CIT GROUP INC
Form 10-Q/A
December 13, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q/A
Amendment No. 1 to Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

OR

[ ] 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)
1211 Avenue of the Americas, New York, New York	10036
(Address of Registrant's principal executive offices)	(Zip Code)

(212) 536-1211
(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section13 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 is an accelerated filer as defined in Rule 12b-2 of the Securities Exchange Act of 1934. Yes |X| No [ ]

As of July 29, 2005, there were 201,708,815 shares of the Registrant's common stock outstanding.

Overview

We are filing this amendment to our Form 10-Q for the quarterly period ended June 30, 2005 to restate financial statements and corresponding financial information for certain derivative transactions that do not qualify for hedge accounting. We are also including other previously identified, immaterial, in-period financial statement changes in conjunction with this amendment.

The primary impacts of this restatement of non-cash items on our financial statements and certain key financial ratios are as follows ($ in millions, per share amounts in dollars):

At or for the Quarter and Six Months Ended June 30, 2005	Quarter			
	Previously Reported	Restated	Change	Previously Reported
Income Statement				
Finance income	$ 1,106.7	$ 1,100.7	$ (6.0)	$ 2,128.7
Interest expense	466.7	467.8	1.1	860.9
Other revenue	278.9	331.3	52.4	518.3
Salaries and general operating expenses	271.8	268.8	(3.0)	532.8
Provision for income taxes	113.0	132.9	19.9	235.8
Net income	220.7	249.1	28.4	431.1
Basic earnings per share	1.05	1.18	0.13	2.05
Diluted earnings per share	1.03	1.16	0.13	2.01
Balance Sheet				
Finance receivables and education lending receivables	40,509.3	40,507.9	(1.4)	
Total debt	43,458.5	43,376.8	(81.7)	
Accrued liabilities and payables	3,748.5	3,783.2	34.7	
Total stockholders' equity	6,401.2	6,446.8	45.6	
Financial Ratios				
Net finance margin as a percentage of average earning assets	3.36%	3.30%		3.44%
Return on average earning assets	1.86%	2.10%		1.88%
Return on average common equity	13.9%	15.7%		13.8%
Return on average tangible common equity	16.3%	18.3%		15.7%
Tangible stockholders' equity and preferred capital securities to managed assets	9.92%	10.00%		
Efficiency ratio	43.7%	40.6%		42.3%

During the fourth quarter of 2005, we learned of an interpretation with respect to applying the "matched terms" approach in hedge accounting under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("SFAS 133"). We reviewed our accounting for certain cross-currency interest rate swaps ("compound swaps" or "compound derivatives") under SFAS 133.

We determined that seven compound cross-currency and interest rate swaps with a notional principal of approximately $1.4 billion at June 30, 2005 were not appropriately accounted for, even though these compound swaps were highly effective economic hedges of the interest rate and currency exchange risks associated with the corresponding foreign denominated debt. We documented these swaps originally as "matched terms" hedges which assumes no hedge ineffectiveness. The swaps would have qualified for "long-haul" hedge accounting with ineffectiveness reflected in current earnings. However, the swaps did not qualify for hedge accounting treatment from their inception, as SFAS 133 does not allow for subsequent documentation modifications.

The elimination of hedge accounting from inception of the compound swaps resulted in an increase to other revenue and earnings for the six months ended June 30, 2005 to reflect the elimination of adjustments to the basis of the corresponding debt under SFAS 133 fair value hedge accounting for changes in interest rates during each period. This increase to revenues in the current period will reduce future earnings by an equal amount through 2015.

As a result of the review of our accounting, we have terminated these compound cross-currency swaps and replaced each with a pair of individual swaps (a cross-currency basis swap and an interest rate swap, both with zero fair value at inception) with the same counterparties and with the same terms as both the hedged debt and the original compound derivatives. The replacement derivative contracts achieve the same economics as the original compound derivatives and will be accounted for as hedges under SFAS 133. Accessing non-U.S. capital markets is a key element of our funding strategy, and we remain committed to our risk management strategy to hedge, or significantly mitigate, our interest and currency risk and to transact derivatives only for risk management purposes. We plan to utilize stand alone swaps for similar hedge transactions in the future.

After reviewing the above with the Audit Committee of the Board of Directors on December 9, 2005, the Audit Committee agreed with management's recommendation to adjust our financial statements. In light of this decision and resulting restatement, the previously reported financial statements and other information included in the CIT Group Inc. Form 10-Q for the quarterly period ended June 30, 2005 should no longer be relied upon.

CIT GROUP INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited)
($ in millions -- except share data)

ASSETS	June 30, 2005 (Restated)	December 3 2004
Financing and leasing assets:		
Finance receivables	$36,337.0	$35,048.2
Education lending receivables pledged	4,170.9	--
Reserve for credit losses	(622.3)	(617.2
Net finance receivables	39,885.6	34,431.0
Operating lease equipment, net	8,642.9	8,290.9
Finance receivables held for sale	1,435.9	1,640.8
Cash and cash equivalents, including $309.3 and $0.0 restricted	2,231.7	2,210.2
Retained interest in securitizations and other investments	1,122.0	1,228.2
Goodwill and intangible assets, net	903.1	596.5
Other assets	3,084.1	2,713.7
Total Assets	$57,305.3	$51,111.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt:		
Commercial paper	$ 3,253.4	$ 4,210.9
Variable-rate senior unsecured notes	13,556.0	11,545.0
Fixed-rate senior unsecured notes	22,375.7	21,715.1

Non-recourse, secured borrowings -- education lending	3,938.8	--
Preferred capital securities	252.9	253.8
Total debt	43,376.8	37,724.8
Credit balances of factoring clients	3,649.2	3,847.3
Accrued liabilities and payables	3,783.2	3,443.7
Total Liabilities	50,809.2	45,015.8
Commitments and Contingencies (Note 10)		
Minority interest	49.3	40.4
Stockholders' Equity:		
Preferred stock: $0.01 par value, 100,000,000 authorized, none issued	--	--
Common stock: $0.01 par value, 600,000,000 authorized, Issued: 212,256,253 and 212,112,203	2.1	2.1
Outstanding: 210,047,448 and 210,440,170		
Paid-in capital, net of deferred compensation of $55.2 and $39.3	10,648.1	10,674.3
Accumulated deficit	(4,084.3)	(4,499.1
Accumulated other comprehensive loss	(29.6)	(58.4
Less: treasury stock, 2,208,805 and 1,672,033 shares, at cost	(89.5)	(63.8
Total Stockholders' Equity	6,446.8	6,055.1
Total Liabilities and Stockholders' Equity	$57,305.3	$51,111.3

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
($ in millions -- except per share data)

	Quarters Ended June 30, 2005 (Restated)	Quarters Ended June 30, 2004	Six Month June 2005 (Restated)
Finance income	$1,100.7	$ 908.9	$2,128.7
Interest expense	467.8	300.0	859.3
Net finance income	632.9	608.9	1,269.4
Depreciation on operating lease equipment	241.2	237.9	478.8
Net finance margin	391.7	371.0	790.6
Provision for credit losses	47.2	65.7	92.5
Net finance margin after provision for credit losses	344.5	305.3	698.1
Other revenue	331.3	233.5	597.0
Net gain on venture capital investments	1.3	3.0	12.1

Operating margin	677.1	541.8	1,307.2
Salaries and general operating expenses	268.8	252.4	532.8
Provision for restructuring	25.2	--	25.2
Gain on redemption of debt	--	--	--
Income before provision for income taxes	383.1	289.4	749.2
Provision for income taxes	(132.9)	(112.8)	(270.5)
Minority interest, after tax	(1.1)	--	(2.0)
Net income	$ 249.1	$ 176.6	$ 476.7
Earnings per share			
Basic earnings per share	$ 1.18	$ 0.83	$ 2.26
Diluted earnings per share	$ 1.16	$ 0.82	$ 2.22
Number of shares -- basic (thousands)	210,506	211,532	210,581
Number of shares -- diluted (thousands)	214,699	215,359	214,894
Dividends per common share	$ 0.16	$ 0.13	$ 0.29

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)
($ in millions)

	Common Stock	Paid-in Capital	Accumulated (Deficit)/ Earnings	Accumulated Other Comprehensive (Loss)/Income
			(Restated)	
December 31, 2004	$2.1	$10,674.3	$(4,499.1)	$(58.4)
Net income			476.7	
Foreign currency translation adjustments				21.5
Change in fair values of derivatives qualifying as cash flow hedges				(2.4)
Unrealized gain on equity and securitization investments, net				9.3
Minimum pension liability adjustment				0.4
Total comprehensive income				
Cash dividends			(61.9)	
Restricted common stock grants amortization		23.1		
Treasury stock purchased, at cost				
Exercise of stock option awards		(48.9)		

Employee stock purchase plan participation		(0.4)		
June 30, 2005	$2.1	$10,648.1	$(4,084.3)	$(29.6)

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
($ in millions)

	Six Months Ended June 30,	
	2005 (Restated)	2004
Cash Flows From Operations		
Net income (loss)	$ 476.7	$ 365.9
Adjustments to reconcile net income (loss) to net cash flows from operations:		
Depreciation and amortization	499.9	490.7
Provision for deferred federal income taxes	216.8	151.3
Provision for credit losses	92.5	175.2
Gains on equipment, receivable and investment sales	(164.3)	(115.7)
Gain on debt redemption	--	(41.8)
Decrease (increase) in finance receivables held for sale	278.8	(523.9)
(Increase) decrease in other assets	(41.6)	228.3
Increase (decrease) in accrued liabilities and payables	194.8	(223.4)
Other	(78.3)	(57.8)
Net cash flows provided by operations	1,475.3	448.8
Cash Flows From Investing Activities		
Loans extended	(26,792.6)	(24,551.1)
Collections on loans	24,869.2	22,739.1
Proceeds from asset and receivable sales	3,056.5	2,072.0
Purchase of finance receivable portfolios	(2,095.0)	(1,373.5)
Purchases of assets to be leased	(985.1)	(548.7)
Net decrease in short-term factoring receivables	(165.9)	(88.9)
Acquisitions, net of cash acquired	(152.6)	--
Goodwill and intangibles assets acquired	(60.0)	--
Other	167.2	51.1
Net cash flows (used for) investing activities	(2,158.3)	(1,700.0)

Cash Flows From Financing Activities

Proceeds from the issuance of variable and fixed-rate notes	7,656.4	6,628.1
Repayments of variable and fixed-rate notes	(5,626.4)	(5,374.3)
Net decrease in commercial paper	(957.6)	(3.5)
Net loans extended -- pledged in conjunction with secured borrowings	(270.3)	--
Cash dividends paid	(61.9)	(55.9)
Net repayments of non-recourse leveraged lease debt	16.2	(103.3)
Other	(51.9)	(35.9)
Net cash flows provided by financing activities	704.5	1,055.2
Net increase (decrease) in cash and cash equivalents	21.5	(196.0)
Cash and cash equivalents, beginning of period	2,210.2	1,973.7
Cash and cash equivalents, end of period	$ 2,231.7	$ 1,777.7
Supplementary Cash Flow Disclosure		
Interest paid	$ 759.4	$ 642.3
Federal, foreign, state and local income taxes paid, net	$ 48.3	$ 45.1

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited)

Note 1 -- Summary of Significant Accounting Policies

CIT Group Inc., a Delaware corporation ("we," "CIT" or the "Company"), is a global commercial and consumer finance company that was founded in 1908. CIT provides financing and leasing capital for consumers and companies in a wide variety of industries, offering vendor, equipment, commercial, factoring, home lending, educational lending and structured financing products as well as rendering management advisory services. CIT operates primarily in North America, with locations in Europe, Latin America, Australia and the Asia-Pacific region.

These financial statements, which have been prepared in accordance with the instructions to Form 10-Q, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States ("GAAP") and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004. Financial statements in this Form 10-Q have not been audited by the independent registered public accounting firm in accordance with the 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 statement of CIT's financial position and results of operations. Certain prior period amounts have been reclassified to conform to the current presentation.

Education Lending Acquisition

In February 2005, CIT acquired Education Lending Group, Inc. ("EDLG"), a specialty finance company principally engaged in providing education loans (primarily U.S. government guaranteed), products and services to students, parents, schools and alumni associations. The shareholders of EDLG received $19.05 per share or approximately $383 million in cash. The acquisition was accounted for under the purchase method, with the acquired assets and liabilities recorded at their estimated fair values as of the February 17, 2005 acquisition date. The assets acquired included approximately $4.4 billion of finance receivables and $287 million of goodwill and intangible assets. This business is largely funded with "Education Loan Backed Notes," which are accounted for under SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The assets related to these borrowings are owned by a special purpose entity that is consolidated in the CIT financial statements, and the creditors of that special purpose entity have received ownership and / or security interests in the assets. As EDLG retains certain call features with respect to these borrowings, the transactions do not meet the SFAS 140 requirements for sales treatment and are therefore recorded as secured borrowings and are reflected in the Consolidated Balance Sheet as "Education lending receivables pledged" and "Non-recourse, secured borrowings -- education lending." Certain cash balances, included in cash and cash equivalents, are restricted in conjunction with these borrowings.

Stock-Based Compensation

CIT has elected to apply Accounting Principles Board Opinion 25 ("APB 25") rather than the optional provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" in accounting for its stock-based compensation plans. Under APB 25, CIT does not recognize compensation expense on the issuance of its stock options because the option terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. The following table presents the proforma information required by SFAS 123 as if CIT had accounted for stock options granted under the fair value method of SFAS 123, as amended ($ in millions, except per share data):

	Quarters Ended June 30,	
	2005 (Restated)	2004
Net income as reported	$249.1	$176.6
Stock-based compensation expense -- fair value method, after tax	(4.8)	(5.4)
Proforma net income	$244.3	$171.2
Basic earnings per share as reported	$1.18	$0.83
Basic earnings per share proforma	$1.16	$0.81
Diluted earnings per share as reported	$1.16	$0.82
Diluted earnings per share proforma	$1.14	$0.79

For the quarters ended June 30, 2005 and 2004, net income includes $6.3 million and $3.4 million of after-tax compensation cost related to restricted stock awards, while the year to date costs were $14.1 million and $7.4 million, respectively.

Recent Accounting Pronouncements

On January 1, 2005, the Company adopted Statement of Position No. 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"). SOP 03-3 requires acquired loans to be carried at fair value and prohibits the establishment of credit loss valuation reserves at acquisition for loans that have evidence of credit deterioration since origination. The implementation of SOP 03-3 did not have a material financial statement impact.

In December 2004, the FASB issued a revision to SFAS No. 123, "Share-Based Payment" ("FAS 123R"). FAS 123R requires the recognition of compensation expense for all stock-based compensation plans as of the beginning of the first annual reporting period that begins after June 15, 2005. The current accounting for employee stock options is most impacted by this new standard, as costs associated with restricted stock awards are already recognized in net income and amounts associated with employee stock purchase plans are not significant. Similar to the proforma amounts disclosed historically, the compensation cost relating to options will be based upon the grant-date fair value of the award and will be recognized over the vesting period. The financial statement impact of adopting FAS 123R is not expected to differ materially from proforma amounts previously disclosed.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). Given the lack of clarification of certain provisions and the timing of the Act, FSP 109-2 allows for time beyond the year ended December 31, 2004 (the period of enactment) to evaluate the effect of the Act on plans for reinvestment or repatriation of foreign earnings for purposes of applying income tax accounting under SFAS No. 109. The implementation of FSP 109-2 is not expected to have a material financial statement impact on the Company, as there are no present plans to repatriate foreign earnings.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." On November 7, 2003, certain measurement and classification provisions of SFAS 150, relating to certain mandatorily redeemable non-controlling interests, were deferred indefinitely. The adoption of these delayed provisions, which relate primarily to minority interests associated with finite-lived entities, is not expected to have a material financial statement impact on the Company.

Restatement Relating to Derivative Hedge Accounting (see Note 16 -- Restatement Relating to Derivative Hedge Accounting for additional information).

Note 2 -- Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding for the period. The diluted EPS computation includes the potential impact of dilutive securities, including stock options and restricted stock grants. The dilutive effect of stock options is computed using the treasury stock method, which assumes the repurchase of common shares by CIT at the average market price for the period. Options that do not have a dilutive effect (because the exercise price is above the market price) are not included in the denominator and averaged approximately 16.1 million shares and 16.7 million shares for the quarters ended June 30, 2005 and 2004, and 16.5 million shares and 16.4 million shares for the six months ended June 30, 2005 and 2004, respectively.

The reconciliation of the numerator and denominator of basic EPS with that of diluted EPS is presented ($ in millions, except per share amounts, which are in whole dollars; weighted-average share balances are in thousands):

	Quarter Ended June 30, 2005			
	Income (Numerator)	Shares (Denominator)	Per Share Amount	In (Nu
	(Restated)		(Restated)	
Basic EPS:				
Income available to common stockholders	$249.1	210,506	$1.18	$
Effect of Dilutive Securities:				
Restricted shares		890		
Performance shares		644		
Stock options		2,659		
Diluted EPS	$249.1	214,699	$1.16	$

	Six Months Ended June 30, 2005			
	(Restated)		(Restated)	
Basic EPS:				
Income available to common stockholders	$476.7	210,581	$2.26	$
Effect of Dilutive Securities:				
Restricted shares		883		
Performance shares		537		
Stock options		2,893		
Diluted EPS	$476.7	214,894	$2.22	$

Note 3 -- Business Segment Information

The selected financial information by business segment presented below is based upon the allocation of most corporate expenses. For the 2005 periods, capital is allocated to the segments by applying different leverage ratios to each business unit using market capitalization and risk criteria. The capital allocations reflect the relative risk of individual asset classes within segments and range from approximately 2% of managed assets for U.S. government guaranteed loans to approximately 15% of managed assets for longer-term assets such as aerospace and rail.

During the second quarter of 2005, segment reporting was modified in conjunction with certain business restructuring initiatives. First, the former Commercial Finance segment has been divided into two segments, Commercial Services (factoring) and Corporate Finance. Corporate Finance includes the former Business Credit (asset based lending), Power, Energy and Infrastructure, which was transferred from Capital Finance, and Healthcare, which was transferred from Equipment Finance. Prior period balances have been adjusted to conform to current period presentation, except for the transfer of Healthcare assets and related income data ($ in millions):

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CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

	Specialty Finance-commercial	Specialty Finance-consumer	Commercial Services	Corporate Finance	Equipment Finance	Capital Finance
Quarter Ended June 30, 2005 (Restated)						
Operating margin	$ 216.2	$ 61.6	$ 97.3	$ 100.6	$ 72.6	$ 59.4
Income taxes	48.8	10.5	26.2	26.4	20.6	3.6
Net income (loss)	75.5	16.7	42.6	43.4	34.2	38.9
Quarter Ended June 30, 2004						
Operating margin	$ 187.5	$ 39.8	$ 92.6	$ 110.0	$ 53.6	$ 33.2
Income taxes	33.8	8.4	25.9	31.8	11.7	3.8
Net income (loss)	65.6	14.2	40.0	48.3	19.3	13.2
At or for the Six Months Ended June 30, 2005 (Restated)						
Operating margin	$ 427.5	$ 111.8	$ 185.9	$ 196.1	$ 128.2	$ 114.6
Income taxes	89.8	20.5	48.4	51.3	34.1	14.3
Net income (loss)	153.4	32.4	79.9	85.1	55.5	65.5
Total financing and leasing assets	10,726.5	10,899.0	6,417.2	8,104.2	4,636.2	9,835.2
Total managed assets	14,523.7	11,926.6	6,417.2	8,158.2	7,217.3	9,835.2
At or for the Six Months Ended June 30, 2004						

Operating margin	$ 382.7	$ 70.3	$ 179.2	$ 182.9	$ 102.0	$ 82.6
Income taxes	72.0	14.1	49.2	51.1	21.5	15.3
Net income (loss)	134.5	21.7	76.3	78.2	35.4	35.7
Total financing and leasing assets	10,322.2	3,756.5	5,808.6	6,335.2	6,847.5	8,383.5
Total managed assets	14,330.4	5,244.4	5,808.6	6,335.2	9,752.4	8,383.5

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

Note 4 -- Concentrations

The following table summarizes the geographic and industry compositions (by obligor) of financing and leasing portfolio assets ($ in millions):

	June 30, 2005 (Restated)		Decem
Geographic			
North America:			
West..	$10,023.3	19.8%	$ 8,595
Northeast...	9,372.3	18.5%	8,463
Midwest...	8,297.7	16.4%	6,907
Southeast...	7,270.3	14.4%	6,283
Southwest...	5,114.9	10.1%	4,848
Canada..	2,583.9	5.1%	2,483
Total North America......................................	42,662.4	84.3%	37,580
Other foreign...	7,955.9	15.7%	7,580
Total...	$50,618.3	100.0%	$45,160
Industry			
Manufacturing(1)..	$ 7,156.5	14.1%	$ 6,932
Consumer based lending -- home lending.........................	6,285.0	12.4%	5,069
Commercial airlines (including regional airlines).............	6,063.9	12.0%	5,512
Retail(2)...	5,993.6	11.8%	5,859
Consumer based lending -- education lending....................	4,291.5	8.5%	
Service industries..	2,863.6	5.7%	2,854
Transportation(3)...	2,430.9	4.8%	2,969
Consumer based lending -- non-real estate(4)..................	2,325.7	4.6%	2,480
Wholesaling...	1,901.1	3.8%	1,727
Construction equipment......................................	1,603.5	3.2%	1,603
Communications(5)...	1,255.7	2.5%	1,292
Healthcare services...	1,134.5	2.2%	992
Other (no industry greater than 3.0%)(6).......................	7,312.8	14.4%	7,867
Total...	$50,618.3	100.0%	$45,160

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(1) Includes manufacturers of apparel (2.9%), followed by food and kindred products, textiles, transportation equipment, chemical and allied products, rubber and plastics, industrial machinery and equipment, and other industries.

(2) Includes retailers of apparel (4.8%) and general merchandise (3.8%).

(3) Includes rail, bus, over-the-road trucking industries and business aircraft.

(4) Includes receivables from consumers in the Specialty Finance -- commercial segment for products in various industries such as computers and related equipment and the remaining manufactured housing portfolio.

(5) Includes $278.9 million and $335.2 million of equipment financed for the telecommunications industry at June 30, 2005 and December 31, 2004, respectively, but excludes telecommunications equipment financed for other industries.

(6) Includes financing and leasing assets in the energy, power and utilities sectors, which totaled $1.1 billion, or 2.1% of total financing and leasing assets at June 30, 2005. This amount includes approximately $740.8 million in project financing and $262.5 million in rail cars on lease.

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CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

Note 5 -- Retained Interests in Securitizations and Other Investments

The following table details the components of retained interests in securitizations and other investments ($ in millions):

	June 30, 2005	D
Commercial:		
Retained subordinated securities	$ 413.1	
Interest-only strips	324.2	
Cash reserve accounts	271.3	
Total retained interests in commercial loans	1,008.6	
Consumer:(1)		
Retained subordinated securities	68.6	
Interest-only strips	8.8	
Cash reserve accounts	--	
Total retained interests in consumer loans	77.4	

Total retained interests in securitizations	1,086.0
Aerospace equipment trust certificates and other(2)	36.0
Total	$1,122.0

(1) Comprised of amounts related to home lending receivables securitized.

(2) At December 31, 2004 other includes a $4.7 million investment in common stock received as part of a loan work-out of an aerospace account.

Note 6 -- Accumulated Other Comprehensive (Loss) / Income

The following table details the components of accumulated other comprehensive (loss) / income, net of tax ($ in millions):

	June 30, 2005
Changes in fair values of derivatives qualifying as cash flow hedges	$(29.5)
Foreign currency translation adjustments	(15.7)
Minimum pension liability adjustments	(2.3)
Unrealized gain on equity and securitization investments	17.9
Total accumulated other comprehensive loss	$(29.6)

The changes in fair values of derivatives qualifying as cash flow hedges related to variations in market interest rates during the quarter, as these derivatives effectively convert an equivalent amount of variable-rate debt, including commercial paper, to fixed rates of interest. See Note 7 for additional information.

Total comprehensive income for the quarters ended June 30, 2005 and 2004 was $188.3 million and $254.9 million and for the six months ended June 30, 2005 and 2004 was $505.5 million and $389.4 million.

Note 7 -- Derivative Financial Instruments

As part of managing exposure to interest rate, foreign currency, and, in limited instances, credit risk, CIT, as an end-user, enters into various derivative transactions, all of which are transacted in over-the-counter markets with other financial institutions. Derivatives are utilized to hedge exposures, and not for speculative purposes. To ensure both appropriate use as a hedge and to achieve hedge accounting treatment, whenever possible, substantially all derivatives entered into are designated according to a hedge objective against a specific or forecasted liability or, in limited instances, assets. The notional amounts, rates, indices, and maturities of derivatives closely match the related terms of the underlying hedged items.

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

CIT utilizes interest rate swaps to convert variable-rate interest underlying forecasted issuances of commercial paper, specific variable-rate debt instruments, and, in limited instances, variable-rate assets to fixed-rate amounts. These interest rate swaps are designated as cash flow hedges and changes in fair value of these swaps, to the extent they are effective as a hedge, are recorded in other comprehensive income. Amounts related to hedges to the extent ineffective are recorded in interest expense.

The components of the adjustment to Accumulated Other Comprehensive Loss for derivatives qualifying as hedges of future cash flows are presented in the following table ($ in millions):

	Fair Value Adjustments of Derivatives	Income Tax Effects
Balance at December 31, 2004 -- unrealized loss	$(41.3)	$14.2
Changes in values of derivatives qualifying as cash flow hedges	(3.9)	1.5
Balance at June 30, 2005 -- unrealized loss	$(45.2)	$15.7

The unrealized loss for the six months ended and as of June 30, 2005 primarily reflects our use of interest rate swaps to effectively convert variable-rate debt to fixed-rate debt followed by increased market interest rates. The Accumulated Other Comprehensive Loss (along with the corresponding swap asset or liability) will be adjusted as market interest rates change over the remaining life of the swaps. Assuming no change in interest rates, approximately $7.2 million, net of tax, of the Accumulated Other Comprehensive Loss as of June 30, 2005 is expected to be reclassified to earnings over the next twelve months as contractual cash payments are made.

The ineffective amounts, due to changes in the fair value of cash flow hedges, are recorded as either an increase or decrease to interest expense as presented in the following table ($ in millions):

	Ineffectiveness	Incr In
Quarter ended June 30, 2005 (Restated)	$1.7	
Quarter ended June 30, 2004	$0.4	
Six months ended June 30, 2005 (Restated)	$0.6	
Six months ended June 30, 2004	$0.7	

CIT also utilizes interest rate swaps to convert fixed-rate interest on specific debt instruments to variable-rate amounts. These interest rate swaps are designated as fair value hedges and changes in fair value of these swaps are effectively recorded as an adjustment to the carrying value of the hedged item, as the offsetting changes in fair value of the swaps and the hedged items are recorded in earnings.

The following table presents the notional principal amounts of interest rate swaps by class and the corresponding hedged item ($ in millions):

	June 30, 2005	December 31, 2004	
Floating to fixed-rate swaps.......................	$ 4,399.1	$ 3,533.6	Effectively c an equivalent paper, variab assets to a f
Fixed to floating-rate swaps.......................	7,781.4	7,642.6	Effectively c an equivalent and selected
Total interest rate swaps..........................	$12,180.5	$11,176.2	

In addition to the swaps in the table above, in conjunction with securitizations, at June 30, 2005, CIT has $2.4 billion in notional amount of interest rate swaps outstanding with the related trusts to protect the trusts against interest rate risk. CIT entered into offsetting swap transactions with third parties totaling $2.4 billion in notional amount at June 30, 2005 to insulate the related interest rate risk.

CIT also utilizes foreign currency exchange forward contracts and cross-currency swaps to hedge currency risk underlying foreign currency loans to subsidiaries and the net investments in foreign operations. These contracts are designated as foreign currency cash flow hedges or net investment hedges and changes in fair value of these contracts are recorded in accumulated other comprehensive loss along with the translation gains and losses on the underlying hedged items. CIT utilizes cross currency swaps to hedge currency risk underlying foreign currency debt and selected foreign currency assets. These swaps are designated as foreign currency cash flow hedges or foreign currency fair value hedges and changes in fair value of these contracts are recorded in accumulated other comprehensive loss (for cash flow hedges), or effectively as a basis adjustment (including the impact of the offsetting adjustment to the carrying value of the hedged item) to the hedged item (for fair value hedges) along with the transaction gains and losses on the underlying hedged items.

During 2005 and 2004, CIT entered into credit default swaps, with a combined notional value of $118.0 million and terms of 5 years, to economically hedge certain CIT credit exposures. These swaps do not meet the requirements for hedge accounting treatment and therefore are recorded at fair value, with both realized and unrealized gains or losses recorded in other revenue in the consolidated statement of income. The fair value adjustment for the quarter and six months ended June 30, 2005 amounted to a $1.3 million and $5.5 million pretax gain. CIT also has certain cross-currency swaps (with a combined notional principal of $1,635 million (Restated)) and an interest rate swap (basis swap denominated in U.S. dollars with notional principal of $935 million) that was acquired in the education lending acquisition. These instruments economically hedge exposures, but do not qualify for hedge accounting. These derivatives are recorded at fair value, with both realized and unrealized gains or losses recorded in other revenue in the consolidated statement of income.

Note 8 -- Certain Relationships and Related Transactions

CIT is a partner with Dell Inc. ("Dell") in Dell Financial Services L.P. ("DFS"), a joint venture that offers financing to Dell's customers. The joint venture provides Dell with financing and leasing capabilities that are complementary to its product offerings and provides CIT with a source of new financings. The joint venture agreement provides Dell with the option to purchase CIT's 30% interest in DFS in February 2008 based on a formula tied to DFS profitability, within a range of $100 million to $345 million. CIT has the right to purchase a minimum percentage of DFS's finance receivables on a declining scale through January 2010.

CIT regularly purchases finance receivables from DFS at a premium, portions of which are typically securitized within 90 days of purchase from DFS. CIT has limited recourse to DFS on defaulted contracts. In accordance with the joint venture agreement, net income and losses generated by DFS as determined under GAAP are allocated 70% to Dell and 30% to CIT. The DFS board of directors voting representation is equally weighted between designees of CIT and Dell, with one independent director. DFS is not consolidated in CIT's financial statements and is accounted for under the equity method. At June 30, 2005 and December 31, 2004, financing and leasing assets related to the DFS program included in the CIT Consolidated Balance Sheet (but excluding certain related International receivables originated directly by CIT) were approximately $2.2 billion and $2.0 billion, and securitized assets included in managed assets were approximately $2.3 billion and $2.5 billion, respectively. CIT's investment in the form of equity and loans to the joint venture was approximately $233 million and $267 million at June 30, 2005 and December 31, 2004.

CIT also has a joint venture arrangement with Snap-on Incorporated ("Snap-on") that has a similar business purpose and model to the DFS arrangement described above, including limited credit recourse on defaulted receivables. The agreement with Snap-on was recently extended until January 2009. CIT and Snap-on have 50% ownership interests, 50% board of directors' representation, and share income and losses equally. The Snap-on joint venture is accounted for under the equity method and is not consolidated in CIT's financial statements. At both June 30, 2005 and December 31, 2004, financing and leasing assets were approximately $1.1 billion and

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CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

securitized assets included in managed assets were $0.1 billion. In addition to the owned and securitized assets purchased from the Snap-on joint venture, CIT's investment in and loans to the joint venture were approximately $12 million and $16 million at June 30, 2005 and December 31, 2004.

Since December 2000, CIT has been a joint venture partner with Canadian Imperial Bank of Commerce ("CIBC") in an entity that is engaged in asset-based lending in Canada. Both CIT and CIBC have a 50% ownership interest in the joint venture, and share income and losses equally. This entity is not consolidated in CIT's financial statements and is accounted for under the equity method. At June 30, 2005 and December 31, 2004, CIT's investment in and loans to the joint venture were approximately $257 million and $191 million.

CIT invests in various trusts, partnerships, and limited liability corporations established in conjunction with structured financing transactions of equipment, power and infrastructure projects. CIT's interests in certain of these entities were acquired by CIT in a 1999 acquisition, and others were subsequently entered into in the normal course of business. At June 30, 2005 and December 31, 2004, other assets included approximately $17 million and $19 million of investments in non-consolidated entities relating to such transactions that are accounted for under the equity or cost methods.

Certain shareholders of CIT provide investment management, banking and investment banking services in the normal course of business.

Note 9 -- Postretirement and Other Benefit Plans

The following table discloses various components of pension expense ($ in millions):

	Quarters Ended June 30, 2005	Quarters Ended June 30, 2004
Retirement Plans		
Service cost	$ 4.9	$ 4.4
Interest cost	4.3	3.9
Expected return on plan assets	(4.8)	(4.0)
Amortization of net loss	0.7	0.7
Net periodic benefit cost	5.1	5.0
Loss due to settlements and curtailments	0.5	--
Cost for special termination benefits	2.3	--
Net amount recognized	$ 7.9	$ 5.0
Postretirement Plans		
Service cost	$ 0.5	$ 0.4
Interest cost	0.8	0.9
Amortization of net loss	0.3	0.2
Net periodic benefit cost	$ 1.6	$ 1.5

CIT contributed $6.5 million to its pension plans for the six months ended June 30, 2005, and currently expects to fund approximately an additional $15 million during the second half of 2005.

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

Note 10 -- Commitments and Contingencies

Financing and leasing asset commitments, referred to as loan commitments or lines of credit, are agreements to lend to customers subject to the customers' compliance with contractual obligations. The accompanying table summarizes these and other credit-related commitments as well as purchase and funding commitments ($ in millions):

	June 30, 2005		
	Due to Expire		
	Within One Year	After One Year	Total Outstanding
Financing Commitments			
Financing and leasing commitments	$1,725.2	$7,611.9	$9,337.1
Letters of credit and acceptances:			
Standby letters of credit	499.0	43.3	542.3
Other letters of credit	657.9	0.4	658.3
Acceptances	27.3	--	27.3
Guarantees	144.2	12.1	156.3
Purchase and Funding Commitments			
Aerospace purchase commitments	794.0	766.0	1,560.0
Other equipment purchase commitments	593.1	--	593.1
Sale-leaseback payments	10.0	462.4	472.4
Venture capital fund investment commitments	--	--	--

In addition to the amounts shown in the table above, unused, cancelable lines of credit to consumers in connection with a third-party vendor program, which may be used to finance additional technology product purchases, amounted to approximately $13.1 billion and $9.8 billion at June 30, 2005 and December 31, 2004. These uncommitted vendor-related lines of credit can be reduced or canceled by CIT at any time without notice. Our experience does not indicate that customers will exercise their entire available line of credit at any point in time.

In the normal course of meeting the needs of its customers, CIT also enters into commitments to provide financing, letters of credit and guarantees. Standby letters of credit obligate CIT to pay the beneficiary of the letter of credit in the event that a CIT client to which the letter of credit was issued does not meet its related obligation to the beneficiary. These financial instruments generate fees and involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. To minimize potential credit risk, CIT generally requires collateral and other forms of credit support from the customer.

Guarantees are issued primarily in conjunction with CIT's factoring product, whereby CIT provides the client with credit protection for its trade receivables without actually purchasing the receivables. The trade terms are generally sixty days or less. In the event that the customer is unable to pay according to the contractual terms, then the receivables would be purchased from the client. As of June 30, 2005, there were no outstanding liabilities relating to these credit-related commitments or guarantees, as amounts are generally billed and collected on a monthly basis.

CIT has entered into aerospace commitments to purchase commercial aircraft from both Airbus Industries and The Boeing Company. The commitment amounts detailed in the preceding table are based on estimated values, as actual amounts will vary based upon market factors at the time of delivery. Pursuant to existing contractual commitments, 34 aircraft remain to be purchased (18 within the next twelve months). Lease commitments are in place for ten of the remaining aircraft to be delivered over the next twelve months. The order amount excludes CIT's options to purchase additional aircraft.

Outstanding commitments to purchase equipment to be leased to customers, other than aircraft, relates primarily to rail equipment. Additionally, CIT is party to railcar sale-leaseback transactions under which it is obligated to pay a remaining total of $472.4 million, approximately $31 million per year through 2010 and

declining thereafter through 2024, which is more than offset by CIT's re-lease of the assets, contingent on its ability to maintain railcar usage. In conjunction with this sale-leaseback transaction, CIT has guaranteed all obligations of the related consolidated lessee entity.

CIT has guaranteed the public and private debt securities of a number of its wholly-owned, consolidated subsidiaries, including those disclosed in Note 14 -- Summarized Financial Information of Subsidiaries. In the normal course of business, various consolidated CIT subsidiaries have entered into other credit agreements and certain derivative transactions with financial institutions that are guaranteed by CIT. These transactions are generally used by CIT's subsidiaries outside of the U.S. to allow the local subsidiary to borrow funds in local currencies.

Note 11 -- Legal Proceedings

On September 9, 2004, Exquisite Caterers Inc., et al. v. Popular Leasing Inc., et al. ("Exquisite Caterers"), a putative national class action, was filed against 13 financial institutions, including CIT, which had acquired equipment leases ("NorVergence Leases") from NorVergence, Inc., a reseller of telecommunications and Internet services to businesses. The Exquisite Caterers lawsuit is now pending in the Superior Court of New Jersey, Monmouth County. Exquisite Caterers has alleged that NorVergence misrepresented the capabilities of the equipment leased to its customers and overcharged for the equipment. The complaint asserts that the NorVergence Leases are unenforceable and seeks rescission, punitive damages, treble damages and attorneys' fees. In addition, putative class action suits in Florida, Illinois, New York and Texas and several individual suits, all based upon the same core allegations and seeking the same relief, were filed by NorVergence customers against CIT and other financial institutions. On June 16, 2005, the Court in Exquisite Caterers denied the plaintiffs' motion for class certification. Plaintiffs filed a motion for reconsideration of the Court's denial. Thereafter, the putative class action suits in Florida and New York and one of the putative class action suits in Illinois were dismissed as to CIT, leaving pending putative class action suits in Illinois and Texas.

On July 14, 2004, the U.S. Bankruptcy Court ordered the liquidation of NorVergence under Chapter 7 of the Bankruptcy Code. Thereafter, the Attorneys General of several states commenced investigations of NorVergence and the financial institutions, including CIT, that purchased NorVergence Leases. CIT has entered into settlement agreements with all of those Attorneys General except for California and Texas. Under those settlements, lessees will have an opportunity to resolve all claims by and against CIT by paying a percentage of the remaining balance on their lease. CIT has also produced documents related to NorVergence at the request of the Federal Trade Commission ("FTC"). No further action by the FTC against CIT is expected. In addition, on February 15, 2005, CIT was served with a subpoena seeking the production of documents in a grand jury proceeding being conducted by the U.S. Attorney for the Southern District of New York in connection with an investigation of transactions related to NorVergence. CIT has produced documents in response to that subpoena.

In addition, there are various proceedings that have been brought against CIT in the ordinary course of business. While the outcomes of the NorVergence related litigation and the ordinary course legal proceedings, and the related activities, are not certain, based on present assessments, management does not believe that they will have a material adverse effect on the financial condition of CIT.

Note 12 -- Severance and Facility Restructuring Reserves

The following table summarizes previously established purchase accounting liabilities (pre-tax) related to severance of employees and closing of facilities, as well as restructuring activities during 2005 ($ in millions):

	Severance		Facilities	
	Number of Employees	Reserve	Number of Facilities	Reserve
Balance at December 31, 2004	129	$12.2	15	$ 5.7
2005 additions	172	20.9	--	2.5
2005 utilization	(140)	(8.4)	(5)	(1.0)
Balance at June 30, 2005	161	$24.7	10	$ 7.2

The beginning severance reserves relate primarily to the 2004 acquisition of a Western European vendor finance and leasing business, and include amounts payable within the year after the acquisition to individuals who chose to receive payments on a periodic basis. Severance and facilities restructuring liabilities were established under purchase accounting in conjunction with fair value adjustments to acquired assets and liabilities. The additions during 2005 are largely employee termination benefits related to the realignment of the Commercial Finance Group business segments and other business streamlining activities ($20.3 million, which was recorded as a component of the $25.2 million restructuring charge within Corporate and Other). The 2005 addition also included facility exit plan refinements relating to the acquired Western European vendor finance and leasing business, which were recorded as fair value adjustments to purchased liabilities / adjustments to goodwill. The employee termination benefits accrued during the second quarter will largely be paid during the quarter ending September 30, 2005. The facility reserves relate primarily to shortfalls in sublease transactions and will be utilized over the remaining lease terms, generally 6 years.

Note 13 -- Goodwill and Intangible Assets, Net

Goodwill and intangible assets totaled $903.1 million and $596.5 million at June 30, 2005 and December 31, 2004. The Company periodically reviews and evaluates its goodwill and other intangible assets for potential impairment. Effective October 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), under which goodwill is no longer amortized but instead is assessed periodically for impairment.

The most recent goodwill and intangible asset impairment analyses indicated that the fair values of goodwill and intangible assets were in excess of the carrying values.

The following table summarizes the goodwill balance by segment ($ in millions):

	Specialty Finance - commercial	Specialty Finance - consumer	Commercial Services	Cor Fi
Balance at December 31, 2004........................	$62.3	$ --	$261.6	$
Additions, foreign currency translation, other.......	1.9	257.2	(0.1)	
Balance at June 30, 2005............................	$64.2	$257.2	$261.5	$

The increase in goodwill during the period was primarily due to the education lending acquisition in Specialty Finance -- consumer.

Other intangible assets, net, are comprised primarily of acquired customer relationships (Specialty Finance and Commercial Service balances), as well as proprietary computer software and related transaction processes (Commercial Services). The following table summarizes the net intangible asset balances by segment ($ in millions):

	Specialty Finance - commercial	Specialty Finance - consumer	Commercial Services
Balance at December 31, 2004..............................	$68.0	$ --	$ 95.8
Additions, foreign currency translation, other.............	(1.9)	29.4	30.3

Amortization	(5.0)	(0.2)	(5.0)
Balance at June 30, 2005	$61.1	$29.2	$121.1

The increase was primarily related to the education lending acquisition in Specialty Finance -- consumer and a factoring acquisition in Commercial Services during the first quarter of 2005. Other intangible assets are being amortized over their corresponding lives ranging from five to twenty years in relation to the related cash flows, where applicable. Amortization expense totaled $5.5 million and $10.2 million for the quarter and six months ended June 30, 2005 versus $2.3 million and $4.5 million for the respective prior year periods.

Accumulated amortization totaled $33.9 million and $23.7 million at June 30, 2005 and December 31, 2004. The projected amortization for the years ended December 31, 2005 through December 31, 2009 is: $21.1 million for 2005; $20.8 million for 2006; $17.5 million for 2007; $17.6 million for 2008 and $17.8 million for 2009.

During the quarter ended June 30, 2005, segment reporting was modified in conjunction with various business realignments. The December 31, 2004 balances have been conformed to the current presentation. See Note 3 -- Business Segment Information for additional information.

Note 14 -- Summarized Financial Information of Subsidiaries

The following presents condensed consolidating financial information for CIT Holdings LLC and Capita Corporation (formerly AT&T Capital Corporation). CIT has guaranteed on a full and unconditional basis the existing debt securities that were registered under the Securities Act of 1933 and certain other indebtedness of these subsidiaries. CIT has not presented related financial statements or other information for these subsidiaries on a stand-alone basis ($ in millions):

CONSOLIDATING BALANCE SHEETS	CIT Group Inc.	Capita Corporation	CIT Holdings LLC	Ot Subsi
June 30, 2005 (Restated)				
ASSETS				
Net finance receivables	$ 1,051.2	$3,592.4	$1,891.7	$33
Operating lease equipment, net	--	526.1	134.8	7
Finance receivables held for sale	--	124.3	54.9	1
Cash and cash equivalents	876.7	676.0	267.2	
Other assets	9,595.9	60.6	16.4	1
Total Assets	$ 11,523.8	$4,979.4	$2,365.0	$44

LIABILITIES AND STOCKHOLDERS' EQUITY				
Debt	$ 33,398.8	$ 150.1	$3,873.4	$ 5
Credit balances of factoring clients	--	--	--	3
Accrued liabilities and payables	(28,321.8)	4,243.5	(3,341.7)	31
Total Liabilities	5,077.0	4,393.6	531.7	40
Minority interest		--	--	
Total Stockholders' Equity	6,446.8	585.8	1,833.3	4
Total Liabilities and Stockholders' Equity	$ 11,523.8	$4,979.4	$2,365.0	$44
December 31, 2004				
ASSETS				
Net finance receivables	$ 1,121.1	$3,129.8	$1,682.7	$28
Operating lease equipment, net	--	517.9	130.8	7
Finance receivables held for sale	--	122.4	72.0	1
Cash and cash equivalents	1,311.4	670.8	127.5	
Other assets	9,536.8	(278.9)	316.2	1
Total Assets	$ 11,969.3	$4,162.0	$2,329.2	$38
LIABILITIES AND STOCKHOLDERS' EQUITY				
Debt	$ 34,699.1	$ 487.8	$1,383.8	$ 1
Credit balances of factoring clients	--	--	--	3
Accrued liabilities and payables	(28,784.9)	3,184.5	(591.3)	29
Total Liabilities	5,914.2	3,672.3	792.5	34
Minority interest		--	--	
Total Stockholders' Equity	6,055.1	489.7	1,536.7	4
Total Liabilities and Stockholders' Equity	$ 11,969.3	$4,162.0	$2,329.2	$38

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

CONSOLIDATING STATEMENTS OF INCOME	CIT Group Inc.	Capita Corporation	CIT Holdings LLC	Ot Subsi
Six Months Ended June 30, 2005 (Restated)				
Finance income	$ 23.2	$ 330.9	$112.7	$1,
Interest expense	(32.8)	82.1	40.4	

Net finance income	56.0	248.8	72.3	
Depreciation on operating lease equipment	--	133.6	22.0	
Net finance margin	56.0	115.2	50.3	
Provision for credit losses	(4.8)	22.6	5.8	
Net finance margin, after provision for credit losses	60.8	92.6	44.5	
Equity in net income of subsidiaries	453.2	--	--	
Other revenue	70.6	68.4	82.9	
Net gain on venture capital investments	--	--	--	
Operating margin	584.6	161.0	127.4	
Operating expenses	84.9	104.7	51.6	
Provision for restructuring	--	--	--	
Income (loss) before provision for income taxes	499.7	56.3	75.8	
Benefit (provision) for income taxes	(23.0)	(20.7)	(27.9)	(
Minority interest, after tax	--	--	--	
Net income	$ 476.7	$ 35.6	$ 47.9	$
Six Months Ended June 30, 2004				
Finance income	$ 15.5	$ 359.6	$ 93.7	$1,
Interest expense	(43.5)	105.6	7.5	
Net finance income	59.0	254.0	86.2	
Depreciation on operating lease equipment	--	161.4	21.4	
Net finance margin	59.0	92.6	64.8	
Provision for credit losses	7.7	25.5	5.2	
Net finance margin, after provision for credit losses	51.3	67.1	59.6	
Equity in net income of subsidiaries	341.2	--	--	
Other revenue	(2.2)	77.0	50.6	
Net gain on venture capital investments	--	--	--	
Operating margin	390.3	144.1	110.2	
Operating expenses	56.7	71.7	50.9	
Gain on redemption of debt	41.8	--	--	
Income (loss) before provision for income taxes	375.4	72.4	59.3	
Provision for income taxes	(9.5)	(28.2)	(23.1)	(
Net income	$ 365.9	$ 44.2	$ 36.2	$

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Continued)

CONSOLIDATING STATEMENT OF CASH FLOWS	CIT Group Inc.	Capita Corporation	CIT Holdings LLC	Ot Subsi
Six Months Ended June 30, 2005 (Restated)				
Cash Flows From Operating Activities:				
Net cash flows provided by (used for) operations	$ 6,180.5	$(267.5)	$ 633.9	$(5
Cash Flows From Investing Activities:				
Net increase (decrease) in financing and leasing assets	74.7	(594.9)	(205.7)	(1
Inter-company loans and investments	(5,327.7)	--	--	
Other	--	--	--	
Net cash flows (used for) provided by investing activities	(5,253.0)	(594.9)	(205.7)	(1
Cash Flows From Financing Activities:				
Net increase (decrease) in debt	(1,300.3)	(337.7)	2,489.6	
Net loans extended -- pledged	--	--	--	
Inter-company financing	--	1,205.3	(2,778.1)	6
Cash dividends paid	(61.9)	--	--	
Other	--	--	--	
Net cash flows provided by (used for) financing activities	(1,362.2)	867.6	(288.5)	6
Net increase (decrease) in cash and cash equivalents	(434.7)	5.2	139.7	
Cash and cash equivalents, beginning of period	1,311.4	670.8	127.5	
Cash and cash equivalents, end of period ...	$ 876.7	$ 676.0	$ 267.2	$
Six Months Ended June 30, 2004				
Cash Flows From Operating Activities:				
Net cash flows provided by operations	$ 128.8	$ 514.0	$ 166.4	$
Cash Flows From Investing Activities:				
Net (decrease) increase in financing and leasing assets	457.5	322.3	(122.7)	(2
Inter-company loans and investments	(2,453.7)	--	--	
Other	--	--	--	

Net cash flows (used for) provided by investing activities	(1,996.2)	322.3	(122.7)	(2
Cash Flows From Financing Activities:				
Net increase (decrease) in debt	1,475.1	(566.1)	6.8	
Inter-company financing	--	(134.5)	47.4	2
Cash dividends paid	(55.9)	--	--	
Other	--	--	--	
Net cash flows provided by (used for) financing activities	1,419.2	(700.6)	54.2	2
Net (decrease) increase in cash and cash equivalents	(448.2)	135.7	97.9	
Cash and cash equivalents, beginning of period	1,479.9	410.6	227.5	
Cash and cash equivalents, end of period ...	$ 1,031.7	$ 546.3	$ 325.4	$

CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited) (Concluded)

Note 15 -- Subsequent Events

In connection with a share repurchase program authorized by the Company's Board of Directors, on July 19, 2005, the Company entered into an agreement with Goldman, Sachs & Co. ("Goldman Sachs") to purchase shares of the Company's common stock for an aggregate purchase price of $500 million under an accelerated stock buyback program. The buyback agreement provides for the upfront delivery of $500 million to Goldman Sachs and the initial delivery of shares to CIT, followed by the potential delivery of additional shares depending upon the price of CIT common stock during the term of the program. Additional shares may be delivered to CIT at two subsequent dates, during the third quarter when minimum and maximum number of shares will be set and in the fourth quarter at the end of the program. Repurchased shares delivered to CIT will be held in treasury.

The number of additional shares the Company may receive over the remaining term of the agreement, which expires during December 2005, will generally be based upon the volume-weighted average price of the Company's common stock during the term of the program. However, as part of the agreement, minimum and maximum share prices will be set, which will serve to determine the number of shares to be received. The minimum and maximum share prices will be established based upon the volume-weighted average price, during a period that began on July 25, 2005, and will be completed during the third quarter of 2005. The Company expects that the program will be completed in December 2005, although in certain circumstances the completion date may be accelerated or extended.

In connection with the program, the Company expects that Goldman Sachs will purchase shares of the Company's common stock in the open market over time. Also in conjunction with the program, Goldman Sachs may sell CIT shares in the open market over time. These activities undertaken by Goldman Sachs are expected to increase the amount of short interest in the Company's stock, but will be reversed over the course of the agreement term.

On July 28, 2005, the Company delivered $500 million to Goldman Sachs and received the initial delivery of approximately 8.2 million shares, while retaining the right to receive additional shares as explained above. The 8.2 million shares represents 80% of the minimum expected share delivery based upon preliminary pricing. In no event, will CIT receive less than the 8.2 million shares.

On July 26, 2005, the Company issued $500 million aggregate amount of Series A and Series B preferred equity securities. The offering was comprised of $350 million 6.35% non-cumulative fixed rate Series A preferred stock and $150 million 5.189% non-cumulative adjustable rate Series B preferred stock. Holders of the Series A preferred shares will be entitled to receive dividends as declared, at an annual rate of 6.35%. Holders of the Series B preferred shares will be entitled to receive dividends as declared, at an annual rate of 5.189% through and including September 15, 2010, and thereafter at an annual floating rate spread over a pre-specified benchmark rate. Both the Series A and Series B preferred stock are callable at par at any time after September 15, 2010. The intended use of proceeds from this offering was to fund the repurchase of our common stock in conjunction with the previously announced accelerated stock buyback program.

On July 19, 2005, the Company announced the definitive agreement to acquire Healthcare Business Credit Corporation ("HBCC"), a full service healthcare financing company that specializes in asset-based and cash flow financing to U.S. healthcare providers. HBCC, which is located in New Jersey, has approximately $500 million in assets and $1 billion in lending commitments. The transaction is expected to close in the third quarter of 2005.

Note 16 -- Restatement Relating to Derivative Hedge Accounting

During the fourth quarter of 2005, we learned of an interpretation with respect to applying the "matched terms" approach in hedge accounting under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("SFAS 133"). We reviewed our accounting for certain cross-currency interest rate swaps ("compound swaps" or "compound derivatives") under SFAS 133.

We determined that certain compound swaps were not appropriately accounted for, even though these compound swaps were highly effective economic hedges of the interest rate and currency exchange risks associated with foreign denominated debt. We documented these swaps originally as "matched terms" hedges, which assumes no hedge ineffectiveness. The swaps would have qualified for "long-haul" hedge accounting with ineffectiveness reflected in current earnings. However, the swaps did not qualify for hedge accounting treatment from their inception, as SFAS 133 does not allow for subsequent documentation modifications.

The elimination of hedge accounting from inception of the compound swaps resulted in an increase in pre-tax income of $52.4 million and $80.1 million for the three and six months ended June 30, 2005, to reflect the elimination of adjustments to the basis of the corresponding debt under SFAS 133 fair value hedge accounting for changes in interest rates during the period. This amount includes a year to date increase in other revenue for 2004 and prior derivative hedge accounting adjustments that management determined to be immaterial to the 2004 annual and interim financial statements. This increase to revenues in the six-month period will reduce future earnings by an equal amount through 2015. We are also including other previously identified, immaterial, in-period financial statement changes for various revenue and expense accruals in conjunction with this restatement with respect to year to date results.

The primary impacts of this restatement of non-cash items on our financial statements are as follows ($ in millions, per share amounts in dollars):

At or for the Quarter and Six Months Ended June 30, 2005	Quarter			
	Previously Reported	Restated	Change	Previously Reported
Income Statement				
Finance income	$ 1,106.7	$ 1,100.7	$ (6.0)	$ 2,128.7
Interest expense	466.7	467.8	1.1	860.9
Other revenue	278.9	331.3	52.4	518.3
Salaries and general operating expenses	271.8	268.8	(3.0)	532.8
Provision for income taxes	113.0	132.9	19.9	235.8
Net income	220.7	249.1	28.4	431.1
Basic earnings per share	1.05	1.18	0.13	2.05
Diluted earnings per share	1.03	1.16	0.13	2.01
Balance Sheet				
Finance receivables and education lending receivables	40,509.3	40,507.9	(1.4)	
Total debt	43,458.5	43,376.8	(81.7)	
Accrued liabilities and payables	3,748.5	3,783.2	34.7	
Total stockholders' equity	6,401.2	6,446.8	45.6	

The effect of the restatement on our statement of financial position at the end of the reported periods is immaterial and the restatement has no effect on our cash flows.

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

Certain data within this section has been "Restated" as detailed in Note 16 -- Restatement Relating to Derivative Hedge Accounting to the financial statements.

CIT Group Inc., a Delaware corporation, is a global commercial and consumer finance company that was founded in 1908. CIT provides financing and leasing capital for consumers and companies in a wide variety of industries, offering vendor, equipment, commercial, factoring, home lending, educational lending and structured financing products as well as rendering management advisory services.

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for a glossary of key terms used in our business and an overview of profitability drivers and related metrics.

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosure about Market Risk" contain certain non-GAAP financial measures. See "Non-GAAP Financial Measurements" for additional information.

Profitability

Profitability measurements for the respective periods are presented in the table below:

	Quarters Ended June 30,		Six Months
	2005	2004	2005
	(Restated)		(Restated)
Net income	$249.1	$176.6	$476.7
Net income per diluted share	$ 1.16	$ 0.82	$ 2.22
Net income as a percentage of AEA	2.10%	1.86%	2.08%
Return on average tangible common equity	18.3%	13.7%	17.4%
Return on average common equity	15.7%	12.5%	15.2%

For the six months ended June 30, 2004, net income, net income per diluted share, net income as a percentage of average earning assets ("AEA"), return on average tangible equity and return on average equity excluding gain on redemption of debt, were $340.4 million, $1.58, 1.82%, 13.4% and 12.2%, respectively.

Current quarter net income includes: a pre-tax $25.2 million restructuring charge corresponding to the termination benefits of approximately 200 employees in conjunction with the realignment of Commercial Finance and other business streamlining activities (detailed further in Note 12 -- Severance and Facility Restructuring Reserves) and a pre-tax $22.0 million gain on the sale of a significant portion of the business aircraft portfolio. Current quarter and year to date 2005 also include pre-tax mark-to-market gains of $52.4 million and $80.1 million relating to derivatives that do not qualify for hedge accounting treatment. Prior year first half net income included a pre-tax $41.8 million gain on early debt redemption. Excluding these transactions, the improved results reflected lower charge-offs, strong non-spread revenues and a lower effective tax rate.

Results by Business Segment

The tables that follow summarize selected financial information by business segment. See Note 3 -- Business Segments Information for details on 2005 realignment initiatives and measuring segment performance using risk-adjusted capital. The 2004 results have been conformed to the current presentation reflecting the revised 2005 capital allocation methodology and certain asset transfers, as described in Note 3. ($ in millions)

	Quarters Ended June 30,				
	2005 (Restated)			2004	
	Net Income	Return on AEA	Return on Risk-Adjusted Capital	Net Income	Return on AEA
Specialty Finance -- commercial......	$ 75.5	2.71%	22.8%	$ 65.6	2.66%
Specialty Finance -- consumer........	16.7	0.63%	9.5%	14.2	1.60%
Total Specialty Finance..........	92.2	1.70%	17.8%	79.8	2.37%
Commercial Services.................	42.6	6.43%	25.5%	40.0	5.87%
Corporate Finance...................	43.4	2.21%	20.6%	48.3	2.97%
Equipment Finance...................	34.2	2.19%	15.6%	19.3	1.12%
Capital Finance.....................	38.9	1.72%	12.4%	13.2	0.65%
Total Commercial Finance.........	159.1	2.47%	17.5%	120.8	1.99%
Corporate, including certain charges	(2.2)	(0.02)%	--	(24.0)	(0.27)%
Total...........................	$249.1	2.10%	18.3%	$176.6	1.86%

	Six Months Ended June 30,				
	2005 (Restated)			2004	
	Net Income	Return on AEA	Return on Risk-Adjusted Capital	Net	Return