities | $ 723.1 | $ 328.5 |

(1) Recorded at amortized cost less impairment on securities that have credit-related impairment.

(2) Non-marketable equity securities are carried at cost less impairment and primarily consist of shares issued by customers during loan work out situations or as part of an original loan investment.

Debt securities are recorded on the Consolidated Balance Sheet as of the trade date and classified based on management's intention on the date of purchase.

**Securities Available-for-Sale**

The following table presents amortized cost and fair value of securities available-for-sale (AFS) at September 30, 2011. December 31, 2010 balances were not significant and are not presented.

| (dollars in millions) | September 30, 2011 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Debt securities AFS | | | | |
| U.S. Government Agency Obligations | $450.0 | $ — | $ — | $450.0 |
| Total debt securities available for sale | 450.0 | — | — | 450.0 |
| Equity securities AFS | 16.0 | 1.2 | (0.1) | 17.1 |
| Total securities AFS | $466.0 | $ 1.2 | $ (0.1) | $467.1 |

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary. Any credit-related impairment on debt securities that the Company does not plan to sell and is not likely to be required to sell is recognized in the Consolidated Statement of Operations, with the non-credit-related impairment recognized in other comprehensive income. For other impaired debt securities, the entire impairment is recognized in the Consolidated Statement of Operations.

The following table presents interest and dividends on investments:

| (dollars in millions) | Quarters Ended September 30, | Nine Months Ended September 30, |
|---|---|---|

| | 2011 | 2010 | 2011 | 2010 |
|---|---|---|---|---|
| Interest | $ 8.0 | $ 7.2 | $ 22.5 | $ 19.1 |
| Dividends | 0.2 | — | 1.2 | 2.7 |
| Total interest and dividends | $ 8.2 | $ 7.2 | $ 23.7 | $ 21.8 |

Gross realized investment gains for the quarter and nine months ended September 30, 2011 were $8.7 million and $44.1 million respectively, and exclude losses from other-than-temporary impairment. Realized investment gains in 2010 were $5.9 million and $12.8 million for the quarter and nine months period, respectively.

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**Debt Securities Held-to-Maturity**

The carrying value and fair value of securities held-to-maturity (HTM) at September 30, 2011 and December 31, 2010 were as follows:

| (dollars in millions) | Carrying value | Gross unrecognized gains | Gross unrecognized losses | Fair value |
|---|---|---|---|---|
| September 30, 2011 | | | | |
| U.S. Treasury and federal agency securities | | | | |
| U.S. Treasury Agency obligations | $ 98.4 | $ — | $ (1.9 ) | $ 96.5 |
| Mortgage-backed securities | | | | |
| U.S. government and government-sponsored agency guaranteed | 52.0 | 3.2 | — | 55.2 |
| State and municipal | 0.4 | — | — | 0.4 |
| Foreign government | 24.8 | — | — | 24.8 |
| Total debt securities held-to-maturity | $ 175.6 | $ 3.2 | $ (1.9 ) | $ 176.9 |
| December 31, 2010 | | | | |
| U.S. Treasury and federal agency securities | | | | |
| U.S. Treasury Agency obligations | $ 119.8 | $ 0.7 | $ — | $ 120.5 |
| Mortgage-backed securities | | | | |
| U.S. government and government-sponsored agency guaranteed | 56.9 | 1.0 | — | 57.9 |
| State and municipal | 0.4 | — | — | 0.4 |
| Foreign government | 18.8 | — | — | 18.8 |
| Total debt securities held-to-maturity | $ 195.9 | $ 1.7 | $ — | $ 197.6 |

The following table presents the amortized cost and fair value of debt securities HTM by contractual maturity dates:

| (dollars in millions) | September 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Mortgage-backed securities[1] | | | | |
| After 10 years[2] | $ 52.0 | $ 55.2 | $ 56.9 | $ 57.9 |
| Total | 52.0 | 55.2 | 56.9 | 57.9 |
| U.S. Treasury and federal agencies | | | | |
| Due within 1 year | 98.4 | 96.5 | — | — |
| After 1 but within 5 years | — | — | 119.8 | 120.5 |
| Total | 98.4 | 96.5 | 119.8 | 120.5 |
| State and municipal | | | | |
| After 1 but within 5 years | 0.3 | 0.3 | 0.2 | 0.2 |
| After 5 but within 10 years | 0.1 | 0.1 | 0.2 | 0.2 |
| Total | 0.4 | 0.4 | 0.4 | 0.4 |
| Foreign government | | | | |
| Due within 1 year | 22.1 | 22.1 | 18.8 | 18.8 |
| After 5 but within 10 years | 2.7 | 2.7 | — | — |
| Total | 24.8 | 24.8 | 18.8 | 18.8 |
| Total debt securities HTM | $ 175.6 | $ 176.9 | $ 195.9 | $ 197.6 |

(1) Includes mortgage-backed securities of U.S. federal agencies.

(2) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.

**Other-Than-Temporary Impairments**

***Recognition and Measurement of Other-Than-Temporary Impairments (OTTI)***

OTTI credit-related impairments on equity securities recognized in earnings totaled $0.2 million for the quarter and $7.7 million for the nine months ended September 30, 2011, respectively. The 2010 impairment charges for the quarter and nine month period were $1.9 million. Impairment amounts in accumulated other comprehensive income were not significant at September 30, 2011 and December 31, 2010.

***Evaluating Investments for OTTI***

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary. The Company accounts for investment impairments in accordance with ASC 320-10-35-34, *Investments—Debt and Equity Securities: Recognition of an Other-Than-Temporary Impairment*. Under the guidance for debt securities, OTTI is recognized in earnings for debt securities that the Company has an intent to sell or that the Company believes it is more-likely-than-not that it will be required to sell prior to the recovery of the amortized cost basis. For those securities that the Company does not intend to sell or expect to be required to sell, credit-related impairment is recognized in earnings, while the non-credit related impairment is recorded in AOCI.

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in AOCI for AFS securities, while such losses related to HTM securities are not recorded, as these investments are carried at their amortized cost.

Amortized cost is defined as the original purchase cost, plus or minus any accretion or amortization of a purchase discount or premium. Regardless of the classification of the securities as AFS or HTM, the Company has assessed each investment for impairment.

Factors considered in determining whether a loss is temporary include:

- the length of time and the extent to which fair value has been below cost;
- the severity of the impairment;
- the cause of the impairment and the financial condition and near-term prospects of the issuer;
- activity in the market of the issuer that may indicate adverse credit conditions; and
- the Company’s ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company’s review for impairment generally includes identification and evaluation of investments that have indications of possible impairment, in addition to:

- analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;
- discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and
- documentation of the results of these analyses, as required under business policies.

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to cost. Where management lacks that intent or ability to hold the equity security, the security’s decline in fair value is deemed to be other than temporary and is recorded in earnings. AFS equity securities deemed other-than-temporarily impaired are written down to fair value, with the full difference between fair value and cost recognized in earnings.

**NOTE 5 — LONG-TERM BORROWINGS**

The following table presents outstanding long-term borrowings, net of FSA.

| | September 30, 2011 | | | December 31, 2010 |
|---|---|---|---|---|
| | CIT Group Inc. | Subsidiaries | Total | Total |
| Secured borrowings | $— | $9,308.1 | $9,308.1 | $10,965.8 |
| First lien term loan | — | — | — | 3,042.6 |
| Revolving Facility | 1,075.0 | — | 1,075.0 | — |
| Series A Notes 7.00%(1) | 6,607.3 | — | 6,607.3 | 19,037.9 |
| Series B Notes 10.25%(1) | — | — | — | 765.8 |
| Series C Notes 7.00%(1) (Exchanged) | 7,925.2 | — | 7,925.2 | — |
| Series C Notes – 5.25% / 6.625%(1) (Other) | 2,000.0 | — | 2,000.0 | — |

| | | | | |
|---|---|---|---|---|
| Other debt | 84.7 | 0.7 | 85.4 | 167.7 |
| Total debt | $17,692.2 | $9,308.8 | $27,001.0 | $33,979.8 |

(1) The presented rates are contractual and do not reflect the impact of FSA. Rates associated with the Series C – Other are discussed further below.

Amounts included as contractually due within twelve months at September 30, 2011 of $1.7 billion included $1.2 billion of Secured Borrowings and $461 million of Series A Notes that CIT announced in September 2011 would be redeemed in October 2011.

**Secured Borrowings**

Set forth below are borrowings and pledged assets primarily owned by consolidated variable interest entities. Creditors of these entities received ownership and/or security interests in the assets. These entities are intended to be bankruptcy remote so that such assets are not available to creditors of CIT or any affiliates of CIT. These transactions do not meet accounting requirements for sales treatment and are recorded as secured borrowings. Except as otherwise noted, pledged assets listed in the following table are not included in the collateral available to lenders under the Revolving Credit and Guaranty Agreement or the Series A or C Notes described below.

**Secured Borrowings and Pledged Asset Summary** (dollars in millions)

| | September 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Secured Borrowing | Assets Pledged | Secured Borrowing | Assets Pledged |
| Education trusts and conduits (student loans) | $3,917.8 | $4,558.2 | $4,184.4 | $5,558.8 |
| GSI Facility borrowings[(1)] | 770.9 | 1,597.4 | 1,624.6 | 2,349.5 |
| Trade Finance | 382.1 | 1,523.4 | 504.9 | 1,479.6 |
| Corporate Finance (SBL) | 261.1 | 283.9 | 258.0 | 283.6 |
| Other equipment secured facilities[(2)] | 1.849.7 | 2,401.6 | 2,235.0 | 2,704.4 |
| Subtotal Loans | 7,181.6 | 10,364.5 | 8,806.9 | 12,375.9 |
| Transportation Finance Aircraft[(3)] | 1,384.9 | 1,631.6 | 1,315.1 | 1,531.0 |
| Transportation Finance Rail | 145.5 | 140.9 | 148.9 | 146.2 |
| GSI Facility borrowings (Aircraft)[(1)] | 468.4 | 1,098.2 | 519.8 | 1,119.3 |
| Other structures | 76.6 | 99.8 | 99.8 | 126.2 |
| Subtotal Equipment under operating leases | 2,075.4 | 2,970.5 | 2,083.6 | 2,922.7 |
| FHLB borrowings (Consumer)[(4)] | 51.1 | 98.4 | 75.3 | 119.8 |
| Total | $9,308.1 | $13,433.4 | $10,965.8 | $15,418.4 |

(1) At September 30, 2011 GSI Facility borrowings were secured by $903.9 million of corporate loans, $575.8 million of student loans and $117.7 million of small business lending loans, of which $115.9 million were classified as Assets Held for Sale, and $1.1 billion of aircraft assets on operating leases. The GSI Facility borrowing is described in Note 6 – Derivative Financial Instruments.

(2) Includes facilities secured by equipment primarily in Vendor Finance and Corporate Finance and the associated secured debt.

(3) Secured financing facilities for the purchase of aircraft.

(4) Collateralized with Government Debentures and Certificates of Deposit.

**Variable Interest Entities**

The Company utilizes Variable Interest Entities (“VIEs”) in the ordinary course of business to support its own and its customers’ financing needs.

The most significant types of VIEs that CIT utilizes are ‘on balance sheet’ secured financings of pools of leases and loans originated by the Company. The Company originates pools of assets and sells these to special purpose entities

("SPE's"), which, in turn, issue debt securities backed by the asset pools or sell individual interests in the assets to investors. CIT retains the servicing rights and participates in certain cash flows. These VIEs are typically organized as trusts or limited liability companies, and are intended to be bankruptcy remote, from a legal standpoint.

The main risks inherent in these secured borrowing structures are deterioration in the credit performance of the vehicle's underlying asset portfolio and risk associated with the servicing of the underlying assets.

Investors usually have recourse to the assets in the VIEs and typically benefit from other credit enhancements, such as: (1) a reserve or cash collateral account which requires the Company to deposit cash in an account, which will first be used to cover any defaulted obligor payments, (2) over-collateralization in the form of excess assets in the VIE, (3) subordination, whereby the Company retains a subordinate position in the secured borrowing which would absorb losses due to defaulted obligor payments before the senior certificate holders. The VIE may also enter into derivative contracts in order to convert yield or currency of the underlying assets to match the needs of the VIE investors or to limit or change the risk of the VIE.

With respect to events or circumstances that could expose CIT to a loss, as these are accounted for as on balance sheet secured financings, the Company records an allowance for loan losses for the credit risks associated with the underlying leases and loans. As these are secured borrowings, CIT has an obligation to pay the debt in accordance with the terms of the underlying agreements.

Generally, third-party investors in the obligations of the consolidated VIE's have legal recourse only to the assets of the VIEs and do not have recourse to the Company beyond certain specific provisions that are customary for secured financing transactions, such as asset repurchase obligations for breaches of representations and warranties. In addition, the assets are generally restricted only to pay such liabilities.

**Revolving Facility**

On August 25, 2011 (the "Closing Date"), CIT and certain of its subsidiaries entered into a Revolving Credit and Guaranty Agreement, among CIT Group Inc., certain subsidiaries of CIT Group Inc., as guarantors, the lenders party thereto from time to time and Bank of America, N.A. as administrative agent, collateral agent and letter of credit issuer (the "Revolving Facility"). The total commitment amount under the Revolving Facility is $2 billion consisting of a $1.65 billion revolving loan tranche and a $350 million revolving loan tranche that can also be utilized for issuance of letters of credit. The Revolving Facility matures on August 14, 2015 and will accrue interest at a per annum rate of LIBOR plus a margin of 2.00% to 2.75% (with no floor) or Base Rate plus a margin of 1.00% to 1.75% (with no floor). The applicable margin will be determined by reference to the long term senior unsecured, non-credit enhanced debt rating of the Company by S&P and Moody's effective at relevant times during the life of the Revolving Facility. Based on the Company's current debt rating, the applicable margin for LIBOR loans is 2.75% and the applicable margin for Base Rate loans is 1.75%.

The entire $2 billion was fully drawn on the Closing Date and the proceeds of the draw, along with cash on hand, were used to repay in full and extinguish the Company's outstanding First Lien Term Loan during the third quarter of 2011. The Revolving Facility may be prepaid and re-borrowed from time to time at the option of CIT. During the quarter, a portion of the drawn amount was repaid and $1.1 billion was outstanding at September 30, 2011. The amount available to draw upon at September 30, 2011 was approximately $800 million, with the remaining portion reflecting letter of credit usage. Also, the unutilized portion of any commitment under the Revolving Facility may be reduced permanently or terminated by CIT at any time without penalty.

The Revolving Facility is currently secured by a first lien on substantially all U.S. assets that are not otherwise pledged to secure the borrowings of SPE's as described previously under "Secured Borrowings", 65% of the voting shares and 100% of the non-voting shares of certain foreign subsidiaries and between 44% and 65% of the equity interest or capital stock in certain other non-U.S., non-regulated subsidiaries. The Revolving Facility is subject to a collateral coverage covenant (based on CIT's book value in accordance with GAAP) of 2.0x the committed facility size, tested quarterly and upon certain transfers, dispositions or releases of collateral. The Revolving Facility is also subject to a $6 billion minimum consolidated net worth covenant, tested quarterly, and limits the Company's ability to create liens, merge or consolidate, sell, transfer, lease or dispose of all or substantially all of its assets, grant a negative pledge or sell assets under certain circumstances.

Once the Company's Series A Second-Priority Secured Notes ("Series A Notes") cease to be outstanding or CIT's corporate credit rating is upgraded to investment grade and the Company's Series C Second-Priority Secured Notes ("Series C Notes") become unsecured, all the collateral and subsidiary guarantees under the Revolving Facility will be automatically released except for subsidiary guarantees from eight of the Company's domestic operating subsidiaries ("Continuing Guarantors"). Once the Revolving Facility becomes unsecured, the collateral coverage covenant will be replaced by an asset coverage covenant (based on the book value of eligible assets of the Continuing Guarantors) of 2.0x the committed facility size, tested monthly and upon certain dispositions or encumbrances of eligible assets of the Continuing Guarantors.

**First Lien Term Loan**

In connection with entering into the Revolving Facility described above, the Company repaid and terminated the First Lien Term Loan in the third quarter. The Company also terminated its $350 million Amended and Restated Letter of Credit Facility, dated as of February 18, 2011, with Bank of America, N.A. acting as administrative agent and letter of credit issuer (the “Prior L/C Agreement”) and all letters of credit issued under the Prior L/C Agreement were rolled over and deemed issued under the Revolving Facility. The Company did not pay any early termination penalties or call premiums in connection with the termination of either the First Lien Term Loan or the Prior L/C Agreement.

The extinguishment of the First Lien Term Loan decreased third quarter interest expense by $85 million**,** reflecting accelerated FSA accretion, and resulted in a loss on debt extinguishment of approximately $153 million reflecting accelerated deferred fee recognition along with commitment and arrangement fees paid under the Revolving Facility. The First Lien Term Loan carried an interest rate of LIBOR + 4.50% with a 1.75% LIBOR floor.

**Series A and Series C Notes**

In March 2011, the Company issued $2 billion of new Series C Notes, consisting of $1.3 billion of three-year 5.25% fixed rate notes and $700 million of seven-year 6.625% fixed rate notes. The covenants in the new Series C Notes are generally consistent with covenants in investment grade-rated bonds. The proceeds of the transaction were used in May 2011, in conjunction with available cash, to redeem the $2.5 billion of 7% Series A Notes as discussed below.

The Series A Notes and Series C Notes are generally secured by second-priority security interests in all the assets securing the Revolving Facility. The 2014 Series A Notes Indentures limit the ability of the Company and the Company's restricted subsidiaries to make certain payments or investments, incur indebtedness (including guarantees), issue preferred stock, incur liens, enter into sale and leaseback transactions, pay dividends, sell assets, and enter into transactions with affiliates. The 2015-2017 Series A Notes and Series C Notes Indentures limit the Company's ability to create liens, merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of its assets. Under the terms of the Series A Notes, the Company is required to use certain cash collections to repay the Series A Notes on an accelerated basis as part of a Cash Sweep provision; there is no such requirement under the Series C Notes.

The guarantees and collateral for the Series C Notes will be released upon the Series C Notes receiving an investment grade rating from each of Moody's and S&P after giving effect to the release. In addition, the guarantees and/or collateral for the Series C Notes will be automatically released if the same guarantees and/or collateral for the Series A Notes are released at the same time or if the Series A Notes have been paid off in full.

In the event of a Change of Control as defined in the 2014 Series A Indentures, holders of the Series A Notes will have the right to require the Company, as applicable, to repurchase all or a portion of the Series A Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of such repurchase.

Upon a Change of Control Triggering Event as defined in the 2015 – 2017 Series A Indentures and Series C Indentures, holders of the 2015 – 2017 Series A Notes and Series C Notes will have the right to require the Company, as applicable, to repurchase all or a portion of the Series C Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of such repurchase.

In October 2011, CIT redeemed the remaining $461 million of Series A Notes maturing in 2014 and repurchased at a discount approximately $210 million and $100 million of Series A Notes maturing in 2016 and 2017, respectively. Approximately $6.5 billion of Series A Notes remain outstanding after these transactions. Following the redemption in full of the 2014 Series A Notes in October 2011, most of the restrictive covenants granted under the Series A Notes, as part of CIT's restructuring in 2009, were eliminated. In aggregate, these actions will increase fourth quarter interest expense by approximately $70 million for the acceleration of FSA discount accretion and prepayment penalties, and result in a gain on debt extinguishment of approximately $10 million.

During the 2011 third quarter, CIT redeemed approximately $1.5 billion of its Series A Notes, as follows:

- CIT repurchased approximately $300 million of Series A Notes maturing in 2014 and approximately $160 million of Series A Notes maturing in 2017 using available cash. The repurchases resulted in increased interest expense of $19 million reflecting acceleration of FSA discount accretion, and a $6 million gain on debt extinguishment.
- On September 30, 2011 CIT redeemed $1 billion of Series A Notes maturing in 2014 at a price of 102% of the aggregate principal amount. The redemption increased third quarter interest expense by approximately

$88 million reflecting acceleration of FSA discount accretion and prepayment penalties.

During the 2011 second quarter, CIT redeemed $2.5 billion of 7% Series A Notes at a redemption price of 102% of the aggregate principal amount. This redemption included approximately $1.1 billion principal amount of remaining 2013 Series A Notes and approximately $1.4 billion principal amount of the 2014 Series A Notes. The acceleration of FSA amortization on these Notes increased second quarter interest expense by $113 million, approximately $66 million for the 2013 maturities and $47 million for the 2014 maturities.

During the 2011 first quarter, CIT redeemed $1.0 billion of the 7% Series A Notes due in 2013 at a redemption price of 102% of the aggregate principal amount redeemed. The acceleration of FSA amortization on the Series A Notes was $25 million and resulted in an increase to interest expense.

In June 2011, we completed an Exchange Offer and Consent Solicitation for outstanding 7% Series A Notes, other than the Series A Notes that mature in 2014, and the company received the requisite consents to adopt proposed amendments to the indenture of Series A Notes that mature in 2015, 2016 and 2017.

At the Offer Expiration, tenders with consents or separate consents were received from holders of approximately $10.9 billion in aggregate principal amount of Series A Notes, made up of $8.76 billion (pre-FSA) Series A Notes tendered and accepted for exchange, and $2.17 billion Series A Notes separately consented, including a majority of each maturity of these Series A Notes. As a result, $8.76 billion principal amount of Series C Notes (pre-FSA) with the same interest rate and interest payment dates, but maturing one business day later than the Series A Notes for which they were exchanged, were issued in exchange for the Series A Notes tendered and accepted.

Consents were solicited to replace the covenants and events of default in the 2015 – 2017 Series A Notes Indentures with the same covenants and events of default as those in the Indenture that govern the existing 5.250% Series C Notes due 2014 and 6.625% Series C Notes due 2018, except that the Cash Sweep covenant was retained in the 2015 – 2017 Series A Notes Indentures as amended. The covenants in the Series C Notes are materially less restrictive than those in the Series A Notes and are more consistent with covenants of investment-grade rated bonds.

Approximately $27 million of consent fees were paid to Series A Note holders that delivered consents and were capitalized and will be amortized as an adjustment of interest expense over the life of the Series C Notes issued in exchange.

**Series B Notes**

During the 2011 first quarter, we redeemed the remaining $0.75 billion of 10.25% Series B Notes at a redemption price of 102% of the aggregate principal amount redeemed. The acceleration of FSA accretion on the Series B Notes was $14 million and resulted in a decrease to interest expense.

**Summarized Financial Information of Subsidiaries**

In accordance with the Series A Notes Indenture, the following tables present two mutually exclusive sets of condensed consolidating financial statements, reflecting the following:

- The first set of condensed consolidated financial statements includes entities that are considered guarantors or non-guarantors. Guarantor entities are those that have guaranteed the unregistered debt under the First Lien Term Loan and Series A Notes (and Series B for 2010 financial information). Non-guarantors are all other entities including those which may have pledged assets but did not guarantee the debt.
- The second set reflects both restricted and unrestricted subsidiaries. Unrestricted subsidiaries include regulated entities such as CIT Bank, joint ventures, special purpose entities and entities deemed immaterial. Restricted entities include all other subsidiaries.

**CONDENSED CONSOLIDATING BALANCE SHEETS** (dollars in millions)

| | | | **Non Guarantor Entities** | | | |
|---|---|---|---|---|---|---|
| **September 30, 2011** | **CIT Group Inc.** | **Guarantor Entities** | **Pledged Entities** | **Other Non Guarantor Entities** | **Eliminations** | **Consolidated Total** |
| ASSETS: | | | | | | |
| Net loans | $— | $ 3,946.3 | $ 1,896.2 | $ 16,113.7 | $ (558.4) | $ 21,397.8 |
| Operating lease equipment, net | — | 4,949.4 | 4,553.9 | 1,685.5 | 2.2 | 11,191.0 |
| Assets held for sale | 6.1 | 347.7 | 217.8 | 941.8 | (0.8) | 1,512.6 |
| Cash and deposits with banks | 1,666.3 | 1,317.4 | 1,552.9 | 2,414.6 | (62.1) | 6,889.1 |
| Investment securities | 450.0 | 67.5 | 8.7 | 346.1 | (149.2) | 723.1 |
| Other assets | 32,074.5 | 19,470.4 | 4,169.9 | 3,397.4 | (56,348.0) | 2,764.2 |
| Total Assets | $ 34,196.9 | $ 30,098.7 | $ 12,399.4 | $ 24,899.1 | $ (57,116.3) | $ 44,477.8 |
| LIABILITIES AND EQUITY: | | | | | | |
| Long-term borrowings, including deposits | $ 17,692.2 | $ 20.5 | $ 964.4 | $ 13,519.2 | $ (236.4) | $ 31,959.9 |
| Credit balances of factoring clients | — | 1,095.8 | — | (2.8) | (0.1) | 1,092.9 |
| Other liabilities | 7,601.2 | (326.0) | 4,312.8 | (7,546.7) | (1,520.5) | 2,520.8 |
| Total Liabilities | 25,293.4 | 790.3 | 5,277.2 | 5,969.7 | (1,757.0) | 35,573.6 |
| Total Stockholders' Equity | 8,903.5 | 29,308.4 | 7,122.2 | 18,928.9 | (55,359.5) | 8,903.5 |
| Noncontrolling minority interests | — | — | — | 0.5 | 0.2 | 0.7 |
| Total Equity | 8,903.5 | 29,308.4 | 7,122.2 | 18,929.4 | (55,359.3) | 8,904.2 |
| Total Liabilities and Equity | $ 34,196.9 | $ 30,098.7 | $ 12,399.4 | $ 24,899.1 | $ (57,116.3) | $ 44,477.8 |
| December 31, 2010[(1)] | | | | | | |
| ASSETS: | | | | | | |
| Net loans | $— | $ 5,249.2 | $ 2,388.5 | $ 16,762.7 | $ (316.1) | $ 24,084.3 |
| Operating lease equipment, net | — | 4,421.8 | 4,847.9 | 1,904.6 | (37.6) | 11,136.7 |
| Assets held for sale | — | 340.2 | 293.5 | 584.8 | — | 1,218.5 |
| Cash and deposits with banks | 2,725.6 | 4,404.8 | 1,176.1 | 2,936.3 | (38.8) | 11,204.0 |
| Investment securities | — | 100.8 | 7.3 | 403.5 | (183.1) | 328.5 |
| Other assets | 31,047.4 | 18,524.6 | 4,598.1 | 2,816.1 | (54,000.0) | 2,986.2 |
| Total Assets | $ 33,773.0 | $ 33,041.4 | $ 13,311.4 | $ 25,408.0 | $ (54,575.6) | $ 50,958.2 |
| LIABILITIES AND EQUITY: | | | | | | |
| | $ 19,322.0 | $ 2,866.2 | $ 2,083.0 | $ 14,497.0 | $ (252.2) | $ 38,516.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Long-term borrowings, including deposits | | | | | | |
| Credit balances of factoring clients | — | 926.1 | — | 9.2 | — | 935.3 |
| Other liabilities | 5,535.0 | 850.9 | 4,451.1 | (7,908.3 ) | (335.5 ) | 2,593.2 |
| Total Liabilities | 24,857.0 | 4,643.2 | 6,534.1 | 6,597.9 | (587.7 ) | 42,044.5 |
| Total Stockholders' Equity | 8,916.0 | 28,398.2 | 6,776.9 | 18,809.8 | (53,984.9 ) | 8,916.0 |
| Noncontrolling minority interests | — | — | 0.4 | 0.3 | (3.0 ) | (2.3 ) |
| Total Equity | 8,916.0 | 28,398.2 | 6,777.3 | 18,810.1 | (53,987.9 ) | 8,913.7 |
| Total Liabilities and Equity | $33,773.0 | $33,041.4 | $13,311.4 | $25,408.0 | $(54,575.6 ) | $50,958.2 |

(1) *2010 data has been conformed to the current quarter presentation.*

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**CONSOLIDATING STATEMENTS OF OPERATION** (dollars in millions)

| | CIT Group Inc. | Guarantor Entities | Non Guarantor Entities Pledged Entities | Non Guarantor Entities Other Non Guarantor Entities | Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|
| Nine Months Ended September 30, 2011 | | | | | | |
| Interest income | $2.4 | $ 628.5 | $254.5 | $ 871.3 | $ (0.6 ) | $ 1,756.1 |
| Interest expense | (1,576.8) | (82.8 ) | (172.8 ) | (301.2 ) | 27.2 | (2,106.4 ) |
| Net interest revenue | (1,574.4) | 545.7 | 81.7 | 570.1 | 26.6 | (350.3 ) |
| Provision for credit losses | (13.0 ) | (57.9 ) | (87.2 ) | (97.8 ) | — | (255.9 ) |
| Net interest revenue, after credit provision | (1,587.4) | 487.8 | (5.5 ) | 472.3 | 26.6 | (606.2 ) |
| Equity in net income of subsidiaries | 1,298.8 | 824.3 | 253.6 | 184.3 | (2,561.0 ) | — |
| Other Income | | | | | | |
| Rental income on operating leases | — | 426.2 | 531.7 | 281.3 | — | 1,239.2 |
| Other | 43.0 | 356.9 | 128.6 | 262.8 | (38.4 ) | 752.9 |
| Total other income | 43.0 | 783.1 | 660.3 | 544.1 | (38.4 ) | 1,992.1 |
| Total net revenue, net of interest expense and credit provision | (245.6 ) | 2,095.2 | 908.4 | 1,200.7 | (2,572.8 ) | 1,385.9 |
| Other Expenses | | | | | | |
| Depreciation on operating lease equipment | — | (145.2 ) | (173.0 ) | (111.1 ) | — | (429.3 ) |
| Operating expenses | 19.2 | (422.6 ) | (128.8 ) | (175.1 ) | 25.2 | (682.1 ) |
| Loss on debt extinguishments | (27.9 ) | (118.7 ) | — | — | — | (146.6 ) |
| Total other expenses | (8.7 ) | (686.5 ) | (301.8 ) | (286.2 ) | 25.2 | (1,258.0 ) |
| Income (loss) before income taxes | (254.3 ) | 1,408.7 | 606.6 | 914.5 | (2,547.6 ) | 127.9 |
| Benefit (provision) for income taxes | 255.6 | (161.6 ) | (76.3 ) | (141.6 ) | 0.2 | (123.7 ) |
| Net income (loss) before attribution of noncontrolling interests | 1.3 | 1,247.1 | 530.3 | 772.9 | (2,547.4 ) | 4.2 |
| Net income attributable to noncontrolling interests, after tax | — | — | 0.4 | 0.5 | (3.8 ) | (2.9 ) |
| Net income (loss) | $1.3 | $ 1,247.1 | $530.7 | $ 773.4 | $ (2,551.2 ) | $ 1.3 |
| Nine Months Ended September 30, 2010[1] | | | | | | |
| Interest income | $1.8 | $ 1,421.4 | $437.0 | $ 1,141.5 | $ (35.1 ) | $ 2,966.6 |
| Interest expense | (1,291.0) | (573.8 ) | (319.9 ) | (206.6 ) | 18.3 | (2,373.0 ) |
| Net interest revenue | (1,289.2) | 847.6 | 117.1 | 934.9 | (16.8 ) | 593.6 |
| Provision for credit losses | (27.4 ) | (363.3 ) | (68.5 ) | (178.2 ) | (0.5 ) | (637.9 ) |
| Net interest revenue, after credit provision | (1,316.6) | 484.3 | 48.6 | 756.7 | (17.3 ) | (44.3 ) |
| Equity in net income of subsidiaries | 1,304.4 | 854.5 | 400.0 | (162.0 ) | (2,396.9 ) | — |
| Other Income | | | | | | |
| Rental income on operating leases | — | 407.5 | 539.3 | 295.6 | (1.0 ) | 1,241.4 |
| Other | 93.6 | 273.4 | 238.9 | 204.1 | (31.6 ) | 778.4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total other income | 93.6 | 680.9 | 778.2 | 499.7 | (32.6) | 2,019.8 |
| Total net revenue, net of interest expense and credit provision | 81.4 | 2,019.7 | 1,226.8 | 1,094.4 | (2,446.8) | 1,975.5 |
| Other Expenses | | | | | | |
| Depreciation on operating lease equipment | — | (173.2) | (203.0) | (136.8) | 0.5 | (512.5) |
| Operating expenses | 23.9 | (519.0) | (145.1) | (159.4) | 31.3 | (768.3) |
| Total other expenses | 23.9 | (692.2) | (348.1) | (296.2) | 31.8 | (1,280.8) |
| Income (loss) before income taxes | 105.3 | 1,327.5 | 878.7 | 798.2 | (2,415.0) | 694.7 |
| Benefit (provision) for income taxes | 336.7 | (188.4) | (166.6) | (232.6) | 2.0 | (248.9) |
| Income (loss) before attribution of noncontrolling interests | 442.0 | 1,139.1 | 712.1 | 565.6 | (2,413.0) | 445.8 |
| Income attributable to noncontrolling interests, after tax | — | 0.4 | (0.5) | (3.0) | (0.7) | (3.8) |
| Net income (loss) | $442.0 | $ 1,139.5 | $711.6 | $ 562.6 | $ (2,413.7) | $ 442.0 |

(1) *2010 data has been conformed to the current quarter presentation.*

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**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS** (dollars in millions)

| **Nine Months Ended September 30, 2011** | **CIT Group Inc.** | **Guarantor Entities** | **Non Guarantor Entities Pledged Entities** | **Other Non Guarantor Entities** | **Eliminations** | **Consolidated Total** |
|---|---|---|---|---|---|---|
| Cash Flows From Operating Activities: | | | | | | |
| Net cash flows provided by (used for) operations | $(1,149.1) | $351.6 | $507.5 | $690.3 | $— | $400.3 |
| Cash Flows From Investing Activities: | | | | | | |
| Net (increase) decrease in financing and leasing assets and other investing activities | (510.3) | 1,576.9 | 689.8 | 1,254.1 | — | 3,010.5 |
| (Increase) decrease in inter-company loans and investments | 2,640.4 | — | — | — | (2,640.4) | — |
| Net cash flows provided by (used for) investing activities | 2,130.1 | 1,576.9 | 689.8 | 1,254.1 | (2,640.4) | 3,010.5 |
| Cash Flows From Financing Activities: | | | | | | |
| Net increase (decrease) in debt and other financing activities | (2,076.6) | (2,707.6) | (1,000.8) | (1,412.7) | — | (7,197.7) |
| Inter-company financing | — | (2,042.1) | 145.4 | (743.7) | 2,640.4 | — |
| Net cash flows provided by (used for) financing activities | (2,076.6) | (4,749.7) | (855.4) | (2,156.4) | 2,640.4 | (7,197.7) |
| Net (decrease) increase in unrestricted cash and cash equivalents | (1,095.6) | (2,821.2) | 341.9 | (212.0) | — | (3,786.9) |
| Unrestricted cash and cash equivalents, beginning of period | 2,703.6 | 2,946.4 | 1,021.1 | 1,979.1 | — | 8,650.2 |
| Unrestricted cash and cash equivalents, end of period | $1,608.0 | $125.2 | $1,363.0 | $1,767.1 | $— | $4,863.3 |
| | | | | | | |
| Nine Months Ended September 30, 2010[(1)] | | | | | | |
| Cash Flows From Operating Activities: | | | | | | |
| Net cash flows provided by (used for) operations | $(386.8) | $(43.4) | $551.8 | $159.6 | $— | $281.2 |
| Cash Flows From Investing Activities: | | | | | | |
| Net decrease in financing and leasing assets and other investing activities | 451.2 | 4,099.1 | 482.5 | 3,839.3 | — | 8,872.1 |
| (Increase) decrease in inter-company loans and investments | 1,455.9 | — | — | — | (1,455.9) | — |
| Net cash flows provided by (used for) investing activities | 1,907.1 | 4,099.1 | 482.5 | 3,839.3 | (1,455.9) | 8,872.1 |
| Cash Flows From Financing Activities: | | | | | | |
| Net increase (decrease) in debt and other financing activities | (313.8) | (2,340.8) | (171.9) | (5,142.1) | — | (7,968.6) |
| Inter-company financing | — | (1,924.3) | (677.3) | 1,145.7 | 1,455.9 | — |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net cash flows provided by (used for) financing activities | (313.8 ) | (4,265.1 ) | (849.2 ) | (3,996.4 ) | 1,455.9 | (7,968.6 ) |
| Net (decrease) increase in unrestricted cash and cash equivalents | 1,206.5 | (209.4 ) | 185.1 | 2.5 | — | 1,184.7 |
| Unrestricted cash and cash equivalents, beginning of period | 609.3 | 4,420.6 | 808.1 | 2,567.2 | — | 8,405.2 |
| Unrestricted cash and cash equivalents, end of period | $1,815.8 | $4,211.2 | $993.2 | $2,569.7 | $— | $9,589.9 |

(*) 2010 data has been conformed to the current quarter presentation.

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**CONDENSED CONSOLIDATING BALANCE SHEETS** (dollars in millions)

| September 30, 2011 | CIT Group Inc. | Restricted Entities | Unrestricted Entities | Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Net loans | $— | $6,032.0 | $15,924.2 | $(558.4) | $21,397.8 |
| Operating lease equipment, net | — | 9,718.0 | 1,470.8 | 2.2 | 11,191.0 |
| Assets held for sale | 6.1 | 681.7 | 825.6 | (0.8) | 1,512.6 |
| Cash and deposits with banks | 1,666.3 | 3,386.4 | 1,898.5 | (62.1) | 6,889.1 |
| Investment securities | 450.0 | 76.2 | 346.1 | (149.2) | 723.1 |
| Other assets | 32,074.5 | 7,846.6 | 514.7 | (37,671.6) | 2,764.2 |
| Total Assets | $34,196.9 | $27,740.9 | $20,979.9 | $(38,439.9) | $44,477.8 |
| LIABILITIES AND EQUITY: | | | | | |
| Long-term borrowings, including deposits | $17,692.2 | $1,025.9 | $13,478.2 | $(236.4) | $31,959.9 |
| Credit balances of factoring clients | — | 1,095.8 | (2.8) | (0.1) | 1,092.9 |
| Other liabilities | 7,601.2 | (2,203.7) | (1,356.2) | (1,520.5) | 2,520.8 |
| Total Liabilities | 25,293.4 | (82.0) | 12,119.2 | (1,757.0) | 35,573.6 |
| Total Stockholders' Equity | 8,903.5 | 27,822.9 | 8,860.2 | (36,683.1) | 8,903.5 |
| Noncontrolling minority interests | — | — | 0.5 | 0.2 | 0.7 |
| Total Equity | 8,903.5 | 27,822.9 | 8,860.7 | (36,682.9) | 8,904.2 |
| Total Liabilities and Equity | $34,196.9 | $27,740.9 | $20,979.9 | $(38,439.9) | $44,477.8 |

| December 31, 2010[1] | | | | | |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Net loans | $— | $8,041.4 | $16,359.0 | $(316.1) | $24,084.3 |
| Operating lease equipment, net | — | 9,605.7 | 1,568.6 | (37.6) | 11,136.7 |
| Assets held for sale | — | 678.4 | 540.1 | — | 1,218.5 |
| Cash and deposits with banks | 2,725.6 | 5,885.6 | 2,631.6 | (38.8) | 11,204.0 |
| Investment securities | — | 108.1 | 403.5 | (183.1) | 328.5 |
| Other assets | 31,047.4 | 9,115.0 | 328.8 | (37,505.0) | 2,986.2 |
| Total Assets | $33,773.0 | $33,434.2 | $21,831.6 | $(38,080.6) | $50,958.2 |
| LIABILITIES AND EQUITY: | | | | | |
| Long-term borrowings, including deposits | $19,322.0 | $4,949.2 | $14,497.0 | $(252.2) | $38,516.0 |
| Credit balances of factoring clients | — | 926.1 | 9.2 | — | 935.3 |
| Other liabilities | 5,535.0 | (888.6) | (1,717.7) | (335.5) | 2,593.2 |
| Total Liabilities | 24,857.0 | 4,986.7 | 12,788.5 | (587.7) | 42,044.5 |
| Total Stockholders' Equity | 8,916.0 | 28,447.1 | 9,042.8 | (37,489.9) | 8,916.0 |
| Noncontrolling minority interests | — | 0.4 | 0.3 | (3.0) | (2.3) |
| Total Equity | 8,916.0 | 28,447.5 | 9,043.1 | (37,492.9) | 8,913.7 |
| Total Liabilities and Equity | $33,773.0 | $33,434.2 | $21,831.6 | $(38,080.6) | $50,958.2 |

(*) 2010 data has been conformed to the current quarter presentation.

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**CONSOLIDATING STATEMENTS OF OPERATION** (dollars in millions)

| | CIT Group Inc. | Restricted Entities | Unrestricted Entities | Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| Nine Months Ended September 30, 2011 | | | | | |
| Interest income | $2.4 | $923.0 | $831.3 | $(0.6) | $1,756.1 |
| Interest expense | (1,576.8) | (156.2) | (400.6) | 27.2 | (2,106.4) |
| Net interest revenue | (1,574.4) | 766.8 | 430.7 | 26.6 | (350.3) |
| Provision for credit losses | (13.0) | (143.1) | (99.8) | — | (255.9) |
| Net interest revenue, after credit provision | (1,587.4) | 623.7 | 330.9 | 26.6 | (606.2) |
| Equity in net income of subsidiaries | 1,298.8 | 507.6 | — | (1,806.4) | — |
| Other Income | | | | | |
| Rental income on operating leases | — | 1,026.9 | 212.3 | — | 1,239.2 |
| Other | 43.0 | 586.5 | 161.8 | (38.4) | 752.9 |
| Total other income | 43.0 | 1,613.4 | 374.1 | (38.4) | 1,992.1 |
| Total net revenue, net of interest expense and credit provision | (245.6) | 2,744.7 | 705.0 | (1,818.2) | 1,385.9 |
| Other Expenses | | | | | |
| Depreciation on operating lease equipment | — | (343.5) | (85.8) | — | (429.3) |
| Operating expenses | 19.2 | (594.3) | (132.2) | 25.2 | (682.1) |
| Loss on debt extinguishments | (27.9) | (118.7) | — | — | (146.6) |
| Total other expenses | (8.7) | (1,056.5) | (218.0) | 25.2 | (1,258.0) |
| Income (loss) before income taxes | (254.3) | 1,688.2 | 487.0 | (1,793.0) | 127.9 |
| Benefit (provision) for income taxes | 255.6 | (255.4) | (124.1) | 0.2 | (123.7) |
| Net income (loss) before attribution of noncontrolling interests | 1.3 | 1,432.8 | 362.9 | (1,792.8) | 4.2 |
| Net income attributable to noncontrolling interests, after tax | — | 0.4 | 0.5 | (3.8) | (2.9) |
| Net income (loss) | $1.3 | $1,433.2 | $363.4 | $(1,796.6) | $1.3 |
| | | | | | |
| Nine Months Ended September 30, 2010[(1)] | | | | | |
| Interest income | $1.8 | $1,814.0 | $1,166.4 | $(15.6) | $2,966.6 |
| Interest expense | (1,291.0) | (630.0) | (448.7) | (3.3) | (2,373.0) |
| Net interest revenue | (1,289.2) | 1,184.0 | 717.7 | (18.9) | 593.6 |
| Provision for credit losses | (27.4) | (442.6) | (165.7) | (2.2) | (637.9) |
| Net interest revenue, after credit provision | (1,316.6) | 741.4 | 552.0 | (21.1) | (44.3) |
| Equity in net income of subsidiaries | 1,304.4 | 546.1 | (115.3) | (1,735.2) | — |
| Other Income | | | | | |
| Rental income on operating leases | — | 1,000.2 | 245.7 | (4.5) | 1,241.4 |
| Other | 93.6 | 598.2 | 238.0 | (151.4) | 778.4 |
| Total other income | 93.6 | 1,598.4 | 483.7 | (155.9) | 2,019.8 |
| Total net revenue, net of interest expense and credit provision | 81.4 | 2,885.9 | 920.4 | (1,912.2) | 1,975.5 |
| Other Expenses | | | | | |
| Depreciation on operating lease equipment | — | (415.6) | (97.4) | 0.5 | (512.5) |
| Operating expenses | 23.9 | (714.3) | (109.3) | 31.4 | (768.3) |
| Total other expenses | 23.9 | (1,129.9) | (206.7) | 31.9 | (1,280.8) |
| Income (loss) before income taxes | 105.3 | 1,756.0 | 713.7 | (1,880.3) | 694.7 |
| Benefit (provision) for income taxes | 336.7 | (343.9) | (310.1) | 68.4 | (248.9) |

| | | | | | |
|---|---|---|---|---|---|
| Income (loss) before attribution of noncontrolling interests | 442.0 | 1,412.1 | 403.6 | (1,811.9 ) | 445.8 |
| Income attributable to noncontrolling interests, after tax | — | — | 1.2 | (5.0 ) | (3.8 ) |
| Net income (loss) | $442.0 | $1,412.1 | $404.8 | $(1,816.9 ) | $442.0 |

(*) 2010 data has been conformed to the current quarter presentation.

**NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS**

As part of managing economic risk and exposure to interest rate, foreign currency and, in limited instances, credit risk, CIT enters into derivative transactions in over-the-counter markets with other financial institutions. CIT does not enter into derivative financial instruments for speculative purposes. Derivative instruments transacted since emergence from bankruptcy are cash collateralized.

The Company continuously assesses its hedge requirements and establishes counterparty relationships to facilitate hedging. During 2011 and 2010, the Company's portfolio was in an asset sensitive position, whereby assets re-price faster than liabilities, and interest margin increases in a rising interest rate environment. Our hedging strategies and qualifying hedges relate primarily to currency risk management of investments in foreign operations. The Company utilizes cross-currency swaps and foreign currency forward contracts to effectively convert U.S. dollar denominated debt

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to a foreign currency. These transactions are classified as either foreign currency net investment hedges, or foreign currency cash flow hedges, with resulting gains and losses reflected in accumulated other comprehensive income, a separate component of equity. For hedges of foreign currency net investment positions the “forward” method is applied whereby effectiveness is assessed and measured based on the amounts and currencies of the individual hedged net investments versus the notional amounts and underlying currencies of the derivative contract. For those hedging relationships where the critical terms of the entire debt instrument and the derivative are identical and the credit-worthiness of the counterparty to the hedging instrument remains sound, there is an expectation of no hedge ineffectiveness so long as those conditions continue to be met. The net interest differential is recognized on an accrual basis as an adjustment to other income or as interest expense to correspond with the hedged position.

See the Company’s Form 10-K, “Note 1 — Business and Summary of Significant Accounting Policies” for further description of its derivative transaction policies.

The following table presents fair values and notional values of derivative financial instruments:

**Fair and Notional Values of Derivative Financial Instruments** (dollars in millions)

| | September 30, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| Qualifying Hedges | Notional Amount | Asset Fair Value | Liability Fair Value | Notional Amount | Asset Fair Value | Liability Fair Value |
| Cross currency swaps | $397.3 | $5.9 | $— | $414.7 | $0.8 | $(12.1) |
| Foreign currency forward exchange – cash flow hedges | 141.5 | 5.9 | (0.1) | 183.6 | 6.4 | (1.4) |
| Foreign currency forward exchange – net investment hedges | 1,585.7 | 55.4 | (15.4) | 1,333.4 | 0.5 | (61.0) |
| Total Qualifying Hedges | $2,124.5 | $67.2 | $(15.5) | $1,931.7 | $7.7 | $(74.5) |
| Non-Qualifying Hedges | | | | | | |
| Cross currency swaps | $1,281.7 | $19.4 | $(11.8) | $1,330.3 | $14.2 | $(38.4) |
| Interest rate swaps | 887.6 | 1.6 | (53.8) | 1,046.8 | 4.5 | (37.7) |
| Written options | 59.0 | — | — | 273.8 | — | — |
| Purchased options | 999.1 | 1.4 | — | 903.0 | 2.7 | — |
| Foreign currency forward exchange contracts | 2,560.9 | 54.6 | (27.9) | 2,210.0 | 4.3 | (50.2) |
| TRS[(1)] | 1,208.4 | — | — | 609.9 | — | — |
| Equity Warrants | 1.0 | 0.3 | — | — | — | — |
| Total Non-qualifying Hedges | $6,997.7 | $77.3 | $(93.5) | $6,373.8 | $25.7 | $(126.3) |

(1) A financing facility with Goldman Sachs International (GSI) is structured as a total return swap (TRS), under which amounts available for advances are accounted for as a derivative. Pursuant to applicable accounting guidance, only the unutilized portion of the TRS is accounted for as a derivative and recorded at its estimated fair value.

The “notional amount” of the swap of $1,208.4 million at September 30, 2011 and $609.9 million at December 31, 2010 represent the unused portion of the GSI Facility and constitute a derivative financial instrument. It is calculated as the maximum facility commitment amount, currently $2,125.0 million, less the actual adjusted qualifying borrowing base outstanding of $916.6 million at September 30, 2011 and $1,515.1 million at December 31, 2010. The notional amount of the derivative will increase as the adjusted qualifying borrowing base decreases due to repayment of the underlying debt to investors. If CIT funds additional asset-backed securities (ABS) under the GSI Facility, the adjusted qualifying borrowing base of the total return swap will increase and the notional amount of the derivative will decrease accordingly.

Valuation of the derivative related to the GSI Facility is based on several factors using a discounted cash flow (DCF) methodology, including:

- *CIT's funding costs for similar recent secured financings;*
- *Forecasted usage of the long-dated GSI Facility through the final maturity date in 2028; and*
- *Forecasted amortization, including prepayment assumptions, due to principal payments on the underlying ABS, which impacts the amount of the unutilized portion.*

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The following table presents the impact of derivatives on the statements of operations:

**Derivative Instrument Gains and Losses** (dollars in millions)

| Derivative Instruments | Gain / (Loss) Recognized | Quarters Ended September 30, 2011 | Quarters Ended September 30, 2010 | Nine Months Ended September 30, 2011 | Nine Months Ended September 30, 2010 |
|---|---|---|---|---|---|
| Qualifying Hedges | | | | | |
| Foreign currency exchange rate fluctuations – cash flow hedges | Other income | $9.0 | $(10.7) | $(4.7) | $(1.4) |
| Total Qualifying Hedges | | 9.0 | (10.7) | (4.7) | (1.4) |
| Non Qualifying Hedges | | | | | |
| Cross currency swaps | Other income | 92.1 | (89.0) | 47.1 | 24.1 |
| Interest rate swaps | Other income | (14.7) | (18.4) | (19.9) | (68.5) |
| Foreign currency forward exchange contracts | Other income | 112.5 | (92.7) | 43.7 | 72.1 |
| Equity Warrants | Other income | 0.3 | — | 0.3 | — |
| Total Non-qualifying Hedges | | 190.2 | (200.1) | 71.2 | 27.7 |
| Total derivatives-income statement impact | | $199.2 | $(210.8) | $66.5 | $26.3 |

**NOTE 7 — FAIR VALUE**

**Fair Value Hierarchy**

The Company is required to report fair value measurements for specified classes of assets and liabilities. See the Company's Form 10-K, "Note 1 — Business and Summary of Significant Accounting Policies" for description of its fair value measurement policy.

The Company characterizes inputs in the determination of fair value according to the fair value hierarchy. The fair value of the Company's assets and liabilities where the measurement objective specifically requires the use of fair value are set forth in the tables below:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis** (dollars in millions)

| September 30, 2011 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets | | | | |
| Debt Securities available for sale | $450.0 | $— | $450.0 | $— |
| Equity Securities available for sale | 17.1 | 14.3 | 2.8 | — |
| Trading assets at fair value derivatives | 77.3 | — | 77.3 | — |
| Derivative counterparty assets at fair value | 67.2 | — | 67.2 | — |
| Total Assets | $611.6 | $14.3 | $597.3 | $— |
| Liabilities | | | | |
| Trading liabilities at fair value derivatives | $(93.5) | $— | $(93.5) | $— |
| Derivative counterparty liabilities at fair value | (15.5) | — | (15.5) | — |
| Total Liabilities | $(109.0) | $— | $(109.0) | $— |

| December 31, 2010 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets | | | | |

| | | | | |
|---|---|---|---|---|
| Equity Securities available for sale | $37.5 | $16.2 | $3.4 | $17.9 |
| Trading assets at fair value derivatives | 25.7 | — | 25.7 | — |
| Derivative counterparty assets at fair value | 7.7 | — | 7.7 | — |
| Total Assets | $70.9 | $16.2 | $36.8 | $17.9 |
| Liabilities | | | | |
| Trading liabilities at fair value derivatives | $(126.3) | $— | $(126.0) | $(0.3) |
| Derivative counterparty liabilities at fair value | (74.5) | — | (74.5) | — |
| Total Liabilities | $(200.8) | $— | $(200.5) | $(0.3) |

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The following table presents the current carrying value of the financial instruments for which a non-recurring change in fair value has been recorded, and the associated pre-tax impact:

**Assets Measured at Fair Value on a Non-recurring Basis** (dollars in millions)

| September 30, 2011 | Total | Level 1 | Level 2 | Level 3 | Total Net Losses |
|---|---|---|---|---|---|
| Assets | | | | | |
| Impaired loans | $125.4 | $ — | $ — | $125.4 | $(34.7) |
| Total | $125.4 | $ — | $ — | $125.4 | $(34.7) |

Loans are transferred from held-for-investment to held-for-sale at the lower of cost or fair value. At the time of transfer, a write-down of the loan is recorded as a charge-off, if applicable. Once classified as held for sale, the amount by which the carrying value exceeds fair value is recorded as a valuation allowance.

Impaired finance receivables (including loans or capital leases) of $500,000 or greater that are placed on non-accrual status are subject to periodic individual review in conjunction with the Company's ongoing problem loan management (PLM) function. Impairment occurs when, based on current information and events, it is probable that CIT will be unable to collect all amounts due according to contractual terms of the agreement. Impairment is measured as the shortfall between estimated value and recorded investment in the finance receivable, with the estimated value determined using fair value of collateral and other cash flows if the finance receivable is collateralized, or the present value of expected future cash flows discounted at the contract's effective interest rate.

**Level 3 Gains and Losses**

The tables below set forth a summary of changes in the estimated fair value of the Company's Level 3 financial assets and liabilities measured on a recurring basis. For the quarter ended September 30, 2011 there were no Level 3 financial assets measured on a recurring basis.

| Assets and Liabilities | Total | Derivatives | Equity Securities Available for Sale |
|---|---|---|---|
| December 31, 2010 | $17.6 | $ (0.3) | $ 17.9 |
| Gains or losses realized/unrealized included in other income | 5.7 | 0.3 | 5.4 |
| Other, net (primarily sales proceeds) | (23.3) | — | (23.3) |
| Nine Months Ended September 30, 2011 | $— | $ — | $ — |

**FAIR VALUES OF FINANCIAL INSTRUMENTS**

The carrying and estimated fair values of financial instruments presented below exclude leases and certain other assets and liabilities, for which disclosure is not required. Assumptions used in valuing financial instruments are disclosed below.

| (dollars in millions) | September 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Assets | | | | |
| Trading assets derivatives | $77.3 | $77.3 | $25.7 | $25.7 |
| Derivative counterparty assets at fair value | 67.2 | 67.2 | 7.7 | 7.7 |
| Assets held for sale (excluding leases)(1) | 1,084.6 | 1,294.8 | 466.0 | 466.0 |
| Loans (excluding leases) | 17,047.7 | 16,625.1 | 20,680.3 | 21,356.8 |
| Investment Securities | 723.1 | 724.4 | 328.5 | 330.2 |
| Other assets and unsecured counterparty receivable(2) | 1,201.3 | 1,201.3 | 1,507.6 | 1,507.6 |
| Liabilities | | | | |
| Deposits(3) | $(4,997.1) | $(5,076.3) | $(4,562.7) | $(4,660.0) |
| Trading liabilities derivatives | (93.5) | (93.5) | (126.3) | (126.3) |
| Derivative counterparty liabilities at fair value | (15.5) | (15.5) | (74.5) | (74.5) |
| Long-term borrowings(3) | (27,196.1) | (28,234.8) | (34,208.1) | (36,452.0) |
| Other liabilities(4) | (1,711.6) | (1,711.6) | (1,769.9) | (1,769.9) |

(1) Prior period balances have been conformed to current period presentation to exclude finance leases.

(2) Other assets subject to fair value disclosure include accrued interest receivable and other receivables, certain investment securities and miscellaneous other assets whose carrying values approximate fair value.

(3) Deposits and long-term borrowings include accrued interest.

(4) Other liabilities include accrued liabilities, which have a fair value that approximates carrying value.

Assumptions used to value financial instruments as of September 30, 2011 are unchanged from those disclosed in "Note 10 — Fair Value" of the 2010 Form 10-K.

*Derivatives* – the estimated fair values of derivatives were calculated internally using market data and represent the net amount receivable or payable to terminate, taking into account current market rates. See *"Note 6 — Derivative Financial Instruments"* for notional principal amounts and fair values.

*Assets held for sale* – Assets held-for-sale are recorded at lower of cost or fair value on the balance sheet. If not subject to current letter of intent or other third-party valuation, the fair value is generally determined using internally generated valuations, which are considered Level 3 methodologies. Commercial loans are generally valued individually, while small-ticket commercial and consumer type loans are valued on an aggregate portfolio basis.

*Loans* – Since there is no liquid secondary market for most loans in the Company's portfolio, the fair value is estimated based on discounted cash flow analysis. In addition to the characteristics of the underlying contracts, key inputs to the analysis include interest rates, prepayment rates, and credit spreads. For the commercial loan portfolio, the market based credit spread inputs are derived from instruments with comparable credit risk characteristics obtained from independent third party vendors. For the consumer loan portfolio, the discount spread is derived based on the company's estimate of a market participant's required return on equity that incorporate credit loss estimates based on expected and current default rates.

*Deposits* – the fair value of deposits was estimated based upon a present value discounted cash flow analysis. Discount rates used in the present value calculation are based on the Company's current rates.

*Long-term borrowings* – Most fixed-rate notes were valued based on quoted market estimates. Where market estimates were not available, values were computed using a discounted cash flow analysis with a discount rate approximating current market rates for issuances by CIT of similar term debt. The difference between the carrying values of long-term borrowings reflected in the consolidated balance sheets is accrued interest payable.

**NOTE 8 — STOCKHOLDERS' EQUITY**

**Accumulated Other Comprehensive (Loss) / Income**

Total comprehensive (Loss)/ Income was $(44.0) million and $129.1 million for the quarters ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, total comprehensive (loss)/income was $(25.6) million and $446.9 million, respectively; including Accumulated Other Comprehensive (Loss)/Income of $(29.8) million and $1.1 million for the current and prior year to date periods.

The following table details the ending component balances of Accumulated Other Comprehensive Loss, net of tax:

| (dollars in millions) | **September 30, 2011** | **December 31, 2010** |
|---|---|---|
| Foreign currency translation adjustments | $ (42.1 ) | $ (12.9 ) |
| Changes in benefit plan net gain/(loss) and prior service (cost)/credit | 2.7 | 2.8 |
| Unrealized gain on available for sale investments | 0.7 | 2.2 |
| Changes in fair values of derivatives qualifying as cash flow hedges | (0.7 ) | (1.7 ) |
| Total accumulated other comprehensive loss | $ (39.4 ) | $ (9.6 ) |

**NOTE 9 — REGULATORY CAPITAL**

The Company and CIT Bank are each subject to various regulatory capital requirements administered by the Federal Reserve Bank of New York ("FRBNY") and the Federal Deposit Insurance Corporation ("FDIC").

Quantitative measures established by regulation to ensure capital adequacy require that the Company and CIT Bank each maintain minimum ratios of Total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets, subject to any agreement with regulators to maintain higher capital levels. In connection with becoming a bank holding company in December 2008, the Company committed to maintaining a minimum Total Risk Based Capital Ratio of 13%. In connection with converting to a Utah state bank in December 2008, CIT Bank committed to maintaining for at least three years a Tier 1 Leverage Ratio of at least 15%.

The calculation of the Company's regulatory capital ratios are subject to review and consultation with the FRBNY, which may result in refinements to amounts reported at September 30, 2011.

| (dollars in millions) | CIT Group Inc. | | CIT Bank | |
|---|---|---|---|---|
| Tier 1 Capital | September 30, 2011 | December 31, 2010 | September 30, 2011 | December 31, 2010 |
| Total stockholders' equity | $8,903.5 | $8,916.0 | $1,965.1 | $1,832.2 |
| Effect of certain items in accumulated other comprehensive loss excluded from Tier 1 Capital | (2.6 ) | (3.3 ) | (0.3 ) | (0.1 ) |
| Adjusted total equity | 8,900.9 | 8,912.7 | 1,964.8 | 1,832.1 |
| Less: Goodwill | (270.6 ) | (277.4 ) | — | — |
| Disallowed intangible assets | (73.5 ) | (119.2 ) | — | — |
| Investment in certain subsidiaries | (32.6 ) | (33.4 ) | — | — |
| Other Tier 1 components[(1)] | (65.8 ) | (65.2 ) | (74.2 ) | (97.8 ) |
| Total Tier 1 Capital | 8,458.4 | 8,417.5 | 1,890.6 | 1,734.3 |
| Tier 2 Capital | | | | |
| Qualifying reserve for credit losses | 437.0 | 416.2 | 35.9 | 10.7 |
| Less: Investment in certain subsidiaries | (32.6 ) | (33.4 ) | — | — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other Tier 2 components[2] | 0.1 | | 0.2 | | 0.3 | | 0.1 | |
| Total Tier 2 Capital | 404.5 | | 383.0 | | 36.2 | | 10.8 | |
| Total Capital (Tier 1 and Tier 2 Capital) | $8,862.9 | | $8,800.5 | | $1,926.8 | | $1,745.1 | |
| Risk-weighted assets) | $44,633.0 | | $44,176.7 | | $4,688.5 | | $3,022.0 | |
| Total Capital (to risk-weighted assets): | | | | | | | | |
| Actual | 19.9 | % | 19.9 | % | 41.1 | % | 57.7 | % |
| Required Ratio for Capital Adequacy Purposes | 13.0 | %[3] | 13.0 | %[3] | 8.0 | % | 8.0 | % |
| Tier 1 Capital (to risk-weighted assets): | | | | | | | | |
| Actual | 19.0 | % | 19.1 | % | 40.3 | % | 57.4 | % |
| Required Ratio for Capital Adequacy Purposes | 4.0 | % | 4.0 | % | 4.0 | % | 4.0 | % |
| Tier 1 Capital Leverage Ratio: | | | | | | | | |
| Actual | 18.1 | % | 16.2 | % | 26.5 | % | 24.2 | % |
| Required Ratio for Capital Adequacy Purposes | 4.0 | % | 4.0 | % | 15.0 | %[3] | 15.0 | %[3] |

*(1)* Includes the portion of net deferred tax assets that does not qualify for inclusion in Tier 1 capital based on the capital guidelines and the Tier 1 capital charge for nonfinancial equity investments.

*(2)* Banking organizations are permitted to include in Tier 2 Capital up to 45% of net unrealized pretax gains on available-for-sale equity securities with readily determinable fair values.

*(3)* The Company and CIT Bank each committed to maintaining certain capital ratios above regulatory minimum levels.

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**NOTE 10 — INCOME TAXES**

CIT's tax provision of $31.1 million for the third quarter decreased compared to a tax provision of $117.3 million in the prior year quarter primarily as a result of lower international earnings and a decrease in discrete items.

CIT's tax provision of $123.7 million for the nine months ended September 30, 2011 decreased compared to a tax provision of $248.9 million in the prior year nine months primarily as a result of lower international earnings and a decrease in discrete items. For the year to date tax provision, the Company recorded income tax expense on the earnings of certain international operations and no income tax benefit on its domestic losses. A tax benefit was not recognized on the domestic losses because management has concluded that it does not currently meet the criteria to recognize these tax benefits considering its recent history of domestic losses. The year end 2011 effective tax rate may vary from the current rate primarily due to changes in the mix of domestic and international earnings.

The tax provision for the third quarter and nine months ended 2011 included $(7.7) million and $11.1 million, respectively, of discrete tax expense (benefit) items. The third quarter includes an increase to an uncertain federal and state tax position that the Company has taken with respect to the recognition of certain losses, offset by a change in the valuation allowance. Also, the third quarter includes the release of valuation allowances against certain deferred tax assets. Included in the discrete items for the year to date is approximately $2.1 million, primarily related to a net increase in liabilities for uncertain tax positions, incremental valuation allowances on certain foreign losses, partially offset by the release of valuation allowances against certain deferred tax assets. The Company anticipates that it is reasonably possible that the total unrecognized tax benefits will decrease due to the settlement of audits and the expiration of statutes of limitation prior to September 30, 2012 in the range of $5-$15 million.

The tax provision for the 2011 year to date also reflects $9 million of discrete tax expense items primarily associated with the correction of certain foreign tax expense calculations relating to prior periods. Management has concluded that the adjustments were not individually or in the aggregate material to the consolidated financial statements, as of and for the period ended September 30, 2011, or to any of the preceding periods as reported.

As of December 31, 2010, CIT had cumulative U.S. Federal net operating loss carry-forwards (NOL's) of $4.0 billion. Excluding FSA adjustments, which are not included in the calculation of U.S. Federal taxable income, the Company generated a domestic pretax loss of $340 million in the third quarter ($1.040 billion year to date) which, excluding certain other book-to-tax adjustments, will increase the post-emergence NOLs. Pursuant to Section 382 of the Internal Revenue Code, the Company is generally subject to a $230 million annual limitation on the use of its $1.9 billion of pre-emergence NOLs. NOLs arising in post-emergence years are not subject to this limitation.

**NOTE 11 — COMMITMENTS**

The accompanying table summarizes credit-related commitments, as well as purchase and funding commitments:

| (dollars in millions) | September 30, 2011 | | | December 31, 2010 |
|---|---|---|---|---|
| | Due to Expire | | | |
| | Within One Year | After One Year | Total Outstanding | Total Outstanding |
| Financing Commitments | | | | |
| Financing and leasing assets | $152.9 | $2,484.0 | $2,636.9 | $3,083.2 |
| Letters of credit | | | | |
| Standby letters of credit | 58.7 | 172.9 | 231.6 | 284.7 |
| Other letters of credit | 71.3 | 30.4 | 101.7 | 99.0 |
| Guarantees | | | | |
| Deferred purchase credit protection agreements | 2,025.6 | — | 2,025.6 | 1,667.9 |
| Guarantees, acceptances and other recourse obligations | 12.3 | 14.0 | 26.3 | 25.8 |
| Purchase and Funding Commitments | | | | |
| Aerospace manufacturer purchase commitments | 822.7 | 6,996.7 | 7,819.4 | 5,701.4 |
| Rail and other manufacturer purchase commitments | 655.3 | 56.5 | 711.8 | — |

**Financing Commitments**

Financing commitments, referred to as loan commitments, or lines of credit, reflect CIT's agreements to lend to its customers, subject to the customers' compliance with contractual obligations. The table above includes approximately $0.4 billion of commitments at September 30, 2011 and $0.7 billion at December 31, 2010 for instances where the customer is not in compliance with contractual obligations, and therefore CIT does not have the contractual obligation to lend. As financing commitments may not be fully drawn, expire unused, be reduced or cancelled at the customer's request, and require the customer to be in compliance with certain conditions, total commitment amounts do not necessarily reflect actual future cash flow requirements.

At September 30, 2011, substantially all financing commitments were senior facilities, with approximately 55% secured by equipment or other assets and the remainder comprised of cash-flow or enterprise value facilities. The vast majority of these commitments are syndicated transactions. CIT is lead agent in approximately 28% of the facilities. Most of our undrawn and available financing commitments are in Corporate Finance. The top ten undrawn commitments totaled $305 million.

The table above excludes uncommitted revolving credit facilities extended by Trade Finance to its clients for working capital purposes. In connection with these facilities, Trade Finance has the sole discretion throughout the duration of these facilities to determine the amount of credit that may be made available to its clients at any time and whether to honor any specific advance requests made by its clients under these credit facilities.

The table above also excludes unused cancelable lines of credit to customers in connection with select third-party vendor programs, which may be used solely to finance additional product purchases, the total of which was not material for either period presented. These uncommitted lines of credit can be reduced, canceled or denied funding by CIT at any time without notice. Management's experience indicates that customers related to vendor programs typically exercise their line of credit only when they need to purchase new products from a vendor and do not seek to exercise their entire available line of credit at any point in time.

**Letters of Credit**

In the normal course of meeting the needs of clients, CIT sometimes enters into agreements to provide financing and letters of credit. Standby letters of credit obligate the issuer of the letter of credit to pay the beneficiary if a client on whose behalf the letter of credit was issued does not meet its obligation. These financial instruments generate fees and involve, to varying degrees, elements of credit risk in excess of amounts recognized in the Consolidated Balance Sheets. To minimize potential credit risk, CIT generally requires collateral and in some cases additional forms of credit support from the client.

**Deferred Purchase Agreements**

A Deferred Purchase Agreement ("DPA") is provided in conjunction with factoring, whereby CIT provides a client with credit protection for trade receivables without purchasing the receivables. The trade terms are generally sixty days or less. If the client's customer is unable to pay an undisputed receivable solely as the result of credit risk, then CIT purchases the receivable from the client. The outstanding amount of DPAs is the maximum potential exposure that CIT would be required to pay under all DPAs. This maximum amount would only occur if all receivables subject to DPAs default in the manner described above, thereby requiring CIT to purchase all such receivables from the DPA clients.

The methodology used to determine the DPA liability is similar to the methodology used to determine the allowance for loan losses associated with the finance receivables, which reflects embedded losses based on various factors, including expected losses reflecting our internal customer and facility credit ratings. The liability recorded in Other Liabilities related to the DPAs totaled $6.6 million and $4.2 million at September 30, 2011 and December 31, 2010, respectively.

**Purchase and Funding Commitments**

CIT's purchase commitments relate primarily to purchases of commercial aircraft and rail equipment. Commitments to purchase new commercial aircraft are predominantly with Airbus Industries ("Airbus") and The Boeing Company ("Boeing"). CIT may also commit to purchase an aircraft directly with an airline. Aerospace equipment purchases are contracted for specific models, using baseline aircraft specifications at fixed prices, which reflect discounts from fair market purchase prices prevailing at the time of commitment. The delivery price of an aircraft may change depending on final specifications. Equipment purchases are recorded at the delivery date. The estimated commitment amounts in the preceding table are based on contracted purchase prices reduced for pre-delivery payments to date and exclude buyer furnished equipment selected by the lessee. Pursuant to existing contractual commitments, 145 aircraft remain to be purchased from Airbus and Boeing. Aircraft deliveries are scheduled periodically through 2019. Commitments exclude unexercised options to order additional aircraft.

In 2011, the Company's rail business entered into commitments to purchase 8,650 railcars from multiple manufacturers, including commitments for 2,900 railcars made in the third quarter. Pursuant to these contractual commitments, 830 railcars have been delivered and 7,820 railcars remain to be delivered periodically in 2011 and 2012. Rail equipment purchase commitments are at fixed prices subject to price increases for certain materials.

**NOTE 12 — CONTINGENCIES**

**Litigation**

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

For certain Litigation matters in which the Company is involved, the Company is able to estimate a range of reasonably possible losses in excess of established reserves and insurance. For other matters for which a loss is probable or reasonably possible, such an estimate is not reasonably possible. For Litigation where losses are reasonably possible, management currently estimates the aggregate range of reasonably possible losses as up to $260 million in excess of established reserves and insurance related to those matters, if any. This estimate represents reasonably possible losses (in excess of established reserves and insurance) over the life of such Litigation, which may span a currently indeterminable number of years, and is based on information currently available as of September 30, 2011. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate.

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Those Litigation matters for which an estimate is not reasonably possible or as to which a loss does not appear to be reasonably possible, based on current information, are not included within this estimated range and, therefore, this estimated range does not represent the Company's maximum loss exposure.

The foregoing statements about CIT's Litigation are based on the Company's judgments, assumptions, and estimates and are necessarily subjective and uncertain. Some of our pending Litigation matters are described below.

**Securities Class Action**

In July and August 2008, two putative class action lawsuits were filed in the United States District Court for the Southern District of New York (the "New York District Court") on behalf of CIT's pre-reorganization stockholders against CIT, its former CEO and its former CFO. In August 2008, a putative class action lawsuit was filed in the New York District Court by a holder of CIT-PrZ equity units against CIT, its former CEO, former CFO, former Controller and certain members of its current and former Board of Directors. In May 2009, the Court consolidated these three shareholder actions into a single action and appointed Pensioenfonds Horeca & Catering as Lead Plaintiff to represent the proposed class, which consists of all acquirers of CIT common stock and PrZ preferred stock from December 12, 2006 through March 5, 2008, who allegedly were damaged, including acquirers of CIT-PrZ preferred stock pursuant to the October 17, 2007 offering of such preferred stock.

In July 2009, the Lead Plaintiff filed a consolidated amended complaint alleging violations of the Securities Exchange Act of 1934 ("1934 Act") and the Securities Act of 1933 ("1933 Act"). Specifically, it is alleged that the Company, its former CEO, former CFO, former Controller, and a former Vice Chairman violated Section 10(b) of the 1934 Act by making false and misleading statements and omissions regarding CIT's subprime home lending and student lending businesses. The allegations relating to the Company's home lending business are based on the assertion that the Company failed to fully disclose the risks in the Company's portfolio of subprime mortgage loans. The allegations relating to the Company's student lending business are based upon the assertion that the Company failed to account in its financial statements or, in the case of the preferred stockholders, its registration statement and prospectus, for private loans to students of a helicopter pilot training school, which it is alleged were highly unlikely to be repaid and should have been written off. The Lead Plaintiff also alleges that the Company, its former CEO, former CFO and former Controller and those current and former Directors of the Company who signed the registration statement in connection with the October 2007 CIT-PrZ preferred offering violated the 1933 Act by making false and misleading statements concerning the Company's student lending business as described above.

Pursuant to a Notice of Dismissal filed on November 24, 2009, CIT Group Inc. was dismissed as a defendant from the consolidated securities action as a result of its discharge in bankruptcy. On June 10, 2010, the Court denied the remaining defendants' motion to dismiss the consolidated amended complaint. The action continues as to the remaining defendants and CIT's obligation to defend and indemnify such defendants continues. Fact discovery is ongoing and expected to proceed through the first half of 2012. Plaintiffs seek, among other relief, unspecified damages and interest. A non-binding mediation process was commenced in August, 2011.

**Tyco Tax Agreement**

In connection with our separation from Tyco International Ltd ("Tyco") in 2002, CIT and Tyco entered into a Tax Agreement pursuant to which, among other things, CIT agreed to pay Tyco for tax savings actually realized by CIT, if any, as a result of the use of certain tax attributes resulting from net operating losses recognized while Tyco owned CIT (the "Tyco Tax Attribute"), which savings would not have been realized absent the existence of the Tyco Tax Attribute. During CIT's bankruptcy, CIT rejected the Tax Agreement, and Tyco and CIT entered into a Standstill Agreement pursuant to which (a) CIT agreed that it would defer bringing its subordination claim against Tyco and (b) Tyco agreed that it would defer bringing its damage claim against CIT while the parties exchanged information about CIT's tax position, including past usage and retention of the various attributes on its consolidated tax return.

Notwithstanding the Standstill Agreement, Tyco filed a Notice of Arbitration during the 2011 second quarter, demanding arbitration of its alleged contractual damages resulting from rejection of the Tax Agreement. CIT filed a motion in the United States Bankruptcy Court for the Southern District of New York seeking a stay of the arbitration, together with an adversary proceeding seeking to subordinate Tyco's interests under section 510(b) of the Bankruptcy Code, which would result in Tyco being treated like equity holders under CIT's confirmed Plan of Reorganization and receiving no recovery in connection with the termination of the Tax Agreement. By stipulation, the parties have agreed to stay the arbitration pending the court's ruling on the subordination claims.

The amount of the Federal Tyco Tax Attribute is approximately $794 million and the state Tyco Tax Attribute is approximately $180 million as of the separation date. CIT's approximate applicable federal and state tax rates are currently 35% and 6.5%, respectively. CIT has recorded a valuation allowance against a significant portion of its federal and state deferred tax assets, as the Company continues to conclude that it does not currently meet the criteria to recognize these assets. It is CIT's position that it has not received federal tax benefits from the Tyco Tax Attribute within the meaning of the Tax Agreement and that it is speculative as to when, if ever, any such benefits may be realized in the future.

**Le Nature's Inc.**

CIT was the lead lessor under a syndicated lease of equipment (the "Lease") to Le Nature's Inc., a beverage bottler, for a newly-constructed bottling facility in Phoenix, Arizona. In 2005, CIT and co-lessors funded $144.8 million of which approximately $45 million was funded by CIT. In 2006, CIT sold $5 million of its interest in the Lease.

In November 2006, amid allegations that Le Nature's had perpetrated a fraudulent scheme, creditors filed an involuntary bankruptcy against Le Nature's in the United States Bankruptcy Court for the Western District of Pennsylvania. Upon the commencement of the bankruptcy, Le Nature's immediately ceased operations and a Chapter 11 trustee was appointed.

Subsequent to the commencement of the Le Nature's bankruptcy, certain co-lessors and certain parties that participated in CIT's and other co-lessors' interests in the Lease filed lawsuits against CIT and others to recover the balance of their respective investments, asserting various claims including fraud, civil conspiracy, and civil Racketeer Influenced and Corrupt Organizations Act (RICO). Plaintiffs seek damages in excess of $84 million as well as claims for treble damages under RICO. All but one of these actions has been consolidated for discovery purposes in the United States District Court for the Western District of Pennsylvania.

In October 2008, the Liquidating Trustee of Le Nature's commenced an action against, among others, Le Nature's lenders and lessors, including CIT, asserting a variety of claims on behalf of the liquidation trust.

In October 2008, CIT commenced a lawsuit in the Superior Court for the State of Arizona, Maricopa County, against the manufacturer of the equipment that was the subject of the Lease, certain of its principals, and the former CEO of Le Nature's, alleging, among other things, fraud, conspiracy, civil RICO and negligent misrepresentation, seeking compensatory and punitive damages.

In February 2009, CIT commenced a lawsuit in the Superior Court for the State of Arizona, Maricopa County, against the former independent auditing firm for Le Nature's, asserting professional negligence.

In May 2009, one of Le Nature's other equipment lessors commenced an action against CIT, as well as the equipment manufacturer, and certain principals of the equipment manufacturer, in the Circuit Court of Wisconsin, Milwaukee County, asserting claims for fraud and misrepresentation.

In June, 2011, Gregory J. Podlucky, former CEO of Le Nature's, as well as two other criminal defendants, pled guilty to various crimes involving Le Nature's. Another former Le Nature's officer, Robert Lynn, was found guilty by a jury in July, 2011. The trial of two remaining defendants was scheduled to begin in October, 2011. Podlucky was sentenced to 20 years in prison and ordered to pay in excess of $661 million in restitution to lenders and investors, including CIT. The prospects of collection of restitution from Podlucky are unlikely.

**Liabilities for Uncertain Tax Position**

The Company's liability for uncertain tax position totaled $543 million at September 30, 2011 and $452 million at December 31, 2010. An estimated $15 million is expected to be recognized within the next twelve months.

**NOTE 13 — BUSINESS SEGMENT INFORMATION**

**Management's Policy in Identifying Reportable Segments**

CIT's reportable segments are comprised of strategic business units that are aggregated into segments primarily based upon industry categories and to a lesser extent, the core competencies relating to product origination, distribution methods, operations and servicing and the nature of their regulatory environment. This segment reporting is consistent with the presentation of financial information to management.

**Types of Products and Services**

CIT has five reportable segments: Corporate Finance, Transportation Finance, Trade Finance, Vendor Finance and Consumer. Corporate Finance and Trade Finance offer secured lending as well as other financial products and services predominately to small and midsize companies. These include secured revolving lines of credit and term loans, accounts receivable credit protection, accounts receivable collection, import and export financing, factoring, debtor-in-possession and turnaround financing and receivable advisory services. Transportation Finance offers secured lending and leasing products to midsize and larger companies across the aerospace, rail and defense industries. Vendor Finance partners with manufacturers and distributors to offer secured lending and leasing products predominantly to small and mid-size companies primarily in information technology, telecommunication and office equipment markets. Consumer includes a liquidating portfolio of predominately government-guaranteed student loans and certain consumer loans of CIT Bank.

**Segment Profit and Assets**

The Company refined its expense and capital allocation methodologies during the first quarter of 2011. For 2011, Corporate and other includes certain costs that had been previously allocated to the segments, including prepayment penalties on high-cost debt payments and certain corporate liquidity costs. In addition, the Company refined the capital and interest allocation methodologies for the segments. These changes had the most impact on Transportation Finance given the capital requirements for their forward-purchase commitments and reduced the interest expense charged to this segment. On a comparable basis, pre-tax income for Transportation Finance would have been approximately $59 million for the quarter ended September 30, 2010 and $199 million for the nine months then ended. These increases would be offset by decreases in Corporate and Other for the respective periods. The refinement was not significant to the other segments. The 2010 balances are reflected as originally reported and are not conformed to the 2011 presentation.

Corporate and Other includes cash liquidity in excess of the amount required by the business units that management determines is prudent for the overall company, loss on debt extinguishment and the prepayment penalties associated with debt repayments.

The following table presents reportable segment information and the reconciliation of segment balances to consolidated financial statements:

| (dollars in millions) | Corporate Finance | Transportation Finance | Trade Finance | Vendor Finance | Commercial Segments | Consumer | Total Segments | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| For the quarter ended September 30, 2011 | | | | | | | | | |
| Total interest income | $217.7 | $38.0 | $21.8 | $163.8 | $441.3 | $64.5 | $505.8 | $5.0 | $510.8 |
| Total interest expense | (175.4) | (202.3) | (19.1) | (99.4) | (496.2) | (42.3) | (538.5) | (63.3) | (601.8) |
| Provision for credit losses | (37.5) | (2.2) | (4.4) | (3.1) | (47.2) | (0.6) | (47.8) | — | (47.8) |
| Rental income on operating leases | 4.2 | 341.9 | — | 61.9 | 408.0 | — | 408.0 | — | 408.0 |
| Other income, excluding rental income | 86.2 | 57.4 | 40.9 | 58.8 | 243.3 | 5.0 | 248.3 | (13.5) | 234.8 |
| Depreciation on operating lease equipment | (2.7) | (89.3) | — | (31.3) | (123.3) | — | (123.3) | — | (123.3) |
| Other expenses / loss on debt extinguishments | (55.8) | (43.3) | (28.6) | (73.5) | (201.2) | (16.8) | (218.0) | (148.5) | (366.5) |
| Income (loss) before provision (benefit) for income taxes | $36.7 | $100.2 | $10.6 | $77.2 | $224.7 | $9.8 | $234.5 | $(220.3) | $14.2 |
| For the quarter ended September 30, 2010 | | | | | | | | | |
| Total interest income | $380.2 | $55.8 | $23.2 | $284.4 | $743.6 | $89.1 | $832.7 | $5.4 | $838.1 |
| Total interest expense | (221.4) | (237.6) | (37.7) | (160.8) | (657.5) | (68.1) | (725.6) | (8.5) | (734.1) |
| Provision for credit losses | (105.5) | (17.2) | (11.4) | (38.5) | (172.6) | (7.5) | (180.1) | 15.0 | (165.1) |
| Rental income on operating leases | 6.1 | 307.7 | — | 83.9 | 397.7 | — | 397.7 | — | 397.7 |
| Other income, excluding rental income | 152.6 | 28.7 | 44.1 | 65.8 | 291.2 | (8.3) | 282.9 | 6.6 | 289.5 |
| | (3.2) | (82.2) | — | (76.3) | (161.7) | — | (161.7) | — | (161.7) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Depreciation on operating lease equipment | | | | | | | | | |
| Other expenses | (69.7 ) | (36.7 ) | (30.7 ) | (69.6 ) | (206.7 ) | (19.1 ) | (225.8 ) | (3.0 ) | (228.8 ) |
| Income (loss) before provision (benefit) for income taxes | $139.1 | $18.5 | $(12.5 ) | $88.9 | $234.0 | $(13.9 ) | $220.1 | $15.5 | $235.6 |
| For the Nine months ended September 30, 2011 | | | | | | | | | |
| Total interest income | $787.3 | $125.0 | $56.8 | $567.2 | $1,536.3 | $204.2 | $1,740.5 | $15.6 | $1,756.1 |
| Total interest expense | (584.2 ) | (663.6 ) | (74.3 ) | (377.9 ) | (1,700.0 ) | (144.0 ) | (1,844.0 ) | (262.4) | (2,106.4 ) |
| Provision for credit losses | (173.3 ) | (8.7 ) | (11.7 ) | (59.8 ) | (253.5 ) | (2.4 ) | (255.9 ) | — | (255.9 ) |
| Rental income on operating leases | 16.2 | 1,006.1 | — | 216.9 | 1,239.2 | — | 1,239.2 | — | 1,239.2 |
| Other income, excluding rental income | 368.2 | 114.7 | 120.8 | 141.2 | 744.9 | 11.2 | 756.1 | (3.2 ) | 752.9 |
| Depreciation on operating lease equipment | (8.6 ) | (272.7 ) | — | (148.0 ) | (429.3 ) | — | (429.3 ) | — | (429.3 ) |
| Other expenses / loss on debt extinguishments | (181.5 ) | (120.5 ) | (82.8 ) | (227.3 ) | (612.1 ) | (49.7 ) | (661.8 ) | (166.9) | (828.7 ) |
| Income (loss) before provision (benefit) for income taxes | $224.1 | $180.3 | $8.8 | $112.3 | $525.5 | $19.3 | $544.8 | $(416.9) | $127.9 |
| Select Period End Balances | | | | | | | | | |
| Loans including receivables pledged | $7,165.5 | $1,347.7 | $2,551.1 | $3,864.7 | $14,929.0 | $6,883.3 | $21,812.3 | $— | $21,812.3 |
| Credit balances of factoring clients | — | — | (1,092.9) | — | (1,092.9 ) | — | (1,092.9 ) | — | (1,092.9 ) |
| Assets held for sale | 399.6 | 60.1 | — | 366.6 | 826.3 | 686.3 | 1,512.6 | — | 1,512.6 |
| Operating lease equipment, net | 45.0 | 10,926.0 | — | 220.0 | 11,191.0 | — | 11,191.0 | — | 11,191.0 |
| For the nine months ended September 30, 2010 | | | | | | | | | |
| | $1,422.9 | $177.3 | $78.1 | $991.6 | $2,669.9 | $281.7 | $2,951.6 | $15.0 | $2,966.6 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total interest income | | | | | | | | | |
| Total interest expense | (796.2) | (730.2) | (128.8) | (519.1) | (2,174.3) | (194.3) | (2,368.6) | (4.4) | (2,373.0) |
| Provision for credit losses | (334.6) | (21.5) | (57.6) | (202.9) | (616.6) | (21.3) | (637.9) | — | (637.9) |
| Rental income on operating leases | 22.2 | 929.5 | — | 290.8 | 1,242.5 | — | 1,242.5 | (1.1) | 1,241.4 |
| Other income, excluding rental income | 461.6 | 69.1 | 144.7 | 137.8 | 813.2 | 15.8 | 829.0 | (50.6) | 778.4 |
| Depreciation on operating lease equipment | (11.9) | (246.7) | — | (254.4) | (513.0) | — | (513.0) | 0.5 | (512.5) |
| Other expenses | (239.9) | (121.8) | (95.7) | (242.8) | (700.2) | (63.3) | (763.5) | (4.8) | (768.3) |
| Income (loss) before provision (benefit) for income taxes | $524.1 | $55.7 | $(59.3) | 201.0 | $721.5 | $18.6 | $740.1 | $(45.4) | $694.7 |
| Select Period End Balances | | | | | | | | | |
| Loans including receivables pledged | $9,730.0 | $1,576.0 | $2,605.5 | $5,117.3 | $19,028.8 | $8,208.2 | $27,237.0 | $— | $27,237.0 |
| Credit balances of factoring clients | — | — | (959.2) | — | (959.2) | — | (959.2) | — | (959.2) |
| Assets held for sale | 439.3 | 28.1 | — | — | 467.4 | 420.3 | 887.7 | — | 887.7 |
| Operating lease equipment, net | 98.2 | 10,324.5 | — | 544.1 | 10,966.8 | — | 10,966.8 | — | 10,966.8 |

**NOTE 14 — SUBSEQUENT EVENTS**

**Debt Redemptions**

In October 2011, CIT redeemed the remaining $461 million of Series A Notes maturing in 2014 and repurchased at a discount approximately $210 million and $100 million of Series A Notes maturing in 2016 and 2017, respectively. In aggregate, these actions will increase fourth quarter interest expense by approximately $70 million for the acceleration of FSA discount accretion and prepayment penalties, and result in a gain on debt extinguishment of approximately $10 million.

**Goldman TRS Facility**

On October 26, 2011, CIT amended its existing $2.125 billion TRS between CIT Financial Ltd ("CFL") and GSI in order to provide greater flexibility for certain eligible assets to be funded under the facility. The size of the existing CFL facility was reduced to $1.5 billion, and the $625 million formerly available under the existing CFL facility was transferred to a new total return swap facility between GSI and CIT TRS Funding B.V. ("BV"), a wholly-owned subsidiary of CIT.

There are no fees payable to GSI or any of its affiliates on the facilities as a result of the above-described amendments. The amendments do not increase or decrease CIT's exposure or change advance rates or economic terms under the existing facility. The combined aggregate amount financed at any one time under the facilities will not exceed $2.125 billion. As before, subject to concentration limits, the securities included in the facilities may be backed by commercial loans, equipment contracts, FFELP student loans, aircraft or rail leases, private student loans or certain other assets.

**Embraer Purchase Agreement**

On October 28, 2011, C.I.T. Leasing Corporation, a wholly owned subsidiary of CIT. doing business as CIT Aerospace, entered into a memorandum of understanding with Embraer S.A. to acquire up to thirty new E190 family aircraft. The total value of the 30 E190 aircraft based on current manufacturer's list prices is approximately $1.4 billion. Actual purchase prices at delivery will be lower than the list prices based upon available discount levels, offset by price escalators based on changes in certain specified price indexes, and will be further affected by the aircraft specifications. Deliveries of the aircraft are scheduled for 2012 through 2014. CIT also received an option to purchase an additional 20 E190 family aircraft.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
and
ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

OVERVIEW

Founded in 1908, CIT Group Inc. ("we", "CIT" or the "Company"), a Delaware Corporation, is a bank holding company ("BHC") that provides commercial financing and leasing products and other financial services to small and middle market businesses across a wide variety of industries. CIT became a bank holding company in December 2008 and CIT Bank, a Utah state-chartered bank, is the Company's principal bank subsidiary.

CIT operates primarily in North America, with locations in Europe, Latin America and Asia and has four commercial business segments – Corporate Finance, Trade Finance, Transportation Finance and Vendor Finance. We also own and manage a pool of liquidating consumer loans, predominantly government guaranteed student loans, that are reported in the Consumer segment.

As of September 30, 2011 the Company had 3,480 employees and approximately $44 billion in assets.

*"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and *"Quantitative and Qualitative Disclosures about Market Risk"* contain financial terms that are relevant to our business. You can find a glossary of these terms in "Item 1. Business Overview" in our Form 10-K for the year ended December 31, 2010 (the "2010 Form 10-K").

The September 30, 2010 amounts have been restated to correct for errors found by the Company subsequent to the filing of its third quarter 2010 report on Form 10-Q, related primarily to the application of Fresh Start Accounting ("FSA"), the effects of which were disclosed in the Company's December 31, 2010 Form 10-K. The effect of the restatement decreased net income for the quarter ended September 30, 2010 by approximately $16 million to $116 million and increased net income for the nine months then ended by $24 million to $442 million as compared to the amount originally reported in the September 30, 2010 Form 10-Q. Comparisons to the 2010 balances are to the restated amounts. See the Company's 2010 Form 10-K, "Note 26 — Selected Quarterly Financial Data (Unaudited)" of Item 8 and "Select 2010 Form 10-Q Restated Sections" of Item 7 for further information.

Management uses certain non-GAAP financial measures in its analysis of the financial condition and results of operations of the Company. See "*Non-GAAP Financial Measurements*" for a reconciliation of these to comparable GAAP measures.

**2011 PRIORITIES AND PROGRESS**

We continue to advance our priorities, which we described in our December 31, 2010 Form 10-K. The following highlights some of our accomplishments:

1. Focus on growth in our four core businesses, both domestically and internationally

- Increased new business activity. Committed new business volume was $2.3 billion for the quarter ended September 30, 2011, more than doubled from a year ago and up 12% sequentially. Funded new business volume increased 75% to $1.9 billion over the prior year quarter as Transportation Finance and Corporate Finance were each up substantially, and Vendor Finance increased 12%. Funded volume increased 8% from last quarter.
- Stabilized the client base in Trade Finance. Factoring volume of $6.8 billion was down modestly from the prior-year period as growth in CIT's ongoing factoring operations was offset by lower volume from our European operation, which is winding down. Factoring volume was up 10% sequentially, reflecting seasonality.

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2. Improve profitability, including reducing our cost of capital and operating expenses

- Redeemed or extinguished approximately $9.5 billion of high cost debt year-to-date, including:
  - $5.7 billion of 7% Series A Notes, including approximately $1.5 billion during the third quarter and $770 million in October 2011.
  - $3 billion of First Lien Term Loan during the third quarter.
  - $0.75 billion of 10.25% Series B Notes during the first quarter.
- Closed a $2 billion Revolving Facility resulting in lower costs and improved cash management flexibility in the third quarter.
- Closed over $4 billion of financing facilities year-to-date, including accessing the capital markets as follows:
  - Third quarter – renewed a $550 million committed conduit facility at a lower cost and with a longer term.
  - Second quarter - 1) established a new RMB 1.8 billion Vendor Finance China facility (approximately $280 million at current exchange rates) to fund activity in that country, 2) received $150 million of secured aircraft funding through a newly established facility guaranteed by the Export-Import Bank of the United States, and 3) renewed a £100 million committed U.K. Vendor Finance securitization facility at significantly lower cost and longer term.
  - First quarter – 1) issued $2 billion of second lien Series C debt and 2) renewed a $1 billion committed U.S. Vendor Finance conduit facility at a significantly reduced cost, higher advance rate and longer tenor.
- Reduced weighted average coupon rates of outstanding deposits and long-term borrowings to 4.84% at September 30, 2011 from 5.31% at December 31, 2010.
- Addressed the restrictive covenants contained in debt incurred in our 2009 restructuring:
  - The October 2011 repayment of the 2014 7% Series A Notes resulted in fully effected covenant modifications, removed most of the restrictive covenants and will provide the Company with greater financing and operating flexibility. Following the redemption in full of the 2014 Series A Notes in October 2011, most of the restrictive covenants granted under the Series A Notes, as part of CIT's restructuring in 2009, were eliminated.
  - During the second quarter, we successfully completed an exchange offer through which approximately $8.8 billion of Series A Notes were exchanged for new Series C Notes. We also completed a consent solicitation through which the covenants in the Series A Notes maturing in 2015, 2016 and 2017, other than the cash sweep, were amended to generally conform to the less restrictive covenants in the outstanding Series C Notes. The covenants in the Series C Notes are more consistent with covenants in investment grade-rated bonds.
- Employee headcount at September 30, 2011 was 3,480, unchanged from June 30, 2011 and down 8% from a year ago, reflecting the sale of the Dell Canada operations, outsourcing and other efficiency actions. Operating expenses for the first nine months of 2011 (exclusive of restructuring charges) declined 10% from the comparable 2010 nine-month period.

3. Expand the role of CIT Bank, both in asset origination and funding capabilities

- Diversified deposit sources. Issued approximately $580 million of CDs in the third quarter, primarily through brokered deposits, at an average rate of approximately 1.5% and weighted average term in excess of 3 years that replaced maturing, higher-rate CDs. Launched a retail online banking platform in October that currently offers a range of Certificates of Deposits directly to consumers.
- Increased asset origination activity. Year-to-date committed loan volume rose to $3.1 billion from $0.5 billion for the 2010 nine months, of which $2.1 billion was funded, up from $0.3 billion during 2010. Third quarter committed loan volume rose 10% from the prior quarter to $1.2 billion, of which $835 million was funded. The increase includes higher Vendor Finance activity due to the transfer of the U.S. platform into the Bank. Bank originations represented approximately 80% of the Company’s total U.S. funded volume in the third quarter and approximately 70% year to date, up from approximately 50% and 30%, for the 2010 third quarter and nine-month period, respectively.
- Obtained the necessary regulatory approvals and transferred into the Bank the Small Business Lending platform in March 2011 and the U.S. Vendor Finance platform into the bank in July 2011.
- The Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI) terminated their Cease and Desist Orders against CIT Bank in April 2011.

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During the remainder of 2011 we will continue to advance these business priorities, as well as those relating to risk management, compliance and control functions and to substantially satisfying the open items in the Written Agreement with the Federal Reserve Bank of New York that the Company entered into on August 12, 2009.

**2011 FINANCIAL OVERVIEW**

***Net loss*** for the quarter ended September 30, 2011 was $16 million, $0.08 per diluted share, compared to a net loss of $48 million, $0.24 per diluted share for the 2011