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

FORM 10-Q

|X|	Quarterly Report Pursuant to Section 13 or 15(d) or of the Securities Exchange Act of 1934 *For the quarterly period ended March 31, 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	**10017**
(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 April 29, 2011 there were 200,523,962 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)

	March 31, 2011	December 31, 2010
Assets		
Cash and due from banks	$ 786.7	$ 734.1
Interest bearing deposits, including restricted balances of $1,343.7 at March 31, 2011 and $2,553.8 at December 31, 2010[1]	4,900.1	10,469.9
Investment securities	6,416.9	328.5
Trading assets at fair value - derivatives	13.9	25.7
Assets held for sale[1]	1,174.4	1,218.5
Loans (see Note 5 for amounts pledged)	23,736.7	24,500.5
Allowance for loan losses	(402.5)	(416.2)
Total loans, net of allowance for loan losses[1]	23,334.2	24,084.3
Operating lease equipment, net (see Note 5 for amounts pledged)[1]	11,040.2	11,136.7
Unsecured counterparty receivable	516.1	534.5
Goodwill	277.4	277.4
Intangible assets, net	99.1	119.2
Other assets	2,116.2	2,029.4
Total Assets	**$ 50,675.2**	**$ 50,958.2**
Liabilities		
Deposits	$ 4,294.6	$ 4,536.2
Trading liabilities at fair value - derivatives	205.4	126.3
Credit balances of factoring clients	1,110.7	935.3
Other liabilities	2,383.9	2,466.9
Long-term borrowings, including $4,689.8 and $3,686.3 contractually due within twelve months at March 31, 2011 and December 31, 2010, respectively	33,686.6	33,979.8
Total Liabilities	**41,681.2**	**42,044.5**
Stockholders Equity		
Common stock: $0.01 par value, 600,000,000 authorized		
Issued: 200,767,267 at March 31, 2011 and 200,690,938 at December 31, 2010	2.0	2.0
Outstanding: 200,518,457 at March 31, 2011 and 200,463,197 at December 31, 2010		
Paid-in capital	8,440.4	8,434.1
Retained earnings	563.9	498.3

Accumulated other comprehensive loss	(4.1)	(9.6)
Treasury stock: 248,810 shares at March 31, 2011 and 227,741 at December 31, 2010, at cost	(9.9)	(8.8)
Total Common Stockholders' Equity	**8,992.3**	**8,916.0**
Noncontrolling minority interests	1.7	(2.3)
Total Equity	**8,994.0**	**8,913.7**
Total Liabilities and Equity	**$ 50,675.2**	**$ 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 not available to the creditors of CIT or any affiliates of CIT.

Assets		
Interest bearing deposits, restricted	$ 919.5	$ 931.2
Assets held for sale	40.3	100.0
Total loans, net of allowance for loan losses	11,817.7	12,041.5
Operating lease equipment, net	2,870.8	2,900.0
Total Assets	**$ 15,648.3**	**$ 15,972.7**
Liabilities		
Beneficial interests issued by consolidated VIEs (classified as long-term borrowings)	$ 10,116.4	$ 10,764.7
Total Liabilities	**$ 10,116.4**	**$ 10,764.7**

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

CIT GROUP INC. AND SUBSIDIARIES

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

	Quarters Ended March 31,	
	2011	**2010**
Interest income		**As Restated[(1)]**
Interest and fees on loans	$ 635.5	$ 1,097.4
Interest and dividends on investments	7.7	7.3
Interest income	643.2	1,104.7
Interest expense		
Interest on long-term borrowings	(674.5)	(810.6)
Interest on deposits	(24.4)	(20.8)
Interest expense	(698.9)	(831.4)
Net interest revenue	(55.7)	273.3
Provision for credit losses	(123.4)	(226.1)
Net interest revenue, after credit provision	(179.1)	47.2
Other income		
Rental income on operating leases	413.3	425.8
Other	278.2	150.4
Total other income	691.5	576.2
Total revenue, net of interest expense and credit provision	**512.4**	**623.4**
Other expenses		
Depreciation on operating lease equipment	(160.5)	(172.7)
Operating expenses	(216.4)	(261.7)
Total other expenses	(376.9)	(434.4)
Income before provision for income taxes	135.5	189.0
Provision for income taxes	(65.7)	(43.4)
Net income before attribution of noncontrolling interests	69.8	145.6
Net income attributable to noncontrolling interests, after tax	(4.2)	(1.0)
Net income	**$ 65.6**	**$ 144.6**

Basic earnings per common share	$	0.33	$	0.72
Diluted earnings per common share	$	0.33	$	0.72
Average number of common shares - basic (thousands)		200,605		200,040
Average number of common shares - diluted (thousands)		200,933		200,076

(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.

CIT GROUP INC. AND SUBSIDIARIES

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			65.6			4.2	69.8
Foreign currency translation adjustments				6.8			6.8
Change in fair values of derivatives qualifying as cash flow hedges				0.9			0.9
Unrealized gain on available for sale equity investments, net				(2.1)			(2.1)
Minimum pension liability adjustment				(0.1)			(0.1)
Total comprehensive income							75.3
Restricted stock and stock option expenses		6.3			(1.1)		5.2
Equity distribution						(0.2)	(0.2)
March 31, 2011	$ 2.0	$ 8,440.4	$ 563.9	$ (4.1)	$ (9.9)	$ 1.7	$ 8,994.0
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			144.6			1.0	145.6
Foreign currency translation adjustments				35.6			35.6
Change in fair values of derivatives qualifying as cash flow hedges				(0.3)			(0.3)
Unrealized gain on available for sale equity investments, net				(0.1)			(0.1)
Total comprehensive income							180.8
Restricted stock and stock option expenses		5.8			(0.1)		5.7
Equity distribution						(0.1)	(0.1)
March 31, 2010(1)	$ 2.0	$ 8,403.8	$ 126.2	$ 35.2	$ (0.1)	$ (6.1)	$ 8,561.0

(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.

CIT GROUP INC. AND SUBSIDIARIES

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

	Quarters Ended March 31,	
	2011	**2010**
		As Restated[(1)]
Cash Flows From Operations		
Net income	$ 65.6	$ 144.6
Adjustments to reconcile net income to net cash flows from operations:		
Provision for credit losses	123.4	226.1
Net depreciation, amortization and (accretion)	111.5	(236.0)
Net gains on equipment, receivable and investment sales	(134.9)	(63.5)
Provision for deferred income taxes	21.3	16.3
(Increase) decrease in finance receivables held for sale	(0.7)	7.0
Increase in other assets	(44.9)	(140.2)
(Decrease) increase in accrued liabilities and payables	(18.1)	164.3
Net cash flows provided by operations	123.2	118.6
Cash Flows From Investing Activities		
Loans extended and purchased	(4,652.2)	(4,209.5)
Principal collections of loans and investments	5,371.7	6,627.1
Purchases of investment securities	(6,125.5)	
Proceeds from asset and receivable sales	860.6	389.4
Purchases of assets to be leased and other equipment	(328.4)	(284.7)
Net (increase) decrease in short-term factoring receivables	(73.3)	154.8
Change in restricted cash	1,210.1	(528.7)
Net cash flows (used in) provided by investing activities	(3,737.0)	2,148.4
Cash Flows From Financing Activities		
Proceeds from the issuance of term debt	2,354.5	1,056.2
Repayments of term debt	(2,838.9)	(3,269.4)
Net decrease in deposits	(233.6)	(365.1)
Net repayments of non-recourse leveraged lease debt	(5.5)	(8.6)
Collection of security deposits and maintenance funds	125.8	189.7
Repayment of security deposits and maintenance funds	(95.6)	(187.8)
Net cash flows used in financing activities	(693.3)	(2,585.0)
Decrease in cash and cash equivalents	(4,307.1)	(318.0)
Unrestricted cash and cash equivalents, beginning of period	8,650.2	8,405.2
Unrestricted cash and cash equivalents, end of period	**$ 4,343.1**	**$ 8,087.2**

Supplementary Cash Flow Disclosure				
Interest paid	$	524.2	$	732.7
Federal, foreign, state and local income taxes paid (collected), net	$	6.7	$	(6.2)
Supplementary Non Cash Flow Disclosure				
Net transfer of finance receivables from held for investment to held for sale	$	395.2	$	1,058.0

(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.

CIT GROUP AND SUBSIDIARIES NOTES TO 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 inter-company 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 Form 10-K.

The consolidated financial statements include the effects of adopting Fresh Start Accounting (FSA) upon emergence from bankruptcy on December 10, 2009, 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 and 25, 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 March 31, 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 increased net income for the quarter ended March 31, 2010 by approximately $47 million to $144.6 million, as compared to the amount originally reported in the March 31, 2010 Form 10-Q. Comparisons to the 2010 first 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.

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

Investments

Investment securities are classified and accounted for as follows:

- 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

Fair Value Measurements and Disclosures

In January 2010, FASB issued Accounting Standards Update (ASU) 2010-06, Fair Value Measurements and Disclosures (Topic 820). This update enhances disclosures about (1) different classes of assets and liabilities measured at fair value, (2) valuation techniques and inputs used, (3) transfers between Levels 1, 2, and 3, and (4) activity in Level 3 fair value measurements. Disclosure of activity in Level 3 fair value measurements is effective for fiscal years and interim periods beginning after December 15, 2010. This guidance was adopted and did not have a material impact on the Company s financial statement disclosures.

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. Under the new guidance, the Company is required to disclose its accounting policies, the methods it uses to determine the components of the allowance for credit losses, and qualitative and quantitative information about the credit risk inherent in the loan portfolio, including additional information on certain types of loan modifications.

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 is effective for the first quarter 2011 Form 10-Q and is disclosed in Note 3. The adoption of this guidance affects CIT s disclosures of loans and allowance for loan losses, but does not affect its financial condition or results of operations. The new disclosures relating to loan modifications, including troubled debt restructurings in accordance with ASU 2011-02, A Creditor's

Determination of Whether a Restructuring Is a Troubled Debt Restructuring, were deferred until reporting periods beginning after June 15, 2011.

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.

NOTE 2 LOANS

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

(dollars in millions)

	March 31, 2011			December 31, 2010		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Corporate Finance	$ 5,951.1	$ 1,945.0	$ 7,896.1	$ 6,482.4	$ 1,999.8	$ 8,482.2
Transportation Finance	1,026.5	256.1	1,282.6	1,098.8	290.1	1,388.9
Trade Finance	2,487.6	135.0	2,622.6	2,207.7	179.7	2,387.4
Vendor Finance	2,470.7	1,565.8	4,036.5	2,582.9	1,583.2	4,166.1
Consumer	7,881.6	17.3	7,898.9	8,058.8	17.1	8,075.9
Total	$ 19,817.5	$ 3,919.2	$ 23,736.7	$ 20,430.6	$ 4,069.9	$ 24,500.5

The following table presents selected information related to components of the net investment in finance leases, which are included in total finance receivables:

(dollars in millions)

	March 31, 2011	December 31, 2010
Unearned income	$ (1,262.1)	$ (1,356.3)
Net unamortized deferred fees and costs	25.8	16.0
Total finance leases	4,347.9	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 borrowers ability to fulfill their obligations. Loans rated as substandard and doubtful 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.

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(dollars in millions)

	Corporate Finance - Other	Corporate Finance- SBL	Transportation Finance	Trade Finance	Vendor Finance US	Vendor Finance International	Total Commercial	Total Consumer	Totals[1]
At March 31, 2011									
Grade:									
Pass	$ 4,705.9	$ 343.0	$ 617.7	$ 2,210.6	$ 2,110.2	$ 1,857.5	$ 11,844.9	$ 6,955.5	$ 18,800.4
Special mention	1,074.9	172.6	301.2	225.9	140.4	179.6	2,094.6	494.4	2,589.0
Substandard	1,002.1	196.0	351.1	162.5	164.7	131.4	2,007.8	451.0	2,458.8
Doubtful	397.3	172.6	29.8	23.6	51.0	61.1	735.4	1.5	736.9
Total	$ 7,180.2	$ 884.2	$ 1,299.8	$ 2,622.6	$ 2,466.3	$ 2,229.6	$ 16,682.7	$ 7,902.4	$ 24,585.1
Non-accrual loans	$ 809.5	$ 194.6	$ 62.1	$ 98.0	$ 71.5	$ 69.4	$ 1,305.1	$ 0.9	$ 1,306.0
At December 31, 2010									
Grade:									
Pass	$ 4,843.4	$ 360.9	$ 652.3	$ 1,977.9	$ 2,198.5	$ 1,867.9	$ 11,900.9	$ 7,348.4	$ 19,249.2
Special mention	1,275.6	161.0	540.8	244.3	142.5	193.1	2,557.3	358.2	2,915.6
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 $848.4 million and $1,134.1 million of loans in Assets Held for Sale at March 31, 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. 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.

Past Due and Non-accrual Loans

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

Finance Receivables 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 March 31, 2011						

Commercial						
Corporate Finance - Other	$ 15.2	$ 9.2	$ 112.0	$ 136.4	$ 7,043.8	$ 7,180.2
Corporate Finance - SBL	18.8	6.6	47.3	72.7	811.5	884.2
Transportation Finance	7.9	2.9	2.5	13.3	1,286.5	1,299.8
Trade Finance	27.7	1.4	3.0	32.1	2,590.5	2,622.6
Vendor Finance US	46.9	17.9	18.4	83.2	2,383.1	2,466.3
Vendor Finance International	20.1	8.2	11.2	39.5	2,190.1	2,229.6
Consumer	332.6	160.9	449.5	943.0	6,959.4	7,902.4
Total	$ 469.2	$ 207.1	$ 643.9	$ 1,320.2	$ 23,264.9	$ 24,585.1
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 $848.4 million and $1,134.1 million of loans in Assets Held for Sale at March 31, 2011 and December 30, 2010, respectively.

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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)

	March 31, 2011			December 31, 2010		
	Held for Investment	Held for Sale	Total	Held for Investment	Held for Sale	Total
Commercial						
Corporate Finance - Other	$ 701.3	$ 108.2	$ 809.5	$ 969.3	$ 56.1	$ 1,025.4
Corporate Finance - SBL	170.9	23.7	194.6	214.4		214.4
Transportation Finance	62.1		62.1	63.2		63.2
Trade Finance	98.0		98.0	164.4		164.4
Vendor Finance - US	71.5		71.5	80.2		80.2
Vendor Finance - International	36.4	33.0	69.4	40.4	27.3	67.7
Consumer	0.9		0.9	0.4	0.3	0 .7
Total non-accrual loans	$ 1,141.1	$ 164.9	$ 1,306.0	$ 1,532.3	$ 83.7	$ 1,616.0
Repossessed assets			17.7			21.1
Total non-performing assets			$ 1,323.7			$ 1,637.1
Government guaranteed accruing loans past due 90 days or more			$ 449.2			$ 433.6
Other accruing loans past due 90 days or more			4.5			1.7
Total accruing loans past due 90 days or more			$ 453.7			$ 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 placed 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, 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) and disclosed further below in this note, and the related reserve for credit losses.

Impaired Loans At or for the Quarter Ended March 31, 2011 (dollars in millions)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial				
Corporate Finance - Other	$ 240.4	$ 392.4	$	$ 237.9
Corporate Finance - SBL	32.9	44.7		41.8
Transportation Finance	8.6	10.4		9.8
Trade Finance	84.4	118.3		107.9
Vendor Finance US	16.9	27.1		21.7
Vendor Finance International	15.4	33.5		15.5
With an allowance recorded:				
Commercial				
Corporate Finance - Other	115.8	139.4	43.8	132.3
Corporate Finance - SBL	48.2	52.2	13.1	50.1
Transportation Finance	53.4	59.2	11.7	54.9
Trade Finance	19.1	25.1	4.8	23.1
Total Commercial	$ 635.1	$ 902.3	$ 73.4	$ 695.0

Impaired Loans for the quarter ended March 31, 2010

Average Recorded Investment $206.4

At December 31, 2010[1]	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 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.

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. A specific allowance 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. 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 in a liquidation may become difficult to locate, subject to pilferage, or difficult to collect in a liquidation.

The Company periodically modifies the terms of loans / finance receivables in response to borrowers difficulties. Modifications that include a financial concession to the borrower are accounted for as troubled debt restructurings (TDRs). The net investment of TDRs at March 31, 2011 and December 31, 2010 were $404.0 million and $461.7 million, of which 96% and 95% were on non-accrual. Corporate Finance receivables accounted for 71% and 73% of the total TDRs. At March 31, 2011 and December 31, 2010, there were $17.4 million and $19.6 million, respectively, of commitments to lend additional funds to borrowers whose loan terms have been modified in troubled debt restructurings.

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 in FSA at the time of emergence. The Company has no other loans reported under this guidance.

	March 31, 2011			December 31, 2010		
(dollars in millions)	**Carrying Amount**	**Outstanding balance**[(1)]	**Related Allowance**	**Carrying Amount**	**Outstanding balance**[(1)]	**Related Allowance**
Commercial	$ 556.0	$ 1,598.4	$ 23.5	$ 795.6	$ 1,914.6	$ 54.9
Consumer	1.5	13.1		1.5	14.3	
Totals	$ 557.5	$ 1,611.5	$ 23.5	$ 797.1	$ 1,928.9	$ 54.9

	Quarter Ended March 31, 2011		Quarter Ended March 31, 2010	
	Provision for Credit Losses	**Net Charge-offs**	**Provision for Credit Losses**	**Net Charge-offs**
Commercial	$ 70.4	$ 101.8	$ 53.5	$ 47.8
Consumer	0.8	0.8	1.7	1.7
Totals	$ 71.2	$ 102.6	$ 55.2	$ 49.5

(1) Represents the sum of contractual principal, interest and fees earned at the reporting date, aggregated as pre-FSA net investment grossed up for inception to date of charge-offs.

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 March 31, 2011
Accretable discount, beginning of period	$ 207.2
Accretion	(12.3)
Disposals/transfers	(27.4)

Accretable discount, end of period	$	167.5

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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
As of or for the Quarters Ended March 31, (dollars in millions)

	2011							2010
	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Total Commercial	Consumer	Total	Total
Allowance for loan losses:								
Beginning balance	$ 303.7	$ 23.7	$ 29.9	$ 58.9	$ 416.2	$	$ 416.2	$
Provision for credit losses	74.5	1.8	3.3	42.9	122.5	0.9	123.4	226.1
Change relating to new accounting pronouncement[1]								68.6
Changes relating to sales, foreign currency translation, other	2.6	(0.1)	0.7	0.3	3.5		3.5	(3.3)
Gross charge-offs[2]	(125.0)	(0.7)	(6.2)	(26.3)	(158.2)	(1.2)	(159.4)	(79.7)
Recoveries	8.0		1.9	8.6	18.5	0.3	18.8	2.2
Allowance balance - end of period	$ 263.8	$ 24.7	$ 29.6	$ 84.4	$ 402.5	$	$ 402.5	$ 213.9
Individually evaluated for impairment	$ 56.9	$ 11.7	$ 4.8	$	$ 73.4	$	$ 73.4	
Collectively evaluated for impairment	185.4	13.0	24.8	82.4	305.6		305.6	
Loans acquired with deteriorated credit quality[3]	21.5			2.0	23.5		23.5	
Allowance balance - end of period	$ 263.8	$ 24.7	$ 29.6	$ 84.4	$ 402.5	$	$ 402.5	
Reserve for unfunded lending commitments[4]	$ 8.2	$ 0.9	$	$	$ 9.1	$	$ 9.1	
Financing receivables:								
Individually evaluated for impairment	$ 437.3	$ 62.0	$ 103.5	$ 32.3	$ 635.1	$	$ 635.1	
Collectively evaluated for impairment	6,945.8	1,220.5	2,519.1	3,961.3	14,646.7	7,897.4	22,544.1	
Loans acquired with deteriorated credit quality[3]	513.0	0 .1		42.9	556.0	1.5	557.5	
Ending balance	$ 7,896.1	$ 1,282.6	$ 2,622.6	$ 4,036.5	$ 15,837.8	$ 7,898.9	$ 23,736.7	
Percent of total loans	33.3%	5.4%	11.0%	17.0%	66.7%	33.3%	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 $74.9 million that were charged directly to the allowance for loan losses for the March 31, 2011 quarter, of which $69.7 million related to Corporate Finance with the remainder related to Trade Finance.*

(3)

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

(4) *Represents additional loan 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 2010 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 2011 first quarter, the Company purchased $6,125.5 million of U.S. Treasury securities. All of the investments in U.S. Treasuries mature in 91 days or less, and the carrying value approximates fair value. The securities were purchased using $4.2 billion of unrestricted cash and $1.9 billion of restricted cash. The restricted cash utilized resided in a Cash Sweep account, for which investments in certain high-grade securities is a permitted use.

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)	**March 31, 2011**	**December 31, 2010**
Debt securities available-for-sale	$ 6,125.5	$
Equity securities available-for-sale	17.3	37.5
Debt securities held-to-maturity(1)	186.4	195.9
Non-marketable equity securities carried at cost(2)	87.7	95.1
Total investment securities	$ 6,416.9	$ 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 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): (dollars in millions)

	March 31, 2011		
	Amortized Cost	**Gross Unrealized Gains**	**Fair Value**
Debt securities AFS			
U.S. Treasury	$ 6,125.5	$	$ 6,125.5
Equity securities AFS	17.2	0.1	17.3
Total securities AFS	$ 6,142.7	$ 0.1	$ 6,142.8

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 Income, 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 Income.

The following table presents interest and dividends on investments:

dollars in millions	Quarter Ended March 31	
	2011	**2010**
Interest	$ 7.7	$ 5.5
Dividends		1.8
Total interest and dividends	$ 7.7	$ 7.3

Gross realized investment gains for the quarter ended March 31, 2011 were $23.0 million and exclude losses from other-than-temporary impairment.

Debt Securities Held-to-Maturity

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

dollars in millions

	Carrying value	Gross unrecognized gains	Fair value
March 31, 2011			
U.S. Treasury and federal agency securities			
U.S. Treasury			
Agency obligations	$ 112.0	$ 0.6	$ 112.6
Total U.S. Treasury and federal agency securities	112.0	0.6	112.6
Mortgage-backed securities			
U.S. government and government-sponsored agency guaranteed	54.4	0.2	54.6
State and municipal	0.4		0.4
Foreign government	19.6		19.6
Total debt securities held-to-maturity	$ 186.4	$ 0.8	$ 187.2
December 31, 2010			
U.S. Treasury and federal agency securities			
U.S. Treasury			
Agency obligations	$ 119.8	$ 0.7	$ 120.5
Total U.S. Treasury and federal agency securities	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:

	March 31, 2011		December 31, 2010	
dollars in millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-backed securities[1]				
After 10 years[2]	$ 54.4	$ 54.6	$ 56.9	$ 57.9
Total	54.4	54.6	56.9	57.9
U.S. Treasury and federal agencies				
After 1 but within 5 years	112.0	112.6	119.8	120.5
Total	112.0	112.6	119.8	120.5
State and municipal				
After 1 but within 5 years	0.2	0.2	0.2	0.2
After 5 but within 10 years	0.2	0.2	0.2	0.2
Total	0.4	0.4	0.4	0.4
Foreign government				
Due within 1 year	17.1	17.1	18.8	18.8
After 1 but within 5 years	2.5	2.5		
Total	19.6	19.6	18.8	18.8
Total debt securities HTM	$ 186.4	$ 187.2	$ 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 amounts recognized in earnings totaled $6.1 million for the March 31, 2011 quarter, which were credit-related impairments on equity securities. There were no first quarter 2010 impairment charges. Impairment amounts in accumulated other comprehensive income were not significant at March 31, 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, other-than-temporary impairment 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 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, with the non-credit related impairment 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 would 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;
- 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, 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.

(dollars in millions)	March 31, 2011			December 31, 2010
	CIT Group Inc.	Subsidiaries	Total	Total
Secured borrowings	$	$ 10,347.7	$ 10,347.7	$ 10,965.8
First lien facility	198.1	2,842.8	3,040.9	3,042.6
Other debt	85.9	69.5	155.4	167.7
Series A Notes	18,142.6		18,142.6	19,037.9
Series B Notes				765.8
Series C Notes	2,000.0		2,000.0	
Total debt	$ 20,426.6	$ 13,260.0	$ 33,686.6	$ 33,979.8

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 below are not included in the collateral available to lenders under the First Lien Facility or the Series A or C Notes described below.

Secured Borrowings and Pledged Asset Summary (dollars in millions)

	March 31, 2011		December 31, 2010	
	Secured Borrowing	Assets Pledged	Secured Borrowing	Assets Pledged
Education loan trusts and conduits (student loans)	$ 4,102.2	$ 5,440.9	$ 4,184.4	$ 5,558.8

GSI Facility borrowings [(1)]	1,300.7	2,089.2	1,624.6	2,349.5
Vendor finance[(2)]	773.4	989.4	601.4	808.1
Equipment lease securitizations (Vendor)	610.3	818.5	757.7	949.3
Trade Finance	382.2	1,585.5	504.9	1,479.6
Corporate Finance CLO I	467.4	477.6	467.4	451.2
Canadian equipment receivables financing	264.2	364.9	346.1	434.2
Corporate finance (SBL)[(2)]	280.0	304.8	258.0	283.6
Transportation Finance Aero	61.3	60.6	62.4	61.6
Subtotal Finance Receivables	8,241.7	12,131.4	8,806.9	12,375.9
Aircraft financing[(3)]	1,289.9	1,518.9	1,315.1	1,531.0
Transportation Finance Rail	147.6	140.4	148.9	146.2
GSI Facility borrowings (Aero)	500.8	1,113.4	519.8	1,119.3
Other structures	92.9	120.9	99.8	126.2
Subtotal Equipment under operating leases	2,031.2	2,893.6	2,083.6	2,922.7
FHLB borrowings (Consumer)[(4)]	74.8	112.0	75.3	119.8
Total	$ 10,347.7	$ 15,137.0	$ 10,965.8	$ 15,418.4

(1) *At March 31, 2011 borrowing is secured by $1.4 billion of corporate finance receivables, $0.6 billion of student loans, and $0.1 billion of small business lending loans of which $31.4 million were classified in Assets Held for sale at March 31, 2011.*

(2) *Includes repurchase of assets previously sold or securitized and the associated secured debt.*

(3) *Secured aircraft financing facility for the purchase of specified Airbus aircraft.*

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

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Variable Interest Entities

The Company utilizes 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 securitizations of pools of assets. The Company originates pools of assets and sells these to special purpose entities 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.

First Lien Facility

In August 2010, CIT amended its existing first lien credit facility agreements (the First Lien Facility) and refinanced the remaining principal balance. The First Lien Facility has an outstanding balance of $3 billion that matures in August 2015. This facility carries an interest rate of LIBOR + 4.50% with a 1.75% LIBOR floor. The First Lien Facility is generally secured by a first lien on substantially all U.S. assets that are not otherwise pledged to secure the borrowings of special purpose entities as described below under *Other 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 First Lien Facility is subject to a collateral coverage covenant (based on CIT s book value in accordance with GAAP) of 2.5x the outstanding loan balance, tested quarterly and upon certain transfers, dispositions or releases of collateral. The First Lien Facility also contains a number of additional covenants, some of which do not impose restrictions on the Company if CIT continues to maintain a collateral coverage ratio of 2.75x or greater.

Series A and Series C Notes

In March 2011, the Company issued $2 billion of new Series C Second-Priority Secured 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 materially less restrictive than those in the outstanding Series A Notes, and more consistent with covenants in investment grade-rated bonds. The proceeds of the transaction were used, in conjunction with available cash, to redeem an additional $2.5 billion of 7% Series A Notes at a redemption price of 102% of the aggregate principal amount on May 2, 2011. 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 the 2013 and 2014 maturities will add approximately $65 million and $50 million, respectively, to second quarter interest expense.

During the 2011 first quarter, we 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.

The Series A Notes and Series C Notes are generally secured by second-priority security interests in all the assets securing the First Lien Facility. The 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 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 First Lien Facility and Series A Notes on an accelerated basis as part of the Cash Sweep; 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 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 Series C Indentures, holders of the 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.

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 Facility and Series A Notes. 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.

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING BALANCE SHEETS (dollars in millions)

			Non Guarantor Entities			
March 31, 2011	**CIT Group Inc.**	**Guarantor Entities**	**Pledged Entities**	**Other Non Guarantor Entities**	**Eliminations**	**Consolidated Total**
ASSETS:						
Net loans	$	$ 5,071.2	$ 2,302.5	$ 16,370.4	$ (409.9)	$ 23,334.2
Operating lease equipment, net		4,422.2	4,762.3	1,889.8	(34.1)	11,040.2
Assets held for sale		286.4	411.5	476.5		1,174.4
Cash and deposits with banks	683.0	888.3	1,229.4	2,946.3	(60.2)	5,686.8
Investment securities	4,199.9	2,000.6	6.7	392.9	(183.2)	6,416.9
Other assets	31,762.7	18,958.0	4,721.4	2,904.4	(55,323.8)	3,022.7
Total Assets	$ 36,645.6	$ 31,626.7	$ 13,433.8	$ 24,980.3	$ (56,011.2)	$ 50,675.2
LIABILITIES AND EQUITY:						
Long-term borrowings, including deposits	$ 20,426.6	$ 2,864.6	$ 1,291.2	$ 13,670.0	$ (271.2)	$ 37,981.2
Credit balances of factoring clients		1,310.7		3.8	(203.8)	1,110.7
Other liabilities	7,226.7	(1,453.1)	4,346.1	(7,281.9)	(248.5)	2,589.3
Total Liabilities	27,653.3	2,722.2	5,637.3	6,391.9	(723.5)	41,681.2
Total Stockholders Equity	8,992.3	28,904.5	7,796.2	18,588.0	(55,288.7)	8,992.3
Noncontrolling minority interests			0.3	0.4	1.0	1.7
Total Equity	8,992.3	28,904.5	7,796.5	18,588.4	(55,287.7)	8,994.0
Total Liabilities and Equity	$ 36,645.6	$ 31,626.7	$ 13,433.8	$ 24,980.3	$ (56,011.2)	$ 50,675.2
December 31, 2010(*)						
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:						
Long-term borrowings, including deposits	$ 19,322.0	$ 2,866.2	$ 2,083.0	$ 14,497.0	$ (252.2)	$ 38,516.0
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

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

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING STATEMENTS OF OPERATION (dollars in millions)

			Non Guarantor Entities			
	CIT Group Inc.	Guarantor Entities	Pledged Entities	Other Non Guarantor Entities	Eliminations	Consolidated Total
Quarter Ended March 31, 2011						
Interest income	$ 1.1	$ 246.6	$ 94.8	$ 302.6	$ (1.9)	$ 643.2
Interest expense	(451.0)	(87.6)	(59.3)	(104.9)	3.9	(698.9)
Net interest revenue	(449.9)	159.0	35.5	197.7	2.0	(55.7)
Provision for credit losses	(1.8)	(22.4)	(23.0)	(76.3)	0.1	(123.4)
Net interest revenue, after credit provision	(451.7)	136.6	12.5	121.4	2.1	(179.1)
Equity in net income of subsidiaries	576.4	290.8	71.5	78.5	(1,017.2)	
Other Income						
Rental income on operating leases		146.2	175.5	91.6		413.3
Other	(119.1)	216.4	49.7	137.7	(6.5)	278.2
Total other income	(119.1)	362.6	225.2	229.3	(6.5)	691.5
Total revenue, net of interest expense and credit provision	5.6	790.0	309.2	429.2	(1,021.6)	512.4
Other Expenses						
Depreciation on operating lease equipment		(48.8)	(64.3)	(47.4)		(160.5)
Operating expenses	(17.9)	(141.9)	(13.5)	(49.5)	6.4	(216.4)
Total other expenses	(17.9)	(190.7)	(77.8)	(96.9)	6.4	(376.9)
Income (loss) before income taxes	(12.3)	599.3	231.4	332.3	(1,015.2)	135.5
Benefit (provision) for income taxes	77.8	(43.9)	(41.9)	(57.7)		(65.7)
Net income (loss) before attribution of noncontrolling interests	65.5	555.4	189.5	274.6	(1,015.2)	69.8
Net income attributable to noncontrolling interests, after tax				(0.1)	(4.1)	(4.2)
Net income (loss)	$ 65.5	$ 555.4	$ 189.5	$ 274.5	$ (1,019.3)	$ 65.6
Quarter Ended March 31, 2010(*)						
Interest income	$ 0.4	$ 509.0	$ 165.3	$ 443.4	$ (13.4)	$ 1,104.7
Interest expense	(462.7)	(102.0)	(139.0)	(135.0)	7.3	(831.4)
Net interest revenue	(462.3)	407.0	26.3	308.4	(6.1)	273.3
Provision for credit losses	0.4	(154.7)	(24.8)	(47.0)		(226.1)
Net interest revenue, after credit provision	(461.9)	252.3	1.5	261.4	(6.1)	47.2
Equity in net income of subsidiaries	442.5	232.2	35.4	120.1	(830.2)	
Other Income						
Rental income on operating leases		129.9	183.2	113.2	(0.5)	425.8
Other	51.8	84.1	61.7	(44.5)	(2.7)	150.4

Total other income	51.8	214.0	244.9	68.7	(3.2)	576.2
Total revenue, net of interest expense and credit provision	32.4	698.5	281.8	450.2	(839.5)	623.4
Other Expenses						
Depreciation on operating lease equipment		(47.4)	(72.9)	(52.6)	0.2	(172.7)
Operating expenses	9.0	(169.5)	(19.7)	(100.8)	19.3	(261.7)
Total other expenses	9.0	(216.9)	(92.6)	(153.4)	19.5	(434.4)
Income (loss) before income taxes	41.4	481.6	189.2	296.8	(820.0)	189.0
Benefit (provision) for income taxes	101.9	(77.9)	(42.0)	(25.4)		(43.4)
Net income (loss) before attribution of noncontrolling interests	143.3	403.7	147.2	271.4	(820.0)	145.6
Net income attributable to noncontrolling interests, after tax				0.3	(1.3)	(1.0)
Net income (loss)	$ 143.3	$ 403.7	$ 147.2	$ 271.7	$ (821.3)	$ 144.6

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

CIT GROUP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (dollars in millions)

			Non Guarantor Entities			
Quarter Ended March 31, 2011	**CIT Group Inc.**	**Guarantor Entities**	**Pledged Entities**	**Other Non Guarantor Entities**	**Eliminations**	**Consolidated Total**
Cash Flows From Operating Activities:						
Net cash flows provided by (used for) operations	$ (573.5)	$ 276.2	$ 15.0	$ 405.5	$	$ 123.2
Cash Flows From Investing Activities:						
Net decrease in financing and leasing assets and other investing activities	(4,195.4)	(143.2)	74.2	527.4		(3,737.0)
(Increase) decrease in inter-company loans and investments	1,732.9				(1,732.9)	
Net cash flows (used for) provided by investing activities	(2,462.5)	(143.2)	74.2	527.4	(1,732.9)	(3,737.0)
Cash Flows From Financing Activities:						
Net increase (decrease) in debt and other financing activities	999.7	5.8	(740.0)	(958.8)		(693.3)
Inter-company financing		(2,451.8)	689.0	29.9	1,732.9	
Net cash flows provided by (used for) financing activities	999.7	(2,446.0)	(51.0)	(928.9)	1,732.9	(693.3)
Net (decrease) increase in unrestricted cash and cash equivalents	(2,036.3)	(2,313.0)	38.2	4.0		(4,307.1)
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	$ 667.3	$ 633.4	$ 1,059.3	$ 1,983.1	$	$ 4,343.1
Quarter Ended March 31, 2010(*)						
Cash Flows From Operating Activities:						
Net cash flows provided by (used for) operations	$ 75.8	$ 381.7	$ 51.4	$ (390.3)	$	$ 118.6
Cash Flows From Investing Activities:						
Net decrease in financing and leasing assets and other investing activities	131.4	(591.4)	30.9	2,577.5		2,148.4

(Increase) decrease in inter-company loans and investments	278.5				(278.5)	
Net cash flows (used for) provided by investing activities	409.9					