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

FORM 10-Q

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

Commission File Number: 001-31369

CIT GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**65-1051192** (IRS Employer Identification Number)
11 West 42nd Street New York, New York (Address of Registrant s principal executive offices)	**10036** (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 July 29, 2011 there were 200,612,222 shares of the registrant s common stock outstanding.

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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)

	June 30, 2011	December 31, 2010
Assets		
Cash and due from banks	$ 818.2	$ 734.1
Interest bearing deposits, including restricted balances of $2,425.8 at June 30, 2011 and $2,553.8 at December 31, 2010[(1)]	6,537.5	10,469.9
Investment securities	2,983.3	328.5
Trading assets at fair value derivatives	12.6	25.7
Assets held for sale[(1)]	1,863.5	1,218.5
Loans (see *Note 5* for amounts pledged)	22,284.7	24,500.5
Allowance for loan losses	(424.0)	(416.2)
Total loans, net of allowance for loan losses[(1)]	21,860.7	24,084.3
Operating lease equipment, net (see *Note 5* for amounts pledged)[(1)]	10,920.4	11,136.7
Unsecured counterparty receivable	528.9	534.5
Goodwill	264.5	277.4
Intangible assets, net	84.1	119.2
Other assets	2,135.9	2,029.4
Total Assets	**$ 48,009.6**	**$ 50,958.2**
Liabilities		
Deposits	$ 4,428.1	$ 4,536.2
Trading liabilities at fair value derivatives	230.6	126.3
Credit balances of factoring clients	1,084.9	935.3
Other liabilities	2,432.0	2,466.9
Long-term borrowings, including $2,487.5 and $3,686.3 contractually due within twelve months at June 30, 2011 and December 31, 2010, respectively	30,891.1	33,979.8
Total Liabilities	**39,066.7**	**42,044.5**
Stockholders Equity		
Common stock: $0.01 par value, 600,000,000 authorized		
Issued: 200,863,106 at June 30, 2011 and 200,690,938 at December 31, 2010	2.0	2.0
Outstanding: 200,579,734 at June 30, 2011 and 200,463,197 at December 31, 2010		
Paid-in capital	8,447.4	8,434.1
Retained earnings	515.9	498.3
Accumulated other comprehensive income	(12.3)	(9.6)

Treasury stock: 283,372 shares at June 30, 2011 and 227,741 at December 31, 2010, at cost	(11.5)	(8.8)
Total Common Stockholders Equity	**8,941.5**	**8,916.0**
Noncontrolling minority interests	1.4	(2.3)
Total Equity	**8,942.9**	**8,913.7**
Total Liabilities and Equity	**$ 48,009.6**	**$ 50,958.2**

[(1)] *The following table presents information on assets and liabilities related to Variable Interest Entities (VIEs) that are consolidated by the Company. The difference between total VIE assets and liabilities represents the Company s interests in those entities, which were eliminated in consolidation. The assets of the consolidated VIEs will be used to settle the liabilities of those entities and, except for the Company s interest in the VIEs, are generally not available to the creditors of CIT or any affiliates of CIT.*

Assets				
Interest bearing deposits, restricted	$	875.7	$	931.2
Assets held for sale		132.4		100.0
Total loans, net of allowance for loan losses		11,030.7		12,041.5
Operating lease equipment, net		2,974.7		2,900.0
Total Assets	**$**	**15,013.5**	**$**	**15,972.7**
Liabilities				
Beneficial interests issued by consolidated VIEs (classified as long-term borrowings)	$	9,651.0	$	10,764.7
Total Liabilities	**$**	**9,651.0**	**$**	**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 June 30,		Six Months Ended June 30,	
	2011	**2010**[(1)]	**2011**	**2010**[(1)]
Interest income				
Interest and fees on loans	$ 594.3	$ 1,016.5	$ 1,229.8	$ 2,113.9
Interest and dividends on investments	7.8	7.3	15.5	14.6
Interest income	602.1	1,023.8	1,245.3	2,128.5
Interest expense				
Interest on long-term borrowings	(780.6)	(789.2)	(1,455.1)	(1,599.8)
Interest on deposits	(25.1)	(18.3)	(49.5)	(39.1)
Interest expense	(805.7)	(807.5)	(1,504.6)	(1,638.9)
Net interest revenue	(203.6)	216.3	(259.3)	489.6
Provision for credit losses	(84.7)	(246.7)	(208.1)	(472.8)
Net interest revenue, after credit provision	(288.3)	(30.4)	(467.4)	16.8
Other income				
Rental income on operating leases	417.9	417.9	831.2	843.7
Other	239.9	338.5	518.1	488.9
Total other income	657.8	756.4	1,349.3	1,332.6
Total revenue, net of interest expense and credit provision	369.5	726.0	881.9	1,349.4
Other expenses				
Depreciation on operating lease equipment	(145.5)	(178.1)	(306.0)	(350.8)
Operating expenses	(245.8)	(277.8)	(462.2)	(539.5)
Total other expenses	(391.3)	(455.9)	(768.2)	(890.3)
Income before provision for income taxes	(21.8)	270.1	113.7	459.1
Provision for income taxes	(26.9)	(88.2)	(92.6)	(131.6)
Net income before attribution of noncontrolling interests	(48.7)	181.9	21.1	327.5
Net income attributable to noncontrolling interests, after tax	0.7	(0.3)	(3.5)	(1.3)

Net (loss) income	$	(48.0)	$	181.6	$	17.6	$	326.2
Basic (loss) earnings per common share	$	(0.24)	$	0.91	$	0.09	$	1.63
Diluted (loss) earnings per common share	$	(0.24)	$	0.91	$	0.09	$	1.63
Average number of common shares (thousands)								
Basic		200,658		200,075		200,631		200,057
Diluted		200,658		200,644		200,893		200,359

(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			17.6			3.5	21.1
Foreign currency translation adjustments				(9.0)			(9.0)
Change in fair values of derivatives qualifying as cash flow hedges				0.5			0.5
Unrealized gain on available for sale equity investments, net				5.9			5.9
Minimum pension liability adjustment				(0.1)			(0.1)
Total comprehensive income							18.4
Restricted stock and stock option expenses		13.3			(2.7)		10.6
Equity distribution						0.2	0.2
June 30, 2011	$ 2.0	$8,447.4	$ 515.9	$ (12.3)	$ (11.5)	$ 1.4	$ 8,942.9
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			326.2			1.3	327.5
Foreign currency translation adjustments				(11.4)			(11.4)
Change in fair values of derivatives qualifying as cash flow hedges				(0.1)			(0.1)

Unrealized gain on available for sale equity investments, net				2.0			2.0
Minimum pension liability adjustment				(0.2)			(0.2)
Total comprehensive income							317.8
Restricted stock and stock option expenses		21.1			(4.0)		17.1
June 30, 2010[1]	$ 2.0	$8,419.1	$ 307.8	$ (9.7)	$ (4.0)	$ (5.7)	$ 8,709.5

[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)

	Six Months Ended June 30,	
	2011	**2010**[1]
Cash Flows From Operations		
Net income	$ 17.6	$ 326.2
Adjustments to reconcile net income to net cash flows from operations:		
Provision for credit losses	208.1	472.8
Net depreciation, amortization and (accretion)	315.2	(423.4)
Net gains on equipment, receivable and investment sales	(253.7)	(189.1)
Provision for deferred income taxes	16.3	69.6
Decrease in finance receivables held for sale	5.7	5.6
Increase in other assets	(84.7)	(151.3)
Increase in accrued liabilities and payables	31.1	67.7
Net cash flows provided by operations	255.6	178.1
Cash Flows From Investing Activities		
Loans extended and purchased	(10,611.8)	(9,100.5)
Principal collections of loans and investments	11,708.3	13,770.5
Purchases of investment securities	(12,633.4)	
Proceeds from maturities of investment securities	9,956.2	
Proceeds from asset and receivable sales	1,681.4	2,415.6
Purchases of assets to be leased and other equipment	(546.5)	(616.6)
Net (increase) decrease in short-term factoring receivables	(26.4)	395.1
Change in restricted cash	128.0	258.7
Net cash flows (used in) provided by investing activities	(344.2)	7,122.8
Cash Flows From Financing Activities		
Proceeds from the issuance of term debt	2,692.8	2,156.1
Repayments of term debt	(6,275.6)	(7,887.1)
Net decrease in deposits	(94.0)	(490.8)
Net repayments of non-recourse leveraged lease debt	(9.6)	(14.3)
Collection of security deposits and maintenance funds	264.4	346.6
Repayment of security deposits and maintenance funds	(209.7)	(329.2)
Net cash flows used in financing activities	(3,631.7)	(6,218.7)
Decrease in cash and cash equivalents	(3,720.3)	1,082.2
Unrestricted cash and cash equivalents, beginning of period	8,650.2	8,405.2
Unrestricted cash and cash equivalents, end of period	**$ 4,929.9**	**$ 9,487.4**

Supplementary Cash Flow Disclosure				
Interest paid	$	1,077.6	$	1,468.3
Federal, foreign, state and local income taxes paid, net		51.1	$	11.1
Supplementary Non Cash Flow Disclosure				
Transfer of finance receivables from held for investment to held for sale	$	1,580.0	$	1,597.8
Transfer of finance receivables from held for sale to held for investment	$	54.6	$	

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

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

NOTE 1 BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

Principles of Consolidation

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

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

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

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

Restatement

The June 30, 2010 amounts have been restated to correct for errors found by the Company subsequent to the filing of its third quarter 2010 report on Form 10-Q related primarily to the application of FSA, the effects of which were disclosed in the Company s December 31, 2010 Form 10-K. The effect of the restatement increased net income for the quarter and six months ended June 30, 2010 by approximately $40 million and $87 million, respectively, to $182 million and $326 million, as compared to the amount originally reported in the June 30, 2010 Form 10-Q. Comparisons to the 2010 second quarter balances

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are to the restated amounts. See the Company s December 31, 2010 Form 10-K, Note 26 Selected Quarterly Financial Data (Unaudited), for further information.

SIGNIFICANT ACCOUNTING POLICIES

Investments

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

Troubled Debt Restructurings (TDRs)

In April 2011, the FASB issued ASU 2011-02 to clarify the guidance for accounting for troubled debt restructurings (TDRs). The ASU clarifies the guidance on a creditor s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties, such as:

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

The guidance will be effective for the Company s third quarter 2011 Form 10-Q and is to be applied retrospectively to restructurings occurring on or after January 1, 2011. The Company is currently evaluating the potential impact of adopting the ASU.

Comprehensive Income

In June 2011, the FASB issued ASU 2011-05 to amend the guidance on the presentation of comprehensive income in ASC 220, *Comprehensive Income* that would require companies to present a single statement of comprehensive income or two consecutive statements. The proposed guidance would make the financial statement presentation of other comprehensive income more prominent by eliminating the alternative to present comprehensive income within the statement of equity. The ASU will be effective for annual periods beginning after December 15, 2011. The adoption of the guidance will not affect the Company s financial condition and will change the presentation of the statement of operations.

NOTE 2 LOANS

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

Finance Receivables (dollars in millions)

	June 30, 2011			December 31, 2010		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Corporate Finance	$ 5,630.1	$ 1,793.8	$ 7,423.9	$ 6,482.4	$ 1,999.8	$ 8,482.2
Transportation Finance	1,024.7	331.6	1,356.3	1,098.8	290.1	1,388.9
Trade Finance	2,387.2	151.2	2,538.4	2,207.7	179.7	2,387.4
Vendor Finance	2,359.1	1,581.3	3,940.4	2,582.9	1,583.2	4,166.1
Consumer	7,009.4	16.3	7,025.7	8,058.8	17.1	8,075.9
Total	$ 18,410.5	$ 3,874.2	$ 22,284.7	$ 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:

Components of Net Investment in Finance Leases
(dollars in millions)

	June 30, 2011	**December 31, 2010**
Unearned income	$(1,228.8)	$(1,356.3)
Net unamortized deferred fees and costs	26.6	16.0
Total finance leases	4,227.7	4,522.1

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

Credit Quality Information

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

The definitions of these ratings are as follows:

- Pass finance receivables in this category do not meet the criteria for classification in one of the categories below.
- Special mention a special mention asset exhibits potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects.
- Substandard a substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower, and is characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected.
- Doubtful a doubtful asset has weaknesses that make collection or liquidation in full unlikely on the basis of current facts, conditions, and values.
- Loss a loss asset is considered uncollectible and of little or no value,

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

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

June 30, 2011	Corporate Finance Other	Corporate Finance SBL	Transportation Finance	Trade Finance	Vendor Finance US	Vendor Finance International	Total Commercial	Total Consumer	Totals[(1)]
Grade:									
Pass	$ 4,313.2	$ 271.4	$ 727.4	$ 2,102.6	$ 2,034.5	$ 1,677.5	$ 11,126.6	$ 6,940.9	$ 18,067.5
Special mention	1,315.6	241.4	269.1	251.2	129.0	122.7	2,329.0	385.6	2,714.6
Substandard	981.8	175.6	357.9	157.3	142.9	82.9	1,898.4	397.4	2,295.8
Doubtful	347.7	153.4	2.7	27.3	47.7	55.9	634.7	1.1	635.8
Total[(1)]	$ 6,958.3	$ 841.8	$ 1,357.1	$ 2,538.4	$ 2,354.1	$ 1,939.0	$ 15,988.7	$ 7,725.0	$ 23,713.7
Non-accrual loans	$ 627.4	$ 177.0	$ 56.0	$ 73.4	$ 66.8	$ 60.4	$ 1,061.0	$ 0.8	$ 1,061.8

December 31, 2010	Corporate Finance Other	Corporate Finance SBL	Transportation Finance	Trade Finance	Vendor Finance US	Vendor Finance International	Total Commercial	Total Consumer	Totals[(1)]
Grade:									
Pass	$ 4,843.4	$ 360.9	$ 652.3	$ 1,977.9	$ 2,198.5	$ 1,867.9	$ 11,900.9	$ 7,348.4	$ 19,249.3
Special mention	1,275.6	161.0	540.8	244.3	142.5	193.1	2,557.3	358.2	2,915.5
Substandard	1,205.1	211.8	192.4	123.0	180.7	135.4	2,048.4	614.4	2,662.8
Doubtful	460.0	183.6	3.4	42.2	55.4	60.8	805.4	1.6	807.0
Total[(1)]	$ 7,784.1	$ 917.3	$ 1,388.9	$ 2,387.4	$ 2,577.1	$ 2,257.2	$ 17,312.0	$ 8,322.6	$ 25,634.6
Non-accrual loans	$ 1,025.4	$ 214.4	$ 63.2	$ 164.4	$ 80.2	$ 67.7	$ 1,615.3	$ 0.7	$ 1,616.0

(1) *Balances include $1,428.9 million and $1,134.1 million of loans in Assets Held for Sale at June 30, 2011 and December 31, 2010, respectively, which are measured at the lower of cost or fair value. ASU 2010-20 does not require inclusion of these finance receivables in the disclosures above. However, until they are disposed of, the Company manages the credit risk and collections of finance receivables held for sale consistently with its finance receivables held for investment, so that Company data are tracked and used for management purposes on an aggregated basis, as presented above. Other than finance receivables, Assets Held for Sale total on the balance sheet also include operating lease equipment held for sale, which are not included in the above table.*

Past Due and Non-accrual Loans

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

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

At June 30, 2011	30 59 Days Past Due	60 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Finance Receivables[(1)]
Commercial						
Corporate Finance Other	$ 2.9	$ 12.7	$ 93.8	$ 109.4	$ 6,848.9	$ 6,958.3
Corporate Finance SBL	11.0	8.0	35.0	54.0	787.8	841.8
Transportation Finance	5.2	3.7	1.2	10.1	1,347.0	1,357.1
Trade Finance	37.3	1.2	2.9	41.4	2,497.0	2,538.4

Vendor Finance US	38.5	18.3	14.5	71.3	2,282.8	2,354.1
Vendor Finance International	15.9	6.8	10.1	32.8	1,906.2	1,939.0
Consumer	257.0	128.3	399.9	785.2	6,939.8	7,725.0
Total	$ 367.8	$ 179.0	$ 557.4	$ 1,104.2	$ 22,609.5	$ 23,713.7

At December 31, 2010	30 59 Days Past Due	60 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Finance Receivables(1)
Commercial						
Corporate Finance Other	$ 43.2	$ 33.7	$ 149.2	$ 226.1	$ 7,558.0	$ 7,784.1
Corporate Finance SBL	21.8	8.6	73.0	103.4	813.9	917.3
Transportation Finance	9.0	1.8	0.6	11.4	1,377.5	1,388.9
Trade Finance	35.0	1.8	1.3	38.1	2,349.3	2,387.4
Vendor Finance US	59.4	23.2	20.3	102.9	2,474.2	2,577.1
Vendor Finance International	20.2	11.5	10.6	42.3	2,214.9	2,257.2
Consumer	351.4	175.9	434.1	961.4	7,361.2	8,322.6
Total	$ 540.0	$ 256.5	$ 689.1	$ 1,485.6	$ 24,149.0	$ 25,634.6

(1) *Balances include $1,428.9 million and $1,134.1 million of loans in Assets Held for Sale at June 30, 2011 and December 30, 2010, respectively. Other than finance receivables, Assets Held for Sale total on the balance sheet also include operating lease equipment held for sale, which are not included in the above table.*

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

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

	June 30, 2011			December 31, 2010		
	Held for Investment	Held for Sale	Total	Held for Investment	Held for Sale	Total
Commercial						
Corporate Finance Other	$ 352.0	$ 275.4	$ 627.4	$ 969.3	$ 56.1	$ 1,025.4
Corporate Finance SBL	160.3	16.7	177.0	214.4		214.4
Transportation Finance	56.0		56.0	63.2		63.2
Trade Finance	73.4		73.4	164.4		164.4
Vendor Finance US	66.8		66.8	80.2		80.2
Vendor Finance International	28.2	32.2	60.4	40.4	27.3	67.7
Consumer	0.2	0.6	0.8	0.4	0.3	0.7
Total non-accrual loans	$ 736.9	$ 324.9	$ 1,061.8	$ 1,532.3	$ 83.7	$ 1,616.0
Repossessed assets			15.2			21.1
Total non-performing assets			$ 1,077.0			$ 1,637.1
Government guaranteed accruing loans past due 90 days or more			$ 399.0			$ 433.6
Other accruing loans past due 90 days or more			5.6			1.7
Total accruing loans past due 90 days or more			$ 404.6			$ 435.3

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

Impaired Loans

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

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

Impaired Loans
At or for the Six Months Ended June 30, 2011 (dollars in millions)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial				
Corporate Finance Other	$ 78.5	$ 182.6	$	$ 184.7
Corporate Finance SBL	42.7	56.8		42.1
Transportation Finance	7.7	9.6		9.1
Trade Finance	53.6	70.9		89.8
Vendor Finance US	16.7	30.1		20.0
Vendor Finance International	12.3	31.6		14.5
With an allowance recorded:				
Commercial				
Corporate Finance Other	103.5	118.7	35.1	122.7
Corporate Finance SBL	47.4	51.3	11.7	49.2
Transportation Finance	49.0	54.6	12.0	52.9
Trade Finance	19.7	22.9	6.2	22.0
Total Commercial Impaired Loans[(1)]	431.1	629.1	65.0	607.0
Total Loans Impaired at Convenience date[(2)]	311.7	983.5	13.3	555.4
Total	$ 742.8	$ 1,612.6	$ 78.3	$ 1,162.4

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

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

Impaired Loans for the six months ended June 30, 2010 (dollars in millions)
Average Recorded Investment $402.3

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 conformed to current presentation and adjusted to exclude $81.2 million of recorded net investment and $161.1 million of unpaid principal related to loans classified in Assets Held for Sale.*

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

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

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

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

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

The Company periodically modifies the terms of finance receivables in response to borrowers difficulties. Modifications that include a financial concession to the borrower are accounted for as troubled debt restructurings (TDRs). The net investment of TDRs at June 30, 2011 and December 31, 2010 was $354.1 million and $461.7 million, of which 92% and 95% were on non-accrual. Corporate Finance receivables accounted for 75% and 73% of the total TDRs. At June 30, 2011 and December 31, 2010, there were

$39.5 million and $19.6 million, respectively, of commitments to lend additional funds to borrowers whose loan terms have been modified in TDRs.

Loans and Debt Securities Acquired with Deteriorated Credit Quality

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

	June 30, 2011			December 31, 2010		
(dollars in millions)	Carrying Amount	Outstanding balance [(1)]	Related Allowance	Carrying Amount	Outstanding balance [(1)]	Related Allowance
Commercial	$ 310.4	$ 974.2	$ 13.3	$ 795.6	$ 1,914.6	$ 54.9
Consumer	1.3	9.3		1.5	14.3	
Totals	$ 311.7	$ 983.5	$ 13.3	$ 797.1	$ 1,928.9	$ 54.9

	Quarter ended June 30, 2011		Quarter ended June 30, 2010	
(dollars in millions)	Provision for Credit Losses	Net Charge-offs	Provision for Credit Losses	Net Charge-offs
Commercial	$ 1.1	$ 11.3	$ 32.3	$ 6.3
Consumer	0.4	0.4	0.2	0.2
Totals	$ 1.5	$ 11.7	$ 32.5	$ 6.5

	Six months ended June 30, 2011		Six months ended June 30, 2010	
(dollars in millions)	Provision for Credit Losses	Net Charge-offs	Provision for Credit Losses	Net Charge-offs
Commercial	$ 71.5	$ 113.1	$ 85.8	$ 54.1
Consumer	1.2	1.2	1.9	1.9
Totals	$ 72.7	$ 114.3	$ 87.7	$ 56.0

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

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 June 30, 2011	Six months ended June 30, 2011
Accretable discount, beginning of the period	$ 167.5	$ 207.2
Accretion	(13.2)	(25.5)
Disposals/transfers[(1)]	(18.9)	(46.3)
Accretable discount, end of period	$ 135.4	$ 135.4

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

NOTE 3 ALLOWANCE FOR LOAN LOSSES

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

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

At or for periods ended June 30, (dollars in millions)

	2011							2010
	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Total Commercial	Consumer	Total	Total
Allowance for loan losses:								
Quarter ended								
Beginning balance	$ 263.8	$ 24.7	$ 29.6	$ 84.4	$ 402.5	$	$ 402.5	$ 213.9
Provision for credit losses	61.3	4.7	4.0	13.8	83.8	0.9	84.7	246.7
Changes relating to sales, foreign currency translation, other	(7.3)	(0.3)	(0.4)	0.5	(7.5)		(7.5)	2.6
Gross charge-offs[(2)]	(53.3)	(0.1)	(4.2)	(29.5)	(87.1)	(1.2)	(88.3)	(113.3)
Recoveries	13.4	0.1	6.3	12.5	32.3	0.3	32.6	7.0
Allowance balance end of period	$ 277.9	$ 29.1	$ 35.3	$ 81.7	$ 424.0	$	$ 424.0	$ 356.9
Six months ended								
Beginning balance	$ 303.7	$ 23.7	$ 29.9	$ 58.9	$ 416.2	$	$ 416.2	$
Provision for credit losses	135.8	6.5	7.3	56.7	206.3	1.8	208.1	472.8
Change relating to new accounting pronouncement[(1)]								68.6
Changes relating to sales, foreign currency translation, other	(4.7)	(0.4)	0.3	0.8	(4.0)		(4.0)	(0.7)
Gross charge-offs[(2)]	(178.3)	(0.8)	(10.4)	(55.8)	(245.3)	(2.4)	(247.7)	(193.0)
Recoveries	21.4	0.1	8.2	21.1	50.8	0.6	51.4	9.2

Allowance balance end of period	$ 277.9	$ 29.1	$ 35.3	$ 81.7	$ 424.0	$	$ 424.0	$ 356.9
Individually evaluated for impairment	$ 46.8	$ 12.0	$ 6.2	$	$ 65.0	$	$ 65.0	
Collectively evaluated for impairment	220.5	17.1	29.1	79.0	345.7		345.7	
Loans acquired with deteriorated credit quality[(3)]	10.6			2.7	13.3		13.3	
Allowance balance end of period	$ 277.9	$ 29.1	$ 35.3	$ 81.7	$ 424.0	$	$ 424.0	
Reserve for unfunded lending commitments[(4)]	$ 10.1	$ 1.2	$ 4.0	$	$ 15.3	$	$ 15.3	
Finance receivables:								
Individually evaluated for impairment	$ 272.1	$ 56.7	$ 73.3	$ 29.0	$ 431.1	$	$ 431.1	
Collectively evaluated for impairment	6,876.7	1,299.6	2,465.1	3,876.1	14,517.5	7,024.4	21,541.9	
Loans acquired with deteriorated credit quality[(3)]	275.1			35.3	310.4	1.3	311.7	
Ending balance	$7,423.9	$ 1,356.3	$2,538.4	$3,940.4	$ 15,259.0	$ 7,025.7	$22,284.7	
Percent of loans total loans	33.3%	6.1%	11.4%	17.7%	68.5%	31.5%	100.0%	

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

(2) *Gross charge-offs include $40 million that were charged directly to the specific allowance for loan losses for the June 30, 2011 quarter, of which $36 million related to Corporate Finance with the remainder primarily related to Trade Finance. Amounts for the six month period were $115 million, of which $106 million related to Corporate Finance and the remainder to Trade*

Finance.

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

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

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

NOTE 4 INVESTMENT SECURITIES

At the end of the 2011 first quarter, the Company utilized cash to purchase U.S. Treasury securities. During the second quarter, the Company also purchased U.S. Government Agency securities. These investments mature in 91 days or less, and the carrying value approximates fair value. Certain U.S. Treasury and agency securities were purchased using $1.3 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)

	June 30, 2011	December 31, 2010
Debt securities available-for-sale	$ 2,700.1	$
Equity securities available-for-sale	22.7	37.5
Debt securities held-to-maturity[(1)]	178.1	195.9
Non-marketable equity securities carried at cost[(2)]	82.4	95.1
Total investment securities	$ 2,983.3	$ 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) at June 30, 2011. December 31, 2010 balances were not significant and are not presented.

(dollars in millions)

	June 30, 2011		
	Amortized Cost	Gross Unrealized Gains	Fair Value

Debt securities AFS			
U.S. Treasury	$ 1,805.0	$	$ 1,805.0
U.S. Government Agency Obligations	895.1		895.1
Total debt securities available for sale	2,700.1		2,700.1
Equity securities AFS	16.5	6.2	22.7
Total securities AFS	$ 2,716.6	$ 6.2	$ 2,722.8

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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest	$ 6.9	$ 6.3	$ 14.6	$ 11.9
Dividends	0.9	1.0	0.9	2.7
Total interest and dividends	$ 7.8	$ 7.3	$ 15.5	$ 14.6

Gross realized investment gains for the quarter and six months ended June 30, 2011 were $12.3 million and $35.3 million respectively, and exclude losses from other-than-temporary impairment. Realized investment gains in 2010 were $3.7 million and $7.0 million for the quarter and six months period, respectively.

Debt Securities Held-to-Maturity

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

(dollars in millions)

	Carrying value	Gross unrecognized gains	Fair value
June 30, 2011			
U.S. Treasury and federal agency securities			
U.S. Treasury Agency obligations	$ 105.2	$ 0.8	$ 106.0
Mortgage-backed securities			
U.S. government and government-sponsored agency guaranteed	53.6	1.9	55.5
State and municipal	0.4		0.4
Foreign government	18.9		18.9
Total debt securities held-to-maturity	$ 178.1	$ 2.7	$ 180.8
December 31, 2010			
U.S. Treasury and federal agency securities			
U.S. Treasury Agency obligations	$ 119.8	$ 0.7	$ 120.5
Mortgage-backed securities			
U.S. government and government-sponsored agency guaranteed	56.9	1.0	57.9
State and municipal	0.4		0.4
Foreign government	18.8		18.8

Total debt securities held-to-maturity	$ 195.9	$ 1.7	197.6

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

	June 30, 2011		December 31, 2010	
(dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-backed securities[(1)]				
After 10 years[(2)]	$ 53.6	$ 55.5	$ 56.9	$ 57.9
Total	53.6	55.5	56.9	57.9
U.S. Treasury and federal agencies				
After 1 but within 5 years	105.2	106.0	119.8	120.5
Total	105.2	106.0	119.8	120.5
State and municipal				
After 1 but within 5 years	0.3	0.3	0.2	0.2
After 5 but within 10 years	0.1	0.1	0.2	0.2
Total	0.4	0.4	0.4	0.4
Foreign government				
Due within 1 year	18.9	18.9	18.8	18.8
Total	18.9	18.9	18.8	18.8
Total debt securities HTM	$ 178.1	$ 180.8	$ 195.9	$ 197.6

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

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

Other-Than-Temporary Impairments

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

OTTI credit-related impairments on equity securities recognized in earnings totaled $1.3 million for the quarter and $7.4 million for the six months ended June 30, 2011, respectively. The 2010 impairment charges for the comparable periods were not significant. Impairment amounts in accumulated other comprehensive income were not significant at June 30, 2011 and December 31, 2010.

Evaluating Investments for OTTI

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary. The Company accounts for investment impairments in accordance with ASC

320-10-35-34, *Investments Debt and Equity Securities: Recognition of an Other-Than-Temporary Impairment*. Under the guidance for debt securities, OTTI is recognized in earnings for debt securities that the Company has an intent to sell or that the Company believes it is more-likely-than-not that it will be required to sell prior to recovery of the amortized cost basis. For those securities that the Company does not intend to sell or expect to be required to sell, credit-related impairment is recognized in earnings, while the non-credit related impairment recorded in AOCI.

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

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

Factors considered in determining whether a loss is temporary include:

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

The Company s review for impairment generally includes:

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

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

NOTE 5 LONG-TERM BORROWINGS

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

	June 30, 2011			December 31, 2010
Long-term Borrowings[1] (dollars in millions)	**CIT Group Inc.**	**Subsidiaries**	**Total**	**Total**
Secured borrowings	$	$ 9,858.8	$ 9,858.8	$ 10,965.8
First lien facility	197.9	2,841.3	3,039.2	3,042.6
Series A Notes 7.00%	7,939.8		7,939.8	19,037.9
Series B Notes 10.25%				765.8
Series C Notes 7.00%	7,892.0		7,892.0	
Series C Notes other	2,000.0		2,000.0	
Other debt	84.6	76.7	161.3	167.7
Total debt	$ 18,114.3	$ 12,776.8	$ 30,891.1	$ 33,979.8

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

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)

	June 30, 2011		December 31, 2010	
	Secured Borrowing	**Assets Pledged**	**Secured Borrowing**	**Assets Pledged**
Education trusts and conduits (student loans)	$ 4,006.8	$ 5,318.0	$ 4,184.4	$ 5,558.8
GSI Facility borrowings[(1)]	1,067.8	1,755.1	1,624.6	2,349.5
Trade Finance	382.1	1,550.5	504.9	1,479.6
Corporate Finance (SBL)	271.9	297.2	258.0	283.6
Other equipment secured facilities[(2)]	1,952.3	2,501.3	2,235.0	2,704.4
Subtotal Finance Receivables	7,680.9	11,422.1	8,806.9	12,375.9
Transportation Finance Aircraft[(3)]	1,413.8	1,646.6	1,315.1	1,531.0
Transportation Finance Rail	146.6	143.1	148.9	146.2
GSI Facility borrowings (Aircraft)	488.2	1,106.8	519.8	1,119.3
Other structures	77.9	100.7	99.8	126.2
Subtotal Equipment under operating leases	2,126.5	2,997.2	2,083.6	2,922.7
FHLB borrowings (Consumer)[(4)]	51.4	105.3	75.3	119.8
Total	$ 9,858.8	$ 14,524.6	$ 10,965.8	$ 15,418.4

(1) *At June 30, 2011 borrowings are secured by $1.0 billion of corporate finance receivables, $0.6 billion of student loans and $0.1 billion of small business lending loans, of which $102.6 million were classified as Assets Held for sale at June 30, 2011.*

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

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

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

Variable Interest Entities

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

The most significant types of VIEs that CIT utilizes are on balance sheet secured financings of pools of leases and loans originated by the Company. The Company originates pools of assets and sells these to special purpose entities which, in turn, issue debt securities backed by the asset pools or sell individual interests in the assets to investors. CIT retains the servicing rights and participates in certain cash flows. These VIEs are typically organized as trusts or limited liability companies, and are intended to be bankruptcy remote, from a legal standpoint.

The main risks inherent in these secured borrowing structures are: deterioration in the credit performance of the vehicle s underlying asset portfolio, potential timing mismatches between the cash flows of the underlying assets and the repayment obligations of the secured borrowing, and risk associated with the servicing of the underlying assets.

Investors usually have recourse to the assets in the VIEs and typically benefit from other credit enhancements, such as: (1) a reserve or cash collateral account which requires the Company to deposit cash in an account, which will first be used to cover any defaulted obligor payments, (2) over-

collateralization in the form of excess assets in the VIE, (3) subordination, whereby the Company retains a subordinate position in the secured borrowing which would absorb losses due to defaulted obligor payments before the senior certificate holders. The VIE may also enter into derivative contracts in order to convert yield or currency of the underlying assets to match the needs of the VIE investors or to limit or change the risk of the VIE.

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

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

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 had an outstanding balance of $3 billion at June 30, 2011 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 above under *Secured Borrowings*, 65% of the voting shares and 100% of the non-voting shares of certain foreign subsidiaries and between 44% and 65% of the equity interest or capital stock in certain other non-U.S., non-regulated subsidiaries. The 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.

In July 2011, CIT redeemed $500 million of the First Lien Facility. The net impact of the acceleration of deferred debt costs and the amortization of the related FSA premium will increase third quarter interest expense by approximately $15 million.

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 the $2.5 billion of Series A Notes in May 2011 discussed below.

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 2014 Series A Notes Indentures limit the ability of the Company and the Company s restricted subsidiaries to make certain payments or investments, incur indebtedness (including guarantees), issue preferred stock, incur liens, enter into sale and leaseback transactions, pay dividends, sell assets, and enter into transactions with affiliates. The 2015-2017 Series A Notes and Series C Notes Indentures limit the Company s ability to create liens, merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of its assets. Under the terms of the Series A Notes, the Company is required to use certain cash collections to repay the 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.

On May 2, 2011, the Company redeemed $2.5 billion of 7% Series A Notes at a redemption price of 102% of the aggregate principal amount. This redemption included approximately $1.1 billion principal amount of remaining 2013 Series A Notes and approximately $1.4 billion principal amount of the 2014 Series A Notes. The acceleration of FSA amortization on these Notes increased second quarter interest expense by $113 million, approximately $66 million for the 2013 maturities and $47 million for the 2014 maturities.

During the 2011 first quarter, 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.

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

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

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

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

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 (and Series B for 2010 financial information). Non-guarantors are all other entities including those which may have pledged assets but did not guarantee the debt.
- The second set reflects both restricted and unrestricted subsidiaries. Unrestricted subsidiaries include regulated entities such as CIT Bank, joint ventures, special purpose entities and entities deemed immaterial. Restricted entities include all other subsidiaries.

CONDENSED CONSOLIDATING BALANCE SHEETS (dollars in millions)

			Non Guarantor Entities			
	CIT Group Inc.	Guarantor Entities	Pledged Entities	Other Non Guarantor Entities	Eliminations	Consolidated Total
June 30, 2011						
ASSETS:						
Net loans	$	$ 4,393.1	$ 2,179.9	$ 15,809.6	$ (521.9)	$ 21,860.7
Operating lease equipment, net		4,694.7	4,554.9	1,708.3	(37.5)	10,920.4
Assets held for sale	7.9	542.0	238.2	1,075.7	(0.3)	1,863.5
Cash and deposits with banks	1,412.6	1,595.0	1,726.7	2,682.7	(61.3)	7,355.7
Investment securities	1,395.1	1,379.8	6.7	383.6	(181.9)	2,983.3
Other assets	32,262.7	19,884.3	4,350.2	3,402.6	(56,873.8)	3,026.0
Total Assets	$35,078.3	$ 32,488.9	$13,056.6	$ 25,062.5	$ (57,676.7)	$ 48,009.6
LIABILITIES AND EQUITY:						
Long-term borrowings, including deposits	$18,114.3	$ 2,861.8	$ 1,267.5	$ 13,346.0	$ (270.4)	$ 35,319.2
Credit balances of factoring clients		1,283.8		2.9	(201.8)	1,084.9
Other liabilities	8,022.5	(998.9)	4,547.4	(7,555.1)	(1,353.3)	2,662.6
Total Liabilities	26,136.8	3,146.7	5,814.9	5,793.8	(1,825.5)	39,066.7
Total Stockholders Equity	8,941.5	29,342.2	7,241.7	19,268.3	(55,852.2)	8,941.5
Noncontrolling minority interests				0.4	1.0	1.4
Total Equity	8,941.5	29,342.2	7,241.7	19,268.7	(55,851.2)	8,942.9
Total Liabilities and Equity	$35,078.3	$ 32,488.9	$13,056.6	$ 25,062.5	$ (57,676.7)	$ 48,009.6

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.*

CONSOLIDATING STATEMENTS OF OPERATION (dollars in millions)

			Non Guarantor Entities			
	CIT Group Inc.	Guarantor Entities	Pledged Entities	Other Non Guarantor Entities	Eliminations	Consolidated Total
Six Months Ended June 30, 2011						
Interest income	$ 1.8	$ 469.6	$ 181.7	$ 596.8	$ (4.6)	$ 1,245.3
Interest expense	(1,054.3)	(143.1)	(116.0)	(199.0)	7.8	(1,504.6)
Net interest revenue	(1,052.5)	326.5	65.7	397.8	3.2	(259.3)
Provision for credit losses	(6.7)	(42.5)	(86.3)	(72.6)		(208.1)
Net interest revenue, after credit provision	(1,059.2)	284.0	(20.6)	325.2	3.2	(467.4)
Equity in net income of subsidiaries	1,071.3	609.1	216.5	56.7	(1,953.6)	
Other Income						
Rental income on operating leases		289.7	359.2	182.3		831.2
Other	(125.5)	336.0	91.8	227.1	(11.3)	518.1
Total other income	(125.5)	625.7	451.0	409.4	(11.3)	1,349.3
Total revenue, net of interest expense and credit provision	(113.4)	1,518.8	646.9	791.3	(1,961.7)	881.9
Other Expenses						
Depreciation on operating lease equipment		(100.8)	(123.2)	(82.0)		(306.0)
Operating expenses	(11.0)	(277.8)	(76.7)	(110.6)	13.9	(462.2)
Total other expenses	(11.0)	(378.6)	(199.9)	(192.6)	13.9	(768.2)
Income (loss) before income taxes	(124.4)	1,140.2	447.0	598.7	(1,947.8)	113.7
Benefit (provision) for income taxes	142.0	(103.7)	(59.5)	(79.0)	7.6	(92.6)
Net income (loss) before attribution of noncontrolling interests	17.6	1,036.5	387.5	519.7	(1,940.2)	21.1
Net income attributable to noncontrolling interests, after tax			0.4	0.5	(4.4)	(3.5)
Net income (loss)	$ 17.6	$ 1,036.5	$ 387.9	$ 520.2	$ (1,944.6)	$ 17.6
Six Months Ended June 30, 2010(*)						
Interest income	$ 1.0	$ 980.1	$ 312.8	$ 859.9	$ (25.3)	$ 2,128.5
Interest expense	(885.9)	(290.1)	(216.8)	(259.4)	13.3	(1,638.9)

Net interest revenue	(884.9)	690.0	96.0	600.5	(12.0)	489.6
Provision for credit losses	(11.1)	(280.9)	(51.5)	(136.2)	6.9	(472.8)
Net interest revenue, after credit provision	(896.0)	409.1	44.5	464.3	(5.1)	16.8
Equity in net income of subsidiaries	871.7	519.2	263.9	291.7	(1,946.5)	
Other Income						
Rental income on operating leases		277.2	364.6	202.9	(1.0)	843.7
Other	233.5	65.2	190.1	12.7	(12.6)	488.9
Total other income	233.5	342.4	554.7	215.6	(13.6)	1,332.6
Total revenue, net of interest expense and credit provision	209.2	1,270.7	863.1	971.6	(1,965.2)	1,349.4
Other Expenses						
Depreciation on operating lease equipment		(125.7)	(129.6)	(96.0)	0.5	(350.8)
Operating expenses	17.8	(342.8)	(95.2)	(145.1)	25.8	(539.5)
Total other expenses	17.8	(468.5)	(224.8)	(241.1)	26.3	(890.3)
Income (loss) before income taxes	227.0	802.2	638.3	730.5	(1,938.9)	459.1
Benefit (provision) for income taxes	98.8	1.5	(130.9)	(101.6)	0.6	(131.6)
Net income (loss) before attribution of noncontrolling interests	325.8	803.7	507.4	628.9	(1,938.3)	327.5
Net income attributable to noncontrolling interests, after tax		0.4	(0.5)	0.5	(1.7)	(1.3)
Net income (loss)	$ 325.8	$ 804.1	$ 506.9	$ 629.4	$ (1,940.0)	$ 326.2

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (dollars in millions)

			Non Guarantor Entities			
Six Months Ended June 30, 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	$ (1,086.2)	$ 424.4	$ 275.5	$ 641.9	$	$ 255.6
Cash Flows From Investing Activities:						
Net (increase) decrease in financing and leasing assets and other investing activities	(1,406.4)	(331.8)	420.3	973.7		(344.2)
(Increase) decrease in inter-company loans and investments	2,688.1				(2,688.1)	
Net cash flows provided (used for) by investing activities	1,281.7	(331.8)	420.3	973.7	(2,688.1)	(344.2)
Cash Flows From Financing Activities:						
Net increase (decrease) in debt and other financing activities	(1,502.2)	21.9	(701.4)	(1,450.0)		(3,631.7)
Inter-company financing		(2,914.6)	539.1	(312.6)	2,688.1	
Net cash flows provided by (used for) financing activities	(1,502.2)	(2,892.7)	(162.3)	(1,762.6)	2,688.1	(3,631.7)
Net (decrease) increase in unrestricted cash and cash equivalents	(1,306.7)	(2,800.1)	533.5	(147.0)		(3,720.3)
Unrestricted cash and cash equivalents, beginning of period	2,703.6	2,946.4	1,021.1	1,979.1		8,650.2
Unrestricted cash and cash equivalents, end of period	$ 1,396.9	$ 146.3	$ 1,554.6	$ 1,832.1	$	$ 4,929.9

Six Months Ended June 30, 2010[(*)]

Cash Flows From Operating Activities:

Net cash flows provided by (used for) operations	$ (159.6)	$ (282.6)	$ 59.7	$ 560.6	$	$ 178.1
Cash Flows From Investing Activities:						
Net decrease in financing and leasing assets and other investing activities	459.4	2,879.4	755.4	3,028.6		7,122.8
(Increase) in inter-company loans and investments	893.4				(893.4)	
Net cash flows provided by (used for) investing activities	1,352.8	2,879.4	755.4	3,028.6	(893.4)	7,122.8
Cash Flows From Financing Activities:						
Net (decrease) in debt and other financing activities	(227.1)	(3,128.0)	(210.5)	(2,653.1)		(6,218.7)
Inter-company financing		726.7	(972.9)	(647.2)	893.4	
Net cash flows provided by (used for) financing activities	(227.1)	(2,401.3)	(1,183.4)	(3,300.3)	893.4	(6,218.7)
Net increase (decrease) in unrestricted cash and cash equivalents	966.1	195.5	(368.3)	288.9		1,082.2
Unrestricted cash and cash equivalents, beginning of period	609.3	4,420.6	808.1	2,567.2		8,405.2
Unrestricted cash and cash equivalents, end of period	$ 1,575.4	$ 4,616.1	$ 439.8	$ 2,856.1	$	$ 9,487.4

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

CONDENSED CONSOLIDATING BALANCE SHEETS (dollars in millions)

	CIT Group Inc.	Restricted Entities	Unrestricted Entities	Eliminations	Consolidated Total
June 30, 2011					
ASSETS:					
Net loans	$	$ 6,814.1	$ 15,568.5	$ (521.9)	$ 21,860.7
Operating lease equipment, net		9,462.2	1,495.7	(37.5)	10,920.4
Assets held for sale	7.9	921.0	934.9	(0.3)	1,863.5
Cash and deposits with banks	1,412.6	3,829.3	2,175.1	(61.3)	7,355.7
Investment securities	1,395.1	1,386.5	383.6	(181.9)	2,983.3
Other assets	32,262.7	5,956.5	494.6	(35,687.8)	3,026.0
Total Assets	$ 35,078.3	$ 28,369.6	$ 21,052.4	$ (36,490.7)	$ 48,009.6
LIABILITIES AND EQUITY:					
Long-term borrowings, including deposits	$ 18,114.3	$ 4,138.6	$ 13,336.7	$ (270.4)	$ 35,319.2
Credit balances of factoring clients		1,283.8	2.9	(201.8)	1,084.9
Other liabilities	8,022.5	(2,823.4)	(1,183.2)	(1,353.3)	2,662.6
Total Liabilities	26,136.8	2,599.0	12,156.4	(1,825.5)	39,066.7
Total Stockholders Equity	8,941.5	25,770.6	8,895.6	(34,666.2)	8,941.5
Noncontrolling minority interests			0.4	1.0	1.4
Total Equity	8,941.5	25,770.6	8,896.0	(34,665.2)	8,942.9
Total Liabilities and Equity	$ 35,078.3	$ 28,369.6	$ 21,052.4	$ (36,490.7)	$ 48,009.6
December 31, 2010(*)					
ASSETS:					
Net loans	$	$ 8,041.4	$ 16,359.0	$ (316.1)	$ 24,084.3
Operating lease equipment, net		9,605.7	1,568.6	(37.6)	11,136.7
Assets held for sale		678.4	540.1		1,218.5
Cash and deposits with banks	2,725.6	5,885.6	2,631.6	(38.8)	11,204.0
Investment securities		108.1	403.5	(183.1)	328.5
Other assets	31,047.4	9,115.0	328.8	(37,505.0)	2,986.2
Total Assets	$ 33,773.0	$ 33,434.2	$ 21,831.6	$ (38,080.6)	$ 50,958.2
LIABILITIES AND EQUITY:					
Long-term borrowings, including deposits	$ 19,322.0	$ 4,949.2	$ 14,497.0	$ (252.2)	$ 38,516.0
Credit balances of factoring clients		926.1	9.2		935.3
Other liabilities	5,535.0	(888.6)	(1,717.7)	(335.5)	2,593.2
Total Liabilities	24,857.0	4,986.7	12,788.5	(587.7)	42,044.5

Total Stockholders Equity	8,916.0	28,447.1	9,042.8	(37,489.9)	8,916.0
Noncontrolling minority interests		0.4	0.3	(3.0)	(2.3)
Total Equity	8,916.0	28,447.5	9,043.1	(37,492.9)	8,913.7
Total Liabilities and Equity	$ 33,773.0	$ 33,434.2	$ 21,831.6	$ (38,080.6)	$ 50,958.2

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

CONSOLIDATING STATEMENTS OF OPERATION (dollars in millions)

	CIT Group Inc.	Restricted Entities	Unrestricted Entities	Eliminations	Consolidated Total
Six Months Ended June 30, 2011					
Interest income	$ 1.8	$ 679.8	$ 568.3	$ (4.6)	$ 1,245.3
Interest expense	(1,054.3)	(193.2)	(264.9)	7.8	(1,504.6)
Net interest revenue	(1,052.5)	486.6	303.4	3.2	(259.3)
Provision for credit losses	(6.7)	(126.8)	(74.6)		(208.1)
Net interest revenue, after credit provision	(1,059.2)	359.8	228.8	3.2	(467.4)
Equity in net income of subsidiaries	1,071.3	711.0		(1,782.3)	
Other Income					
Rental income on operating leases		689.9	141.3		831.2
Other	(125.5)	528.1	126.8	(11.3)	518.1
Total other income	(125.5)	1,218.0	268.1	(11.3)	1,349.3
Total revenue, net of interest expense and credit provision	(113.4)	2,288.8	496.9	(1,790.4)	881.9
Other Expenses					
Depreciation on operating lease equipment		(246.1)	(59.9)		(306.0)
Operating expenses	(11.0)	(382.8)	(82.3)	13.9	(462.2)
Total other expenses	(11.0)	(628.9)	(142.2)	13.9	(768.2)
Income (loss) before income taxes	(124.4)	1,659.9	354.7	(1,776.5)	113.7
Benefit (provision) for income taxes	142.0	(174.2)	(68.0)	7.6	(92.6)
Net income (loss) before attribution of noncontrolling interests	17.6	1,485.7	286.7	(1,768.9)	21.1
Net income attributable to noncontrolling interests, after tax		0.4	0.5	(4.4)	(3.5)
Net income (loss)	$ 17.6	$ 1,486.1	$ 287.2	$ (1,773.3)	$ 17.6
Six Months Ended June 30, 2010(*)					
Interest income	$ 1.0	$ 1,357.1	$ 795.7	$ (25.3)	$ 2,128.5
Interest expense	(885.9)	(445.7)	(320.6)	13.3	(1,638.9)
Net interest revenue	(884.9)	911.4	475.1	(12.0)	489.6
Provision for credit losses	(11.1)	(358.6)	(110.0)	6.9	(472.8)
Net interest revenue, after credit provision	(896.0)	552.8	365.1	(5.1)	16.8

Equity in net income of subsidiaries	871.7	203.4	(87.2)	(987.9)	
Other Income					
Rental income on operating leases		687.0	157.7	(1.0)	843.7
Other	233.5	279.0	(11.0)	(12.6)	488.9
Total other income	233.5	966.0	146.7	(13.6)	1,332.6
Total revenue, net of interest expense and credit provision	209.2	1,722.2	424.6	(1,006.6)	1,349.4
Other Expenses					
Depreciation on operating lease equipment		(290.1)	(61.2)	0.5	(350.8)
Operating expenses	17.8	(491.3)	(91.8)	25.8	(539.5)
Total other expenses	17.8	(781.4)	(153.0)	26.3	(890.3)
Income (loss) before income taxes	227.0	940.8	271.6	(980.3)	459.1
Benefit (provision) for income taxes	98.8	(134.9)	(96.1)	0.6	(131.6)
Net income (loss) before attribution of noncontrolling interests	325.8	805.9	175.5	(979.7)	327.5
Net income attributable to noncontrolling interests, after tax			0.4	(1.7)	(1.3)
Net income (loss)	$ 325.8	$ 805.9	$ 175.9	$ (981.4)	$ 326.2

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

NOTE 6 DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company continues to assess hedge requirements and has reestablished counterparty relationships to facilitate hedging where economically appropriate. During 2011 and 2010, the Company s portfolio was in an asset sensitive position, whereby assets re-price faster than liabilities, and interest margin increases in a rising interest rate environment. Our hedging strategies and qualifying hedges relate primarily to

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

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

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

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

	June 30, 2011			December 31, 2010		
Qualifying Hedges	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Cross currency swaps	$ 429.1	$	$ (26.0)	$ 414.7	$ 0.8	$ (12.1)
Foreign currency forward exchange cash flow hedges	164.2		(6.1)	183.6	6.4	(1.4)
Foreign currency forward exchange net investment hedges	1,492.3	0.7	(104.5)	1,333.4	0.5	(61.0)
Total Qualifying Hedges	$ 2,085.6	$ 0.7	$ (136.6)	$ 1,931.7	$ 7.7	$ (74.5)
Non-Qualifying Hedges						
Cross currency swaps	$ 1,380.8	$	$ (91.2)	$ 1,330.3	$ 14.2	$ (38.4)
Interest rate swaps	916.4	1.9	(39.7)	1,046.8	4.5	(37.7)
Written options	37.0			273.8		
Purchased options	931.0	1.8		903.0	2.7	
Foreign currency forward exchange contracts	2,157.3	8.9	(99.7)	2,210.0	4.3	(50.2)
TRS*(1)*	1,041.5			609.9		
Total Non-qualifying Hedges	$ 6,464.0	$ 12.6	$ (230.6)	$ 6,373.8	$ 25.7	$ (126.3)

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

its estimated fair value.

The notional amount of the swap of $1,041.5 million at June 30, 2011 and $609.9 million at December 31, 2010 represent the unused portion of the GSI Facility and constitute a derivative financial instrument. It is calculated as the maximum facility commitment amount, currently $2,125.0 million, less the actual adjusted qualifying borrowing base outstanding of $1,083.5 million at June 30, 2011 and $1,515.1 million at December 31, 2010. The notional amount of the derivative will increase as the adjusted qualifying borrowing base decreases due to repayment of the underlying debt to investors. If CIT funds additional ABS under the GSI Facility, the adjusted qualifying borrowing base of the total return swap will increase and the notional amount of the derivative will decrease accordingly.

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

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

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

Derivative Instrument Gains and Losses (dollars in millions)

Derivative Instruments	Gain / (Loss) Recognized	Quarters Ended June 30, 2011	Quarters Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Qualifying Hedges					
Foreign currency exchange rate fluctuations cash flow hedges	Other income	$ (4.1)	$ 9.3	$ (13.7)	$ 9.3
Total Qualifying Hedges		(4.1)	9.3	(13.7)	9.3
Non Qualifying Hedges					
Cross currency swaps	Other income	(4.0)	103.8	(45.0)	113.1
Interest rate swaps	Other income	(11.1)	(30.7)	(5.2)	(50.1)
Foreign currency forward exchange contracts	Other income	(15.4)	94.7	(68.8)	164.8
Total Non-qualifying Hedges		(30.5)	167.8	(119.0)	227.8
Total derivatives-income statement impact		$ (34.6)	$ 177.1	$ (132.7)	$ 237.1

NOTE 7 FAIR VALUE

Fair Value Hierarchy

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

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

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

June 30, 2011	Total	Level 1	Level 2	Level 3
Assets				
Debt Securities available for sale	$ 2,700.1	$	$ 2,700.1	$
Equity Securities available for sale	22.7	19.3	3.4	
Trading assets at fair value derivatives	12.6		12.6	
Derivative counterparty assets at fair value	0.7		0.7	
Total Assets	$ 2,736.1	$ 19.3	$ 2,716.8	$

	Total	Level 1	Level 2	Level 3
Liabilities				
Trading liabilities at fair value derivatives	$ (230.6)	$	$ (230.6)	$
Derivative counterparty liabilities at fair value	(136.6)		(136.6)	
Total Liabilities	$ (367.2)	$	$ (367.2)	$

December 31, 2010	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Equity Securities available for sale	$ 37.5	$ 16.2	$ 3.4	$ 17.9
Trading assets at fair value derivatives	25.7		25.7	
Derivative counterparty assets at fair value	7.7		7.7	
Total Assets	$ 70.9	$ 16.2	$ 36.8	$ 17.9
Liabilities				
Trading liabilities at fair value derivatives	$ (126.3)	$	$ (126.0)	$ (0.3)
Derivative counterparty liabilities at fair value	(74.5)		(74.5)	
Total Liabilities	$ (200.8)	$	$ (200.5)	$ (0.3)

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

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

		Fair Value Measurements at Reporting Date Using:			
June 30, 2011	Total	Level 1	Level 2	Level 3	Total Losses
Assets					
Assets Held for Sale	$ 30.0	$	$	$ 30.0	$ (4.0)
Impaired loans	141.3			141.3	(29.7)
Total	$ 171.3	$	$	$ 171.3	$ (33.7)

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

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

Level 3 Gains and Losses

The tables below set forth a summary of changes in the estimated fair value of the Company s Level 3 financial assets and liabilities measured on a recurring basis. At June 30, 2011 the Company s Level 3 financial assets measured on a recurring basis were zero as a result of sales and maturities.

	Total	Derivatives	Equity Securities available for sale
Assets and Liabilities			
March 31, 2011	$ (0.3)	$ (0.3)	$
Gains or losses realized/unrealized			
Included in other income	0.3	0.3	
Quarter Ended June 30, 2011	$	$	$
December 31, 2010	$ 17.6	$ (0.3)	$ 17.9
Gains or losses realized/unrealized			
Included in other income	5.7	0.3	5.4
Other net, (primarily sales proceeds)	(23.3)		(23.3)

Six Months Ended June 30, 2011	$	$	$

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FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	June 30, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets				
Trading assets derivatives	$ 12.6	$ 12.6	$ 25.7	$ 25.7
Derivative counterparty assets at fair value	0.7	0.7	7.7	7.7
Assets held for sale (excluding leases)(1)	1,058.1	1,208.4	466.0	466.0
Loans (excluding leases)	17,181.5	17,116.2	20,680.3	21,356.8
Investment Securities	2,983.3	2,986.0	328.5	330.2
Other assets and unsecured counterparty receivable(2)	1,486.7	1,486.7	1,507.6	1,507.6
Liabilities				
Deposits(3)	(4,453.0)	(4,507.6)	(4,562.7)	(4,660.0)
Trading liabilities derivatives	(230.6)	(230.6)	(126.3)	(126.3)
Derivative counterparty liabilities at fair value	(136.6)	(136.6)	(74.5)	(74.5)
Long-term borrowings(3)	(31,051.1)	(32,897.6)	(34,208.1)	(36,452.0)
Other liabilities(4)	(1,652.5)	(1,652.5)	(1,769.9)	(1,769.9)

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

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

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

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

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

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

Assets held for sale Assets held-for-sale are recorded at lower of cost or fair value on the balance sheet. The fair value is generally determined using internally generated valuations, which are considered Level 3 methodologies. Commercial loans are generally valued individually, while small-ticket commercial and consumer type loans are valued on an aggregate portfolio basis.

Loans Since there is no liquid secondary market for most loans in the Company s portfolio, the fair value is estimated based on discounted cash flow analysis. In addition to the characteristics of the underlying contracts, key inputs to the

analysis include interest rates, prepayment rates, and credit spreads. For the commercial loan portfolio, the market based credit spread inputs are derived from instruments with comparable credit risk characteristics obtained from independent third party vendors. For the consumer loan portfolio, the discount spread is derived based on the company s estimate of a market participant s required return on equity that incorporate credit loss estimates based on expected and current default rates.

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

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

NOTE 8 STOCKHOLDERS EQUITY

Accumulated Other Comprehensive (Loss) / Income

Total comprehensive (Loss)/ Income was $(56.9) million and $137.0 million for the quarters ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, total comprehensive income was $18.4 million and $317.8 million, respectively; including Accumulated Other Comprehensive (Loss) of $(2.7) million and $(9.7) million for the current and prior year to date periods.

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

	June 30, 2011	December 31, 2010
Foreign currency translation adjustments	$ (21.9)	$ (12.9)
Changes in benefit plan net gain/(loss) and prior service (cost)/credit	2.7	2.8
Unrealized gain on available for sale investments	8.1	2.2
Changes in fair values of derivatives qualifying as cash flow hedges	(1.2)	(1.7)
Total accumulated other comprehensive loss	$ (12.3)	$ (9.6)

NOTE 9 REGULATORY CAPITAL

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

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

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

Tier 1 Capital and Total Capital Components (dollars in millions)

	CIT Group Inc.		CIT Bank	
Tier 1 Capital	**June 30, 2011**	**December 31, 2010**	**June 30, 2011**	**December 31, 2010**
Total stockholders equity	$ 8,941.5	$ 8,916.0	$ 1,913.5	$ 1,832.2
Effect of certain items in accumulated other comprehensive loss excluded from Tier 1 Capital	(9.5)	(3.3)	(0.1)	(0.1)
Adjusted total equity	8,932.0	8,912.7	1,913.4	1,832.1
Less: Goodwill	(264.5)	(277.4)		
Disallowed intangible assets	(84.1)	(119.2)		
Investment in certain subsidiaries	(35.3)	(33.4)		
Other Tier 1 components(1)	(62.7)	(65.2)	(80.7)	(97.8)
Total Tier 1 Capital	8,485.4	8,417.5	1,832.7	1,734.3
Tier 2 Capital				
Qualifying reserve for credit losses	439.3	416.2	23.2	10.7
Less: Investment in certain subsidiaries	(35.3)	(33.4)		
Other Tier 2 components(2)	2.6	0.2	0.1	0.1
Total Tier 2 Capital	406.6	383.0	23.3	10.8
Total Capital (Tier 1 and Tier 2 Capital)	$ 8,892.0	$ 8,800.5	$ 1,856.0	$ 1,745.1
Risk-weighted assets(4)	$ 44,037.0	$ 44,176.7	$ 3,854.7	$ 3,022.0
Total Capital (to risk-weighted assets):				
Actual	20.2%	19.9%	48.1%	57.7%
Required Ratio for Capital Adequacy Purposes	13.0%(3)	13.0%(3)	8.0%	8.0%
Tier 1 Capital (to risk-weighted assets):				
Actual	19.3%	19.1%	47.5%	57.4%
Required Ratio for Capital Adequacy Purposes	4.0%	4.0%	4.0%	4.0%
Tier 1 Capital Leverage Ratio:				
Actual	17.1%	16.2%	27.4%	24.2%
Required Ratio for Capital Adequacy Purposes	4.0%	4.0%	15.0%(3)	15.0%(3)

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

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

(3) *The Company and CIT Bank each committed to maintaining certain capital*

ratios above regulatory minimum levels.

(4) *Risk-weighted assets include purchase commitments for aircraft to be purchased under a June 2011 Memorandum of Understanding.*

NOTE 10 INCOME TAXES

CIT s tax provision of $26.9 million for the second quarter decreased compared to a tax provision of $88.2 million in the prior year quarter primarily as a result of lower international earnings and a decrease in discrete items.

CIT s tax provision of $92.6 million for the six months ended June 30, 2011 decreased compared to a tax provision of $131.6 million in the prior year six months primarily as a result of lower international earnings. For the year to date tax provision, the Company recorded income tax expense on the earnings of certain international operations and no income tax benefit on its domestic losses. A tax benefit was not recognized on the domestic losses because management has concluded that it does not currently meet the criteria to recognize these tax benefits considering its recent history of domestic losses. The year end 2011 effective tax rate may vary from the current rate primarily due to changes in the mix of domestic and international earnings.

The tax provision for the second quarter and six months ended 2011 included $2.2 million and $18.8 million, respectively, of discrete tax expense items. Included in the discrete items for the second quarter and year to date was approximately $0.8 million and $9.8 million, primarily related to a net increase in liabilities for uncertain tax positions and incremental valuation allowances on certain foreign losses. The Company anticipates that it is reasonably possible that the total unrecognized tax benefits will decrease

due to the settlement of audits and the expiration of statutes of limitation prior to June 30, 2012 in the range of $0-$10 million.

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

As of December 31, 2010, CIT had cumulative U.S. Federal net operating loss carry-forwards (NOL s) of $4.0 billion. Excluding FSA adjustments, which are not included in the calculation of U.S. Federal taxable income, the Company generated a domestic pretax loss of $288 million in the second quarter ($701 million year to date) which, excluding certain other book-to-tax adjustments, will increase the post-emergence NOLs. Pursuant to Section 382 of the Internal Revenue Code, the Company is generally subject to a $230 million annual limitation on the use of its $1.9 billion of pre-emergence NOLs. NOLs arising in post-emergence years are not subject to this limitation.

NOTE 11 COMMITMENTS

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

Commitments (dollars in millions)

	June 30, 2011			**December 31, 2010**
	Due to Expire			
	Within One Year	**After One Year**	**Total Outstanding**	**Total Outstanding**
Financing Commitments				
Financing and leasing assets	$ 276.8	$ 2,339.1	$ 2,615.9	$ 3,083.2
Letters of credit and acceptances				
Standby letters of credit	78.3	162.8	241.1	284.7
Other letters of credit	101.0	32.7	133.7	99.0
Guarantees				
Deferred purchase credit protection agreements	1,244.0		1,244.0	1,667.9
Guarantees, acceptances and other recourse obligations	13.5	21.3	34.8	25.8
Purchase and Funding Commitments				
Aerospace manufacturer purchase commitments	926.9	6,978.0	7,904.9	5,701.4
Rail and other manufacturer purchase commitments	486.4		486.4	
Other				
Liabilities for unrecognized tax benefits	10.0	442.1	452.1	451.6

Financing Commitments

Financing commitments, referred to as loan commitments, or lines of credit, reflect CIT s agreements to lend to its customers, subject to the customers compliance with contractual obligations. The table above includes approximately $0.5 billion of commitments at June 30, 2011 and $0.7 billion at December 31, 2010 for instances where the customer is not in compliance with contractual obligations, and therefore CIT does not have the contractual obligation to lend.

As financing commitments may not be fully drawn, expire unused, be reduced or cancelled at the customer s request, and require the customer to be in compliance with certain conditions, total commitment amounts do not necessarily reflect actual future cash flow requirements.

At June 30, 2011, substantially all financing commitments were senior facilities, with approximately 57% secured by equipment or other assets and the remainder comprised of cash-flow or enterprise value facilities. The vast majority of these commitments are syndicated transactions. CIT is lead agent in approximately 28% of the facilities. Most of our undrawn and available financing commitments are in Corporate Finance. The top ten undrawn commitments totaled $306 million.

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

Letters of Credit

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

Deferred Purchase Agreements

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

The methodology used to determine the DPA liability is similar to the methodology used to determine the allowance for loan losses associated with the finance receivables, which reflects embedded losses based on various factors, including expected losses reflecting our internal customer and facility credit ratings. The liability recorded in Other Liabilities related to the DPAs totaled $4.0 million and $4.2 million at June 30, 2011 and December 31, 2010, respectively.

Purchase and Funding Commitments

CIT s purchase commitments relate primarily to purchases of commercial aircraft and rail equipment. Commitments to purchase new commercial aircraft are predominantly with Airbus Industries (Airbus) and The Boeing Company (Boeing). CIT may also, from time to time, commit to purchase an aircraft directly with an airline. Aerospace equipment purchases are contracted for specific models, using baseline aircraft specifications at fixed prices, which reflect discounts from fair market purchase prices prevailing at the time of commitment. The delivery price of an aircraft may change depending on final specifications. Equipment purchases are recorded at the delivery date. The estimated commitment amounts in the preceding table are based on contracted purchase prices reduced for pre-delivery payments to date and exclude buyer furnished equipment selected by the lessee. Pursuant to existing contractual commitments, 148 aircraft remain to be purchased from Airbus and Boeing, including 50 A320neo Family

aircraft to be purchased under a June 2011 Memorandum of Understanding for which a Purchase Agreement was signed in July 2011. Aircraft deliveries are scheduled periodically through 2019. Commitments exclude unexercised options to order additional aircraft.

The Company s rail business entered into a commitment to purchase 3,500 railcars in the first quarter of 2011 and entered into a commitment to purchase 2,250 railcars in the second quarter of 2011. Pursuant to these contractual commitments, approximately 5,550 railcars remain to be purchased, with deliveries scheduled periodically in 2011 and 2012 and are included in the preceding table. On July 26, 2011, CIT announced orders for 5,000 railcars (which includes the second quarter commitments of 2,250 railcars and an incremental 2,750 railcars not included in the preceding table) from multiple manufacturers, for which deliveries are scheduled throughout 2012. Rail equipment purchase commitments are at fixed prices subject to price increases for certain materials.

NOTE 12 CONTINGENCIES

Litigation

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

For certain Litigation matters in which the Company is involved, the Company is able to estimate a range of reasonably possible losses in excess of the loss amount accrued. For other matters for which a loss is probable or reasonably possible, such an estimate is not reasonably possible. For Litigation where losses are reasonably possible, management currently estimates the aggregate range of reasonably possible losses as up to $265 million in excess of established reserves. This estimate represents reasonably possible losses (in excess of established reserves and other amounts referenced above) over the life of such Litigation, which may span a currently indeterminable number of years, and is based on information currently available as of June 30, 2011. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those Litigation matters for which an estimate is not reasonably possible or as to which a loss does not appear to be reasonably possible, based on current information, are not included within this estimated range and, therefore, this estimated range does not represent the Company s maximum loss exposure.

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

Securities Class Action

In July and August 2008, two putative class action lawsuits were filed in the United States District Court for the Southern District of New York (the New York District Court) on behalf of CIT s pre-reorganization stockholders against CIT, its former CEO and its former CFO. In August 2008, a putative class action lawsuit was filed in the New York District Court by a holder of CIT-PrZ equity units against CIT, its former CEO, former CFO, former Controller and certain members of its current and former Board of Directors. In May 2009, the Court consolidated these three shareholder actions into a single action and appointed

Pensioenfonds Horeca & Catering as Lead Plaintiff to represent the proposed class, which consists of all acquirers of CIT common stock and PrZ preferred stock from December 12, 2006 through March 5, 2008, who allegedly were damaged, including acquirers of CIT-PrZ preferred stock pursuant to the October 17, 2007 offering of such preferred stock.

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

Pursuant to a Notice of Dismissal filed on November 24, 2009, CIT Group Inc. was dismissed as a defendant from the consolidated securities action as a result of its discharge in bankruptcy. On June 10, 2010, the Court denied the remaining defendants motion to dismiss the consolidated amended complaint. The action continues as to the remaining defendants and CIT s obligation to defend and indemnify such defendants continues. The case is in the discovery stage. Plaintiffs seek, among other relief, unspecified damages and interest. Non-binding mediation is scheduled for August, 2011.

Tyco Tax Agreement

This matter, which was previously reported as a contractual contingency in our SEC filings, has now evolved into litigation. In connection with our separation from Tyco International Ltd (Tyco) in 2002, CIT and Tyco entered into a Tax Agreement pursuant to which, among other things, CIT agreed to pay Tyco for tax savings actually realized by CIT, if any, as a result of the use of certain tax attributes resulting from net operating losses recognized while Tyco owned CIT (the Tyco Tax Attribute), which savings would not have been realized absent the existence of the Tyco Tax Attribute. During CIT s bankruptcy, CIT rejected the Tax Agreement, and Tyco and CIT entered into a Standstill Agreement pursuant to which (a) CIT agreed that it would defer bringing its subordination claim against Tyco and (b) Tyco agreed that it would defer bringing its damages claim against CIT while the parties exchanged information about CIT s tax position, including past usage and retention of the various attributes on its consolidated tax return. Notwithstanding the Standstill Agreement, Tyco filed a Notice of Arbitration during the 2011 second quarter, demanding arbitration of its alleged contractual damages resulting from rejection of the Tax Agreement. CIT filed a motion in the United States Bankruptcy Court for the Southern District of New York seeking a stay of the arbitration, together with an adversary proceeding seeking to subordinate Tyco s interests under section 510(b) of the Bankruptcy Code, which would result in Tyco being treated like equity holders under CIT s confirmed Plan of Reorganization and receiving no recovery in connection with the termination of the Tax Agreement. By stipulation, the parties have agreed to stay the arbitration pending the court s ruling on the subordination claims.

The amount of the Federal Tyco Tax Attribute is approximately $794 million and the state Tyco Tax Attribute is approximately $180 million as of the separation date. CIT s approximate applicable federal and state tax rates are currently 35% and 6.5%, respectively. CIT has recorded a valuation allowance against a significant portion of its federal and state deferred tax assets, as the Company continues to conclude that it does not currently meet the criteria

to recognize these assets. It is CIT s position that it

has not received federal tax benefits from the Tyco Tax Attribute within the meaning of the Tax Agreement and that it is speculative as to when, if ever, any such benefits may be realized in the future.

Le Nature s Inc.

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

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

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

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

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

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

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

NOTE 13 BUSINESS SEGMENT INFORMATION

Management s Policy in Identifying Reportable Segments

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

Types of Products and Services

CIT has five reportable segments: Corporate Finance, Transportation Finance, Trade Finance, Vendor Finance and Consumer. Corporate Finance and Trade Finance offer secured lending and receivables collection as well as other

financial products and services to small and midsize companies. These include secured revolving lines of credit and term loans, credit protection, accounts receivable collection, import

and export financing and factoring, debtor-in-possession and turnaround financing and management advisory services. Transportation Finance offers secured lending and leasing products to midsize and larger companies across the aerospace, rail and defense industries. Vendor Finance partners with manufacturers and distributors to offer secured lending and leasing products predominantly to small and mid-size companies primarily in information technology, telecommunication and office equipment markets. Consumer includes a liquidating portfolio of predominately government-guaranteed student loans and certain consumer loans of CIT Bank.

Segment Profit and Assets

The Company refined its expense and capital allocation methodologies during the first quarter of 2011. For 2011, Corporate and other includes certain costs that had been previously allocated to the segments, including prepayment penalty fees on high-cost debt payments and certain corporate liquidity costs. In addition, the Company refined the capital and interest allocation methodologies for the segments. These changes had the most impact on Transportation Finance given the capital requirements for their forward-purchase commitments and reduced the interest expense charged to this segment. On a comparable basis, pre-tax income for Transportation Finance would have been approximately $67 million for the quarter ended June 30, 2010 and $140 million for the six months then ended. These increases would be offset by decreases in Corporate and Other for the respective periods. The refinement was not significant to the other segments. The 2010 balances are reflected as originally reported and are not conformed to the 2011 presentation.

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

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

Business Segments *(dollars in millions)*

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Commercial Segments	Consumer	Total Segments	Corporate and Other	Total
For the quarter ended June 30, 2011									
Total interest income	$ 270.9	$ 44.5	$ 17.9	$ 195.1	$ 528.4	$ 68.9	$ 597.3	$ 4.8	$ 602.1
Total interest expense	(212.0)	(250.8)	(29.5)	(145.5)	(637.8)	(48.7)	(686.5)	(119.2)	(805.7)
Provision for credit losses	(61.3)	(4.7)	(4.0)	(13.8)	(83.8)	(0.9)	(84.7)		(84.7)
Rental income on operating leases	5.5	339.5		72.9	417.9		417.9		417.9
Other income, excluding rental income	118.2	33.0	42.8	50.8	244.8	3.1	247.9	(8.0)	239.9
Depreciation on operating lease equipment	(3.0)	(86.7)		(55.8)	(145.5)		(145.5)		(145.5)
Other expenses	(66.9)	(37.4)	(26.4)	(82.1)	(212.8)	(15.5)	(228.3)	(17.5)	(245.8)
Income (loss) before provision (benefit) for income taxes	$ 51.4	$ 37.4	$ 0.8	$ 21.6	$ 111.2	$ 6.9	$ 118.1	$ (139.9)	$ (21.8)
For the quarter ended June 30, 2010									
Total interest income	$ 494.7	$ 57.8	$ 24.4	$ 345.2	$ 922.1	$ 96.7	$ 1,018.8	$ 5.0	$ 1,023.8
Total interest expense	(276.0)	(234.3)	(49.5)	(190.4)	(750.2)	(59.4)	(809.6)	2.1	(807.5)
Provision for credit losses	(95.2)	(3.0)	(12.3)	(111.9)	(222.4)	(9.3)	(231.7)	(15.0)	(246.7)
Rental income on operating leases	7.3	315.0		96.1	418.4		418.4	(0.5)	417.9
Other income, excluding rental income	206.4	18.2	51.4	33.2	309.2	18.3	327.5	11.0	338.5
Depreciation on operating lease equipment	(5.1)	(85.9)		(87.4)	(178.4)		(178.4)	0.3	(178.1)
Other expenses	(90.3)	(45.5)	(33.0)	(86.3)	(255.1)	(22.7)	(277.8)		(277.8)

Income (loss) before provision (benefit) for income taxes	$ 241.8	$ 22.3	$ (19.0)	$ (1.5)	$ 243.6	$ 23.6	$ 267.2	$ 2.9	$ 270.1

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	Corporate Finance	Trans-portation Finance	Trade Finance	Vendor Finance	Commercial Segments	Consumer	Total Segments	Corporate and Other	Total
For the six months ended June 30, 2011									
Total interest income	$ 569.6	$ 87.0	$ 35.0	$ 403.4	$ 1,095.0	$ 139.7	$ 1,234.7	$ 10.6	$ 1,245.3
Total interest expense	(408.8)	(461.3)	(55.2)	(278.5)	(1,203.8)	(101.7)	(1,305.5)	(199.1)	(1,504.6)
Provision for credit losses	(135.8)	(6.5)	(7.3)	(56.7)	(206.3)	(1.8)	(208.1)		(208.1)
Rental income on operating leases	12.0	664.2		155.0	831.2		831.2		831.2
Other income, excluding rental income	282.0	57.3	79.9	82.4	501.6	6.2	507.8	10.3	518.1
Depreciation on operating lease equipment	(5.9)	(183.4)		(116.7)	(306.0)		(306.0)		(306.0)
Other expenses	(125.7)	(77.2)	(54.2)	(153.8)	(410.9)	(32.9)	(443.8)	(18.4)	(462.2)
Income (loss) before provision (benefit) for income taxes	$ 187.4	$ 80.1	$ (1.8)	$ 35.1	$ 300.8	$ 9.5	$ 310.3	$ (196.6)	$ 113.7
Select Period End Balances									
Loans including receivables pledged	$ 7,423.9	$ 1,356.3	$ 2,538.4	$ 3,940.4	$ 15,259.0	$ 7,025.7	$ 22,284.7	$	$ 22,284.7
Credit balances of factoring clients			(1,084.9)		(1,084.9)		(1,084.9)		(1,084.9)
Assets held for sale	378.8	257.3		528.1	1,164.2	699.3	1,863.5		1,863.5
Operating lease equipment, net	51.1	10,619.3		250.0	10,920.4		10,920.4		10,920.4
For the six months ended June 30, 2010									
Total interest income	$ 1,042.7	$ 121.5	$ 54.9	$ 707.2	$ 1,926.3	$ 192.6	$ 2,118.9	$ 9.6	$ 2,128.5
Total interest expense	(574.8)	(492.6)	(91.1)	(358.3)	(1,516.8)	(126.2)	(1,643.0)	4.1	(1,638.9)
Provision for credit losses	(229.1)	(4.3)	(46.2)	(164.4)	(444.0)	(13.8)	(457.8)	(15.0)	(472.8)
Rental income on operating leases	16.1	621.8		206.9	844.8		844.8	(1.1)	843.7
Other income, excluding rental income	309.0	40.4	100.6	72.0	522.0	24.1	546.1	(57.2)	488.9
Depreciation on operating lease equipment	(8.7)	(164.5)		(178.1)	(351.3)		(351.3)	0.5	(350.8)
Other expenses	(170.2)	(85.1)	(65.0)	(173.2)	(493.5)	(44.2)	(537.7)	(1.8)	(539.5)
Income (loss) before provision (benefit) for income taxes	$ 385.0	$ 37.2	$ (46.8)	$ 112.1	$ 487.5	$ 32.5	$ 520.0	$ (60.9)	$ 459.1

Select Period End Balances									
Loans including receivables pledged	$ 10,346.2	$ 1,636.9	$ 2,514.6	$ 6,101.3	$ 20,599.0	$ 8,789.6	$ 29,388.6	$	$ 29,388.6
Credit balances of factoring clients			(877.3)		(877.3)		(877.3)		(877.3)
Assets held for sale	514.8	10.4		18.8	544.0	28.5	572.5		572.5
Operating lease equipment, net	105.6	10,296.9		551.9	10,954.4		10,954.4		10,954.4

NOTE 14 SUBSEQUENT EVENTS

On July 15, 2011, CIT redeemed $500 million of the $3 billion senior secured first lien facility. The net impact of the acceleration of deferred debt costs and the favorable FSA amortization will increase third quarter interest expense by approximately $15 million.

On July 26, 2011, CIT announced orders for 5,000 railcars (which includes the second quarter commitment of 2,250 railcars and an incremental 2,750 railcars in July 2011) from multiple manufacturers, for which deliveries are scheduled throughout 2012. The orders include the exercise of an option for an additional 1,750 railcars received when the Company ordered 3,500 railcars earlier this year.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

and

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

OVERVIEW

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

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

As of June 30, 2011 the Company had 3,480 employees and approximately $48 billion in assets.

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

The June 30, 2010 amounts have been restated to correct for errors found by the Company subsequent to the filing of its third quarter 2010 report on Form 10-Q, related primarily to the application of Fresh Start Accounting (FSA), the effects of which were disclosed in the Company s December 31, 2010 Form 10-K. The effect of the restatement increased net income for the quarter and six months ended June 30, 2010 by approximately $40 million and $87 million, respectively, to $182 million and $326 million as compared to the amount originally reported in the June 30, 2010 Form 10-Q. Comparisons to the 2010 balances are to the restated amounts. See the Company s 2010 Form 10-K, Note 26 Selected Quarterly Financial Data (Unaudited) of Item 8 and Select 2010 Form 10-Q Restated Sections of Item 7 for further information.

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

2011 PRIORITIES AND PROGRESS

We continue to make progress on our priorities, which we described in our December 31, 2010 Form 10-K. The following highlight some of our progress:

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

   - Increased new business activity. Funded new business volume increased 67% and 30% to $1.7 billion over the prior year quarter and from last quarter as Corporate Finance, Transportation Finance and Vendor Finance each reported double-digit percentage increases in lending/leasing

volume sequentially and year-over-year. Committed new business volume was $2.1 billion, up from $1.1 billion in the prior year quarter and $1.7 billion last quarter.

- Stabilized the client base in Trade Finance. Factoring volume was $6.1 billion, unchanged from the 2011 first quarter and down from $6.3 billion for the 2010 second quarter, due to the wind- down of our European factoring operation. Excluding the European operation, factoring volume was up approximately 4% from the 2010 second quarter.

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

- Prepaid over $4.75 billion of high cost debt year-to-date, including the $500 million first lien payment in July. During the second quarter, we redeemed $2.5 billion of 7% Series A Notes, bringing year-to-date Series A redemptions to $3.5 billion. During the first quarter, we also redeemed the remaining $0.75 billion of 10.25% Series B Notes that were outstanding. And on July 15, 2011, we redeemed $500 million of the $3 billion senior secured first lien term loan.
- Closed over $3.5 billion of capital markets and secured bank financing facilities year-to-date. In the second quarter, we 1) established a new RMB 1.8 billion Vendor Finance China facility (approximately $275 million) to fund activity in that country, 2) received $150 million of secured aircraft funding through a newly established facility guaranteed by the Export-Import Bank of the United States, and 3) renewed a £100 million committed U.K. Vendor Finance securitization facility at significantly lower cost and longer term. During the first quarter, we accessed the capital markets for cost-efficient funding by issuing $2 billion of second lien Series C debt and we renewed a $1 billion committed U.S. Vendor Finance conduit facility at a significantly reduced cost, higher advance rate and longer tenor.
- Took steps to address the restrictive covenants contained in restructuring-related debt. During the second quarter, we successfully completed an exchange offer through which approximately $8.8 billion of Series A Notes were exchanged for new Series C Notes. We also completed a consent solicitation through which the covenants in the Series A Notes maturing in 2015, 2016 and 2017, other than the cash sweep, were amended to generally conform to the less restrictive covenants in the Series C Notes. The covenants in the Series C Notes are more consistent with covenants in investment grade-rated bonds.
- Reduced employee head count to 3,480 from 3,778 at December 31, 2010, reflecting the sale of the Dell Canada operations, outsourcing and other efficiency actions. First half 2011 operating expenses (exclusive of restructuring charges) declined 13% from the comparable period in 2010.

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

- Increased asset origination activity. Year-to-date committed loan volume rose to $1.9 billion from $0.2 billion in 2010, of which $1.2 billion was funded, up from $0.1 billion during the first half of 2010. Second quarter committed volume was up 41% from the first quarter and funded volume nearly doubled. Bank originations represented approximately 70% of the total U.S. funded volume in the second quarter (approximately 67% year to date).
- Obtained the necessary regulatory approvals and transferred the Small Business Lending operating platform into the bank in March 2011 and the U.S. Vendor Finance platform into the bank in July 2011.
- Issued over $600 million of brokered certificates of deposit during the second quarter with a weighted average cost of approximately 1.75% and weighted average term in excess of 3 years.

- Announced the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI) terminated their Cease and Desist Orders against CIT Bank in April 2011 that were jointly issued on July 16, 2009.

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

2011 FINANCIAL OVERVIEW

Net loss for the quarter ended June 30, 2011 of $48 million, $0.24 per diluted share, compared to net income of $66 million, $0.33 per diluted share for the 2011 first quarter and $182 million, $0.91 per diluted share, a year ago, primarily on reduced benefits from fresh start accounting (FSA) accretion. The components of FSA accretion and amortization are detailed in the following section Fresh Start Accounting . The $108 million sequential decline in FSA accretion and the decrease of $425 million from the 2010 second quarter reflect accelerated repayment of second lien debt carried at a discount and lower asset levels in the 2011 second quarter. Lower credit costs partially offset the lower FSA accretion. Net income for the six months ended June 30, 2011 was $18 million, $0.09 per diluted share, down from $326 million, $1.63 per diluted share for 2010, reflecting similar trends.

Net finance revenue[(1)] for the quarter ended June 30, 2011 declined to $69 million from $197 million last quarter and $456 million in the prior year quarter as a result of a declining asset base and lower FSA accretion benefits, which has had a lower impact on interest income in 2011 due to higher loan sales in 2010, but continues to impact interest expense due to continued debt repayment (See *Fresh Start Accounting*). Average earning assets[1] of $34 billion for the quarter declined $1 billion sequentially and $8 billion from a year ago quarter largely due to asset sales. Net finance revenue as a percentage of average earning assets (finance margin) was 0.80%, down both sequentially and from the prior year as reduced net FSA accretion more than offset the benefit from the reduction in second lien debt. Excluding FSA and prepayment penalties on debt, finance margin was 1.45%, essentially unchanged from the prior quarter and up from 0.73% a year ago. Compared to the first quarter, the second quarter result reflected slightly higher asset yields and a reduction in second lien debt offset by costs related to liability restructuring and reduced benefits on a secured borrowing facility (the Total Return Swap). The expansion of finance margin from the prior year quarter was primarily driven by lower funding costs, including increased benefits from the Total Return Swap. Net operating lease revenue[(1)] improved primarily reflecting higher utilization. Net finance revenue for the six months ended June 30, 2011 totaled $266 million, down from $983 million as the benefits from FSA accretion declined $794 million compared to the prior year six months.

Provision for credit losses for the quarter ended June 30, 2011 was $85 million, a decrease of 31% sequentially and 66% from the prior year quarter. Provision for credit losses for the six months ended June 30, 2011 totaled $208 million, down from $473 million for the prior year six months. The declines reflect improved trends in credit metrics including declines in net charge-offs and non-accrual balances.

Other income (excluding operating lease rentals) for the quarter ended June 30, 2011 declined to $240 million from $278 million last quarter and $339 million in the prior year quarter. The sequential decline was driven by mark-to-market valuations on non-qualifying hedge derivatives, as well as a lower level of recoveries on receivables charged-off prior to the adoption of FSA. The decrease from the prior year quarter was primarily due to lower recoveries on pre-FSA charge-offs. Other income for the six months ended June 30, 2011 totaled $518 million, up from $489 million for the prior year six months as higher

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(1) *Net finance revenue, average earning assets and net operating lease margin are non-GAAP measures; see reconciliation of non-GAAP to GAAP financial*

information

gains on asset sales and favorable mark to market valuations offset the decline in recoveries on pre-FSA charge-offs.

Operating expenses were $246 million for the quarter, up from $216 million last quarter and down from $279 million in the prior year quarter. The 14% sequential increase in operating expenses was driven by non-recurring servicing expenses in Vendor Finance, approximately $7 million of which pertained to the correction of prior periods, and higher litigation-related costs. The 12% decline from the prior-year quarter is mostly attributable to lower employee costs. Headcount declined 13% from a year ago to 3,480 at June 30, 2011. Operating expenses for the six months ended June 30, 2011 totaled $462 million, down from $540 million for the prior year six months, primarily due to lower employee costs.

Provision for income taxes of $27 million in the second quarter declined from $66 million last quarter and $88 million in the prior year quarter. The declines reflect lower international earnings, primarily in Canada in the current quarter, and discrete items recorded in the prior quarter, as we continue to record valuation allowances on U.S. losses. The tax provision predominantly reflects provisions for taxable income generated by our international operations and no income tax benefit on our U.S. losses due to a full valuation allowance. Provision for income taxes for the six months ended June 30, 2011 totaled $93 million, down from $132 million for the prior year six months. The decline reflects lower international earnings.

Total assets at June 30, 2011 were $48 billion, down $3 billion from March 31, 2011 and $7 billion from a year ago. Cash and short-term investments totaled $10 billion, down $2 billion sequentially reflecting debt repayments. Loans totaled $22 billion at June 30, 2011, down $1 billion during the quarter primarily due to transfers to assets held for sale, as portfolio originations largely offset portfolio collections, and down $7 billion from last year generally due to sales. Operating lease equipment remained stable at $11 billion.

Funded new business volume was $1.7 billion, up 30% sequentially and 67% from the prior year quarter, as Corporate Finance, Transportation Finance and Vendor Finance each reported double-digit percentage increases in lending/leasing volume sequentially and year-over-year. Year to date, funded new business totaled $3.1 billion, up from $1.9 billion last year. Committed new business volume was $2.1 billion, up from $1.7 billion last quarter and $1.1 billion in the prior year quarter. Year to date, committed volume was $3.8 billion, up from $2.1 billion last year. Factoring volume in our Trade Finance segment totaled $6.1 billion, essentially unchanged sequentially and down modestly from $6.3 billion in the prior year quarter as 4% growth in U.S. factoring volume was more than offset by the wind-down of our European operation. For the 2011 six months, factoring volume totaled $12.3 billion, down from $12.7 billion in the prior year. However, excluding volume from the wind-down of our European operation, factoring volume was up 3%.

Credit metrics improved in the quarter. Net charge-offs and non-accrual loans were down from recent quarters and inflows to non-accrual loans also continued to decline. Net charge-offs were $56 million, down from $141 million in the prior quarter and $106 million in the 2010 second quarter. The reduction from the prior quarter was driven primarily by a $77 million decline in Corporate Finance, as the prior quarter included significant charge-offs in the energy portfolio. In addition, the current quarter includes $33 million of recoveries of post-emergence charge-offs compared to $19 million and $7 million in the prior quarter and prior year quarter, respectively. Non-accrual loans were $1.1 billion at June 30, 2011, down 19% and 48%, respectively, from the prior quarter and the prior year quarter. All segments experienced declines in relation to prior periods, with the most notable improvements in Corporate Finance.

FRESH START ACCOUNTING

Upon emergence from bankruptcy in 2009, CIT applied Fresh Start Accounting (FSA) in accordance with generally accepted accounting principles in the United States of America (GAAP). Accretion and amortization of certain FSA adjustments are reflected in operating results and described below.

The implementation of FSA resulted in the establishment of a new basis of accounting for the majority of the Company s assets and liabilities as of December 31, 2009 based upon the December 31, 2009 fair values for those assets and liabilities. The adoption of FSA also resulted in the elimination of the allowance for loan losses (ALLL), which was effectively recorded as discounts on loans in adjusting to then fair values. A portion of this discount is attributable to embedded credit losses at December 31, 2009. As a result, our reported charge-offs and the carrying values of our non-accrual loans are reduced in the post-emergence periods from what would have been reported without FSA. Though FSA reduced the carrying values of non-accrual loans, it did not impact the classification of the applicable loans as non-accrual loans, impaired loans or TDRs.

Given this framework, FSA most impacts our Net Finance Revenue and Credit Metrics trends. Net finance revenue reflects the accretion of the FSA adjustments to the loans and leases, as well as debt, which were marked to fair value at the emergence date. Because FSA impacts the credit metrics trends, we analyze charge-offs, non-accrual / impaired loans, and TDRs both including and excluding the effects of FSA. As noted above, FSA had the effect of lowering the carrying amount of our loans and leases and eliminating the ALLL as of December 31, 2009. The ALLL increased gradually to reflect the accretion of discounts on the pre-emergence portfolio (which increases the carrying value and the need for credit reserves) and reserves on post-emergence loans and leases. Charge-offs of post-FSA (GAAP) loans are lower as their carrying value is lower compared to pre-FSA balances.

Given the ongoing impact of FSA on CIT s financial statements, credit metrics, and the different business profile, the results are not generally comparable with those of other financial institutions. Whereas other financial institutions may be experiencing current credit trends resulting in declining reserves, CIT s allowance is being rebuilt.

Accretable and non-accretable discounts are tracked on a loan-by-loan basis. We record the transfer of loans to assets held for sale (AHFS) in accordance with guidance in ASC 310-10-35-49. Upon transfer of a loan to AHFS, it is carried at the lower of cost or fair value, which establishes a new basis for the loan and eliminates the specific accretable and non-accretable discounts. With the elimination of the specific accretable and non-accretable discount, there is no accretable discount to accrete into income in future periods. Contractual interest earned on loans while in AHFS is recorded in Finance income. Gain or loss on the sale of the asset is recognized at the time of sale and is determined by comparing the proceeds received with the carrying value.

The following table presents FSA adjustments by balance sheet caption:

Fresh Start Accounting (Discount) / Premium (dollars in millions)

	June 30, 2011		March 31, 2011		December 31, 2010	
	Accretable	**Non-accretable**	**Accretable**	**Non-accretable**	**Accretable**	**Non-accretable**
Loans	$ (977.9)	$ (121.5)	$ (1,303.0)	$ (263.9)	$ (1,555.4)	$ (372.2)
Operating lease equipment, net	(2,891.9)		(2,954.1)		(3,022.0)	
Intangible assets / goodwill	84.1	264.5	99.1	277.4	119.2	277.4
Other assets	(158.7)		(191.6)		(223.4)	
Total	$ (3,944.4)	$ 143.0	$ (4,349.6)	$ 13.5	$ (4,681.6)	$ (94.8)
Deposits	$ 24.4	$	$ 30.5	$	$ 38.5	$
Long-term borrowings	(2,436.8)		(2,735.3)		(2,948.5)	
Other liabilities[1]	46.4	277.0		313.4		351.6
Total	$ (2,366.0)	$ 277.0	$ (2,704.8)	$ 313.4	$ (2,910.0)	$ 351.6

[1] *The accretable balance reflects a reclass of FSA discount associated with unfunded loan commitments, which had previously been included with Loans . Prior periods have not been conformed due to system limitations.*

Interest income is increased by the FSA accretion on loans, which primarily relates to Corporate Finance ($0.4 billion) and Consumer ($0.4 billion). Due to the contractual maturity of the underlying loans, most accretion income will be realized within the next 2 years. In addition to the scheduled accretion on loans recorded with each scheduled payment, the decline in accretable balance was accelerated during 2011 primarily as a result of asset sales. The declines in non-accretable balance were primarily due to asset sales and prepayments, and also reflect charge-offs.

Interest expense is increased by the FSA accretion of the long-term borrowings adjustment, which is recognized over the contractual maturity of the underlying debt. If the debt is repaid prior to its contractual maturity, and the repayment is accounted for as a debt extinguishment, accretion of the FSA discount on the underlying debt would be accelerated. If the repayment is accounted for as a debt modification, the FSA discount is amortized over the term of the new financing on an effective yield method. Debt maturity terms are: 2014 2017 for the Series A Notes, 2015 2017 for the Series C Notes that were exchanged from Series A and 2011 2040 for the other secured borrowings, of which over 85% is expected to be recognized by 2021. The following table summarizes the estimated scheduled FSA accretion on the first and second lien debt and secured borrowings. The table assumes repayment of the first and second lien debt on its scheduled due date. Actual results will differ from contractual realization in the event of prepayment of the first or second lien debt. Differences will also occur if the secured assets underlying the secured borrowings repay faster than obligated. The differences from the estimates could vary materially and are inherently subject to significant uncertainties that may be beyond the Company s control.

Debt Type	Outstanding FSA Balance	Remaining 2011	2012	2013	2014	2015 and Thereafter
First Lien Facility	$ 88.3	$ 12.1	$ 19.7	$ 20.7	$ 21.9	$ 13.9

Series A Notes	(834.8)	(75.7)	(162.9)	(179.4)	(163.4)	(253.4)
Series C Notes (exchanged)	(873.0)	(67.3)	(144.4)	(158.7)	(174.4)	(328.2)
Secured Borrowings	(763.5)	(77.6)	(125.3)	(97.0)	(79.8)	(383.8)
Other debt	(53.8)	(2.6)	(2.9)	(2.4)	(2.5)	(43.4)
Total	$ (2,436.8)	$ (211.1)	$ (415.8)	$ (416.8)	$ (398.2)	$ (994.9)

Depreciation expense is reduced by the accretion of the operating lease equipment discount, which relates primarily to Transportation Finance aircraft and rail operating lease assets. We estimate an economic average life before disposal of these assets of approximately 15 and 30 years, respectively.

In conjunction with FSA, operating lease rentals were adjusted as of the emergence date. As a result, an intangible asset was recorded to adjust these contracts that were, in aggregate, above their market rentals rates. These adjustments (net) will be amortized, thereby lowering rental income (a component of Other Income) over the remaining lives of the lease agreements on a straight line basis. Rental income is reduced by accretion of the intangible assets, which is based on the contractual maturity of the underlying operating lease. The majority of the remaining accretion has a contractual maturity of less than two years.

Goodwill was recorded to reflect the excess of the reorganization equity value over the fair value of tangible and identifiable intangible assets, net of liabilities.

Other assets relates primarily to a discount on a receivable from GSI in conjunction with a secured borrowing facility. The discount is accreted to Other Income over the expected payout of the receivables. Based on current estimates, approximately 75% of the remaining discount will be recognized within the next five years.

Other liabilities relates primarily to a liability recorded to reflect the current fair value of aircraft purchase commitments outstanding at the time. As the aircraft are purchased, through 2018, the cost basis of the assets will be reduced by the associated liability.

The following table summarizes the impact of accretion and amortization of FSA adjustments by segment on the Consolidated Statement of Operations:

Accretion / (Amortization) of Fresh Start Accounting Adjustments (dollars in millions)

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Consumer	Corporate and Other	Total CIT
Quarter Ended June 30, 2011							
Interest income	$ 143.4	$ 19.7	$	$ 36.4	$ 22.5	$	$ 222.0
Interest expense	(135.6)	(80.9)	(8.0)	(37.0)	(13.7)	(17.3)	(292.5)
Rental income on operating leases		(15.1)					(15.1)
Depreciation expense	1.6	57.9		4.2			63.7
FSA net finance revenue	9.4	(18.4)	(8.0)	3.6	8.8	(17.3)	(21.9)
Other income	25.3	5.1			2.5		32.9
Total	$ 34.7	$ (13.3)	$ (8.0)	$ 3.6	$ 11.3	$ (17.3)	$ 11.0
Quarter Ended March 31, 2011							
Interest income	$ 175.1	$ 17.8	$	$ 34.3	$ 22.5	$	$ 249.7
Interest expense	(117.6)	(43.5)	(3.6)	(18.3)	(14.4)	(7.9)	(205.3)
Rental income on operating leases		(19.0)					(19.0)
Depreciation expense	1.3	57.3		2.7			61.3
FSA net finance revenue	58.8	12.6	(3.6)	18.7	8.1	(7.9)	86.7
Other income	24.5	4.9			2.4		31.8
Total	$ 83.3	$ 17.5	$ (3.6)	$ 18.7	$ 10.5	$ (7.9)	$ 118.5
Quarter Ended June 30, 2010							
Interest income	$ 309.6	$ 25.0	$ 2.9	$ 70.3	$ 31.2	$ 0.9	$ 439.9
Interest expense	(43.3)	(16.2)	(1.6)	(7.3)	(4.6)	(0.2)	(73.2)
Rental income on operating leases		(26.6)					(26.6)
Depreciation expense	4.1	59.4		7.5			71.0
FSA net finance revenue	270.4	41.6	1.3	70.5	26.6	0.7	411.1
Other income	18.4	3.7			1.8		23.9

Total	$ 288.8	$ 45.3	$ 1.3	$ 70.5	$ 28.4	$ 0.7	$ 435.0
Six Months Ended June 30, 2011							
Interest income	$ 318.5	$ 37.5	$	$ 70.7	$ 45.0	$	$ 471.7
Interest expense	(253.2)	(124.4)	(11.6)	(55.3)	(28.1)	(25.2)	(497.8)
Rental income on operating leases		(34.1)					(34.1)
Depreciation expense	2.9	115.2		6.9			125.0
FSA net finance revenue	68.2	(5.8)	(11.6)	22.3	16.9	(25.2)	64.8
Other income	49.8	10.0			4.9		64.7
Total	$ 118.0	$ 4.2	$ (11.6)	$ 22.3	$ 21.8	$ (25.2)	$ 129.5
Six Months Ended June 30, 2010							
Interest income	$ 676.1	$ 54.0	$ 9.6	$ 135.8	$ 64.0	$ 0.1	$ 939.6
Interest expense	(90.1)	(45.2)	(3.5)	(18.4)	(10.9)	0.2	(167.9)
Rental income on operating leases		(52.8)					(52.8)
Depreciation expense	6.3	116.8		16.4			139.5
FSA net finance revenue	592.3	72.8	6.1	133.8	53.1	0.3	858.4
Other income	45.9	9.2			4.5	0.1	59.7
Total	$ 638.2	$ 82.0	$ 6.1	$ 133.8	$ 57.6	$ 0.4	$ 918.1

NET FINANCE REVENUE[2]

The following tables present management s view of consolidated margin and include the net interest spread we make on loans and on the equipment we lease, in dollars and as a percent of average earning assets[2].

Net Finance Revenue (dollars in millions)

	Quarters Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Interest income	$ 602.1	$ 643.2	$ 1,023.8	$ 1,245.3	$ 2,128.5
Rental income on operating leases	417.9	413.3	417.9	831.2	843.7
Finance revenue	1,020.0	1,056.5	1,441.7	2,076.5	2,972.2
Interest expense	(805.7)	(698.9)	(807.5)	(1,504.6)	(1,638.9)
Depreciation on operating lease equipment	(145.5)	(160.5)	(178.1)	(306.0)	(350.8)
Net finance revenue	$ 68.8	$ 197.1	$ 456.1	$ 265.9	$ 982.5
Average Earnings Assets (AEA)	$ 34,477.8	$ 35,194.1	$ 42,211.9	$ 34,846.0	$ 43,674.7
As a % of AEA:					
Interest income	6.99%	7.31%	9.70%	7.15%	9.75%
Rental income on operating leases	4.85%	4.70%	3.96%	4.77%	3.86%
Finance revenue	11.84%	12.01%	13.66%	11.92%	13.61%
Interest expense	(9.35)%	(7.94)%	(7.65)%	(8.63)%	(7.50)%
Depreciation on operating lease equipment	(1.69)%	(1.83)%	(1.69)%	(1.76)%	(1.61)%
Net finance revenue	0.80%	2.24%	4.32%	1.53%	4.50%
As a % of AEA by Segment:					
Corporate Finance	3.06%	5.00%	7.39%	4.05%	7.58%
Transportation Finance	1.53%	1.99%	1.75%	1.76%	1.43%
Trade Finance	(3.25)%	(2.50)%	(5.89)%	(2.90)%	(4.06)%
Vendor Finance	5.27%	7.32%	8.79%	6.32%	9.43%
Commercial Segments	2.44%	3.73%	4.98%	3.09%	5.26%
Consumer	1.03%	0.88%	1.64%	0.96%	1.42%

Average earning assets are less than comparable balances in Average Balance Sheet tables displayed later in this document due to the exclusion of deposits with banks and other investments offset by the inclusion of credit balances of factoring clients.

Net finance revenue declined during the quarter due to lower earning assets and reduced benefit from FSA accretion. Average earning assets were down $0.7 billion from the prior quarter and $7.7 billion from the 2010 second quarter. FSA accretion related to net finance revenue declined $109 million sequentially and $433 million from the prior year quarter driven by lower assets and higher accretion on debt prepayments. As a percentage of average earning assets, net finance revenue was down from the prior quarter as the reduced benefit from FSA accretion in interest income and

costs associated with liability restructuring more than offset the benefits from paying off high cost debt. When compared to the prior year quarter, the impact of FSA was partially offset by higher receipts related to a total return swap, which in turn caused a reduction in interest expense.

New business yields in Vendor Finance remain in low double-digits, though down from last quarter. Transportation Finance yields benefited from completion of certain aircraft redeployment, higher rail utilization and lower aircraft maintenance costs, partially offset by some pressure on equipment renewal rates, which were below the average rate for the portfolios. Corporate Finance lending yields were under

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(2) *Net finance revenue and average earning assets are non-GAAP measures; see reconciliation of non-GAAP to GAAP financial information.*

modest pressure. Segment portfolio margins are discussed in the individual segment performance commentaries.

Interest expense for the 2011 second quarter included prepayment fees of $50 million on the redemption of $2.5 billion of 7% Series A Second Lien Notes. This redemption included approximately $1.1 billion principal amount of remaining 2013 Series A Notes and $1.4 billion principal amount of the 2014 Series A Notes. The acceleration of FSA amortization on the 2013 and 2014 maturities added approximately $66 million and $47 million, respectively, to interest expense.

Interest expense for the 2011 first quarter included prepayment fees of $35 million on the redemption of $1.0 billion of the Series A Notes due in 2013 and the remaining $0.75 billion of 10.25% Series B Notes. The Series A and Series B Note prepayments also resulted in the acceleration of FSA amortization/(accretion) of $25 million and $(14) million, respectively, which resulted in a net increase of $11 million to interest expense.

Additional second lien prepayments will result in acceleration of FSA amortization of debt discount (if the prepayment is accounted for as a debt extinguishment) and prepayment fees on Series A Notes if they are redeemed before January 1, 2012.

In July, we redeemed $500 million of the $3 billion senior secured first lien term loan. The net impact of the acceleration of deferred debt costs and the favorable FSA amortization will increase third quarter interest expense by approximately $15 million.

In March 2011, we issued $2 billion of new secured Series C Notes, consisting of $1.3 billion of three year 5.25% fixed rate notes and $700 million of seven year 6.625% fixed rate notes.

Adjusted Net Finance Revenue as a % of AEA

Quarters Ended	**June 30, 2011**		**March 31, 2011**		**June 30, 2010**	
Net finance revenue	$ 68.8	0.80%	$ 197.1	2.24%	$ 456.1	4.32%
FSA impact on net finance revenue	21.9	0.13%	(86.7)	(1.13)%	(411.1)	(3.95)%
Secured debt prepayment penalty fee	50.0	0.52%	35.0	0.35%	45.0	0.36%
Adjusted net finance revenue	$ 140.7	1.45%	$ 145.4	1.46%	$ 90.0	0.73%

Six Months Ended	**June 30, 2011**		**June 30, 2010**	
Net finance revenue	$ 265.9	1.53%	$ 982.5	4.50%
FSA impact on net finance revenue	(64.8)	(0.51)%	(858.4)	(4.02)%
Secured debt prepayment penalty fee	85.0	0.43%	60.0	0.24%
Adjusted net finance revenue	$ 286.1	1.45%	$ 184.1	0.72%

Net Finance Margin excluding FSA and prepayment penalty impacts was basically flat with the first quarter at 1.45% of average earning assets. However, changes in the components included increased asset yields of approximately 15 basis points driven by Corporate Finance, which had an interest recovery on a prior charge-off, and Transportation Finance, which benefited from the redeployment of aircraft associated with a bankrupt carrier and increased rail utilization.

However, those benefits were offset by higher funding costs as second quarter interest expense included costs related to liability restructuring actions and reduced benefits from prepayments on the Total Return Swap. On a normalized basis, margin was consistent with the first quarter. The margin continues to be impacted by our changing business mix, in which cash, liquid investments and student loans continues to represent a significant portion of the overall balance sheet and the declining net returns on the total return swap. As we return to growth in each of our core segments and utilize the liquidity and the student loans run-off, the mix will shift and should benefit the margin. In addition, the ability to refinance the 7% Series

A debt to a more economical rate and continue to utilize the lower funding costs at CIT Bank should also be beneficial.

Net Operating Lease Revenue as a % of Average Operating Leases (AOL) (dollars in millions)

	Quarters Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Rental income on operating leases	15.17%	14.84%	15.23%	15.00%	15.39%
Depreciation on operating lease equipment	(5.28)%	(5.76)%	(6.49)%	(5.52)%	(6.40)%
Net operating lease revenue %	9.89%	9.08%	8.74%	9.48%	8.99%
Net operating lease revenue %, excluding FSA	6.42%	5.96%	5.54%	6.18%	5.75%
Net operating lease revenue	$ 272.4	$ 252.8	$ 239.8	$ 525.2	$ 492.9
Average Operating Lease Equipment (AOL)	$ 11,017.7	$ 11,139.5	$ 10,973.5	$ 11,084.1	$ 10,962.5

Net operating lease revenue[(3)] increased from the prior quarter, reflecting improvements in Transportation Finance. The 2011 second quarter benefited from improved equipment utilization and yields, however there was some pressure on renewal rates. Aerospace benefited from redeployment of aircraft and lower maintenance costs relating to non-recurring corrections of prior period items, while rail rentals improved and depreciation declined due to scrapping older cars. All commercial aircraft were leased at June 30, 2011. Rail fleet utilization, including commitments, increased to 96% from 95% at March 31, 2011 and 93% a year ago.

The 2011 results also benefit from lower depreciation, primarily in the Vendor Finance business, as a result of certain operating leases being recorded as available for sale. When a long-lived asset is classified as held for sale, depreciation expense is no longer recognized but the asset is evaluated for impairment with any such charge recorded in other income. As a result, net operating lease revenue includes rental income on operating leases, but not depreciation on operating lease equipment. Operating lease equipment in assets held for sale totaled $326 million at March 31, 2011 primarily reflecting the transfer of aerospace equipment at the end of that quarter, for which all depreciation had been recorded. The amount of depreciation not recognized on equipment in assets held for sale in the 2011 second quarter was approximately $11 million. At June 30, 2011 we had $427 million of equipment in assets held for sale, primarily reflecting aerospace equipment and assets relating to the previously announced Dell Europe platform sale.

Operating lease equipment in assets held for sale totaled $85 million as of December 31, 2010. The amount of depreciation related to these assets that would have been recorded in the first quarter, had they not been classified as held for sale, was approximately $13 million.

CREDIT METRICS

Management analyzes credit trends both before and after FSA in order to provide comparability with our longer-term credit trends (which included pre-emergence / historical accounting) and credit trends experienced by other market

participants.

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(3) *Net operating lease revenue is a non-GAAP measure, see reconciliation of non-GAAP to GAAP financial information.*

Non-accrual loans were $1.1 billion at June 30, 2011, down 19% and 48%, respectively, from the prior quarter and the prior year quarter. All segments experienced declines in relation to prior periods, with the most notable improvements in Corporate Finance. New inflows into non-accrual declined approximately 45% and 65% from the prior quarter and the fourth quarter 2010, respectively.

Net charge-offs were $56 million, down from $141 million in the prior quarter and $106 million in the 2010 second quarter. The reduction from the prior quarter was driven primarily by a $77 million decline in Corporate Finance, as the prior quarter included significant charge-offs in the energy portfolio. In addition, the current quarter includes $33 million of recoveries of post-emergence charge-offs compared to $19 million and $7 million in the prior quarter and prior year quarter, respectively. The provision for credit losses was $85 million in the 2011 second quarter, down from $123 million last quarter and $247 million in the prior year quarter, largely reflecting the reduced net charge-offs. Net charge-offs and the provision for credit losses do not reflect $25 million, $32 million and $113 million of recoveries of pre-emergence charge-offs recorded in other income for the 2011 second and first quarters and the second quarter of 2010, respectively.

Management also evaluates credit performance using credit metrics that exclude the impact of FSA. On this basis, gross charge-offs were $97 million, down from $210 million in the prior quarter and $252 million in the prior year quarter. On the same basis, non-accrual loans of $1.4 billion decreased from $1.6 billion at March 31, 2011 and $3.0 billion at June 30, 2010.

As a result of adopting FSA, the allowance for loan losses at December 31, 2009 was eliminated and effectively recorded as discounts on loans as part of the fair value of finance receivables. A portion of the discount attributable to embedded credit losses in pre-emergence credit impaired loans was recorded as non-accretable discount and is utilized as such losses occur, primarily on impaired, non-accrual loans. Any incremental deterioration of loans in this group results in incremental provisions or charge-offs. Improvements or increases in forecasted cash flows in excess of the accretable discount reduce any allowance on the loan established after emergence from bankruptcy (if any) and cause a reclassification from non-accretable to accretable discount with a go-forward recognition as finance income over the remaining life of the account. Once such allowance (if any) has been reduced and the account is returned to accruing status, the non-accretable discount is reclassified to accretable discount and is recorded as finance income over the remaining life of the account. For performing pre-emergence loans, an allowance for loan losses is established to the extent the net carrying value (after FSA discount) is not deemed to be recoverable.

The allowance for loan losses is intended to provide for losses inherent in the portfolio based on estimates of the ultimate outcome of collection efforts, realization of collateral values, and other pertinent factors, such as estimation risk related to performance in prospective periods. We may make adjustments to the allowance depending on general economic conditions and specific industry weakness or trends in our portfolio credit metrics, including non-accrual loans and charge-off levels and realization rates on collateral.

Our allowance for loan losses includes: (1) specific reserves for impaired loans, (2) non-specific reserves for estimated losses inherent in non-impaired loans based on historic loss experience and our estimates of projected loss levels and (3) a qualitative adjustment to the reserve for economic risks, industry and geographic concentrations, and other factors. Our policy is to recognize losses through charge-offs when there is high likelihood of loss after considering the borrower s financial condition, underlying collateral and guarantees, and the finalization of collection activities.

Qualitative adjustments largely related to instances where management believes that the Company s current risk ratings in selected portfolios do not fully reflect the corresponding inherent risk. The qualitative adjustments did not exceed 10% of the total allowance at any of the presented periods. Management evaluates the adequacy of the reserves on an overall basis and in light of this assessment, may record additional qualitative components. The qualitative adjustments were recorded by class,

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primarily in Corporate Finance Other at June 30, 2011 and December 31, 2010 and also Corporate Finance SBL at December 31, 2010, and included in the allowance for loan losses.

See *Risk Factors* in our December 31, 2010 Form 10-K for additional discussion on allowance for loan losses.

The following table presents detail on our allowance for loan losses, including charge-offs and recoveries:

(dollars in millions)	Quarter Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Allowance balance beginning of period	$ 402.5	$ 416.2	$ 213.9	$ 416.2	$
Provision for credit losses[1]	84.7	123.4	246.7	208.1	472.8
Change related to new accounting guidance[2]					68.6
Changes relating to foreign currency translation, other[1]	(7.5)	3.5	2.6	(4.0)	(0.7)
Net additions	77.2	126.9	249.3	204.1	540.7
Gross charge-offs[3]	(88.3)	(159.4)	(113.3)	(247.7)	(193.0)
Recoveries[4]	32.6	18.8	7.0	51.4	9.2
Net Charge-offs	(55.7)	(140.6)	(106.3)	(196.3)	(183.8)
Allowance end of period	$ 424.0	$ 402.5	$ 356.9	$ 424.0	$ 356.9
Loans					
Commercial Segments loans	$ 15,259.0	$ 15,837.8	$ 20,599.0		
Consumer loans	7,025.7	7,898.9	8,789.6		
Total loans	$ 22,284.7	$ 23,736.7	$ 29,388.6		
Allowance					
Commercial Segments	$ 424.0	$ 402.5	$ 356.9		
Consumer					
Total Allowance for credit losses	$ 424.0	$ 402.5	$ 356.9		

[1] Includes amounts related to reserves on unfunded loan commitments, which are reflected in other liabilities.

[2] Reflects reserves associated with loans consolidated in accordance with 2010 adoption of accounting guidance on consolidation of variable interest entities.

(3) Gross charge-offs include $40 million that were charged directly to the specific allowance for loan losses for the June 30, 2011 quarter, of which $36 million related to Corporate Finance with the remainder primarily related to Trade Finance. Amounts for the six month period were $115 million, of which $106 million related to Corporate Finance and the remainder related to Trade Finance.

(4) Recoveries do not include $24.7 million, $31.7 million, and $113.1 million recorded in Other Income on amounts that were charged off prior to bankruptcy for the quarters ended June 30, 2011, March 31, 2011 and June 30, 2010, respectively and $56.4 million and $157.1 million for the six months ended June 30, 2011 and 2010, respectively.

In addition to amounts related to pre-emergence loans, the allowance and provision also include amounts related to finance receivables originated subsequent to emergence. The following table summarizes the components of the provision and allowance:

	Provision for Credit Losses				
(dollars in millions)	**Quarters Ended**			**Six Months Ended**	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Specific reserves impaired loans	$ (20.0)	$ (28.4)	$ 27.8	$ (48.4)	$ 56.2
Non-specific reserves	49.0	11.2	112.6	60.2	232.8
Charge-offs	55.7	140.6	106.3	196.3	183.8
Totals	$ 84.7	$ 123.4	$ 246.7	$ 208.1	$ 472.8

	Allowance for Loan Losses		
(dollars in millions)	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**
Specific reserves impaired loans	$ 72.9	$ 92.9	$ 121.3
Non-specific reserves	351.1	309.6	294.9
Totals	$ 424.0	$ 402.5	$ 416.2

The allowance for loan losses increased $22 million from the prior quarter and $8 million from December 31, 2010, reflecting increases in non-specific, and decreases in specific reserves in both quarters. The

increase in non-specific reserves during the quarter ended June 30, 2011 resulted from reserves on new volume exceeding reserve release on pre-FSA loan runoff, as reserve requirements on pre-emergence loans are supplemented by FSA discount. Non-specific provisioning during the current quarter also reflected increased loss estimates in a specific Canadian portfolio in Corporate Finance. The provision for credit losses for the quarter ended June 30, 2010 included reserves related to a liquidating consumer portfolio in Vendor Finance. As a percentage of finance receivables at June 30, 2011, the allowance was 1.9%, versus 1.7% in the prior two quarters.

Management also analyzes the amount of coverage on a pre-FSA basis by combining the non-accretable discount balance and the allowance for loan losses. On this basis, the second quarter ratio of total allowance and non-accretable FSA discount to pre-FSA loans was 2.3%, down from 2.6% in prior quarter and 3.0% at December 31, 2010. For the commercial segments, total reserves on this basis were 3.4%, 3.9% and 4.4% as of June 30, 2011, March 31, 2011 and December 31, 2010, respectively. The consumer segment has lower reserves because it consists primarily of U.S. Government guaranteed loans.

FSA discount and allowance balances by segment are presented in the following tables:

	Finance Receivables pre FSA	FSA Accretable Discount	FSA Non-accretable Discount[(1)]	Finance Receivables post FSA	Allowance for Credit Losses	Net Carrying Value
June 30, 2011						
Corporate Finance	$ 7,883.0	$ (360.5)	$ (98.6)	$ 7,423.9	$ (277.9)	$ 7,146.0
Transportation Finance	1,458.5	(101.0)	(1.2)	1,356.3	(29.1)	1,327.2
Trade Finance	2,538.4			2,538.4	(35.3)	2,503.1
Vendor Finance	4,047.7	(93.2)	(14.1)	3,940.4	(81.7)	3,858.7
Commercial Segments	15,927.6	(554.7)	(113.9)	15,259.0	(424.0)	14,835.0
Consumer	7,456.5	(423.2)	(7.6)	7,025.7		7,025.7
Total	$ 23,384.1	$ (977.9)	$ (121.5)	$ 22,284.7	$ (424.0)	$ 21,860.7
March 31, 2011						
Corporate Finance	$ 8,712.6	$ (586.3)	$ (230.2)	$ 7,896.1	$ (263.8)	$ 7,632.3
Transportation Finance	1,405.0	(120.7)	(1.7)	1,282.6	(24.7)	1,257.9
Trade Finance	2,622.6			2,622.6	(29.6)	2,593.0
Vendor Finance	4,180.1	(120.2)	(23.4)	4,036.5	(84.4)	3,952.1
Commercial Segments	16,920.3	(827.2)	(255.3)	15,837.8	(402.5)	15,435.3
Consumer	8,383.3	(475.8)	(8.6)	7,898.9		7,898.9
Total	$ 25,303.6	$ (1,303.0)	$ (263.9)	$ 23,736.7	$ (402.5)	23,334.2
December 31, 2010						
Corporate Finance	$ 9,571.3	$ (763.4)	$ (325.7)	$ 8,482.2	$ (303.7)	$ 8,178.5
Transportation Finance	1,536.8	(146.1)	(1.8)	1,388.9	(23.7)	1,365.2
Trade Finance	2,387.4			2,387.4	(29.9)	2,357.5
Vendor Finance	4,348.0	(147.3)	(34.6)	4,166.1	(58.9)	4,107.2
Commercial Segments	17,843.5	(1,056.8)	(362.1)	16,424.6	(416.2)	16,008.4
Consumer	8,584.6	(498.6)	(10.1)	8,075.9		8,075.9

Total	$ 26,428.1	$ (1,555.4)	$ (372.2)	$ 24,500.5	$ (416.2)	$ 24,084.3

(1) *Non-accretable discount includes certain accretable discount amounts relating to non-accrual loans for which accretion has been suspended.*

The following table presents charge-offs, by business segment. See *Results by Business Segment* for additional information.

	Quarters Ended						Six Months Ended			
	June 30, 2011		March 31, 2011		June 30, 2010		June 30, 2011		June 30, 2010	
Gross Charge-offs										
Corporate Finance	$ 53.3	2.76%	$ 125.0	6.09%	$ 53.2	1.82%	$ 178.3	4.47%	$ 115.4	1.89%
Transportation Finance	0.1	0.01%	0.7	0.22%			0.8	0.11%		
Trade Finance	4.2	0.66%	6.2	1.05%	12.5	1.90%	10.4	0.85%	15.2	1.12%
Vendor Finance	29.5	2.96%	26.3	2.56%	38.2	2.38%	55.8	2.76%	48.5	1.36%
Commercial Segments	87.1	2.23%	158.2	3.95%	103.9	1.85%	245.3	3.10%	179.1	1.50%
Consumer	1.2	0.06%	1.2	0.06%	9.4	0.42%	2.4	0.06%	13.9	0.30%
Total	88.3	1.52%	159.4	2.66%	113.3	1.44%	247.7	2.10%	193.0	1.17%
Recoveries										
Corporate Finance	13.4	0.70%	8.0	0.39%	1.3	0.05%	21.4	0.54%	2.7	0.05%
Transportation Finance	0.1	0.01%					0.1	0.01%		
Trade Finance	6.3	0.98%	1.9	0.31%	0.1	0.01%	8.2	0.67%	0.1	0.01%
Vendor Finance	12.5	1.27%	8.6	0.83%	5.5	0.34%	21.1	1.05%	6.3	0.18%
Commercial Segments	32.3	0.83%	18.5	0.46%	6.9	0.13%	50.8	0.64%	9.1	0.08%
Consumer	0.3	0.01%	0.3	0.01%	0.1		0.6	0.01%	0.1	
Total	32.6	0.56%	18.8	0.32%	7.0	0.08%	51.4	0.44%	9.2	0.06%
Net Charge-offs										
Corporate Finance	39.9	2.06%	117.0	5.70%	51.9	1.77%	156.9	3.93%	112.7	1.84%
Transportation Finance			0.7	0.20%			0.7	0.10%		
Trade Finance	(2.1)	(0.32)%	4.3	0.74%	12.4	1.89%	2.2	0.18%	15.1	1.11%
Vendor Finance	17.0	1.69%	17.7	1.73%	32.7	2.04%	34.7	1.71%	42.2	1.18%
Commercial Segments	54.8	1.40%	139.7	3.49%	97.0	1.72%	194.5	2.46%	170.0	1.42%
Consumer	0.9	0.05%	0.9	0.05%	9.3	0.42%	1.8	0.05%	13.8	0.30%
Total	$ 55.7	0.96%	$ 140.6	2.34%	$ 106.3	1.36%	$ 196.3	1.66%	$ 183.8	1.11%

Supplemental Non-U.S. Commercial Disclosure					
Gross Charge-offs	$ 38.6	$ 25.2	$ 32.6	$ 63.8	$ 39.9
Recoveries	$ 9.0	$ 4.2	$ 4.0	$ 13.2	$ 4.5

Gross Charge-offs (pre-FSA) as a Percentage of Average Finance Receivables (dollars in millions)

	Quarters Ended						**Six Months Ended**			
	June 30, 2011		**March 31, 2011**		**June 30, 2010**		**June 30, 2011**		**June 30, 2010**	
Corporate Finance	$ 59.5	2.82%	$ 167.7	7.31%	$ 164.2	4.75%	$ 227.2	5.16%	$ 300.1	4.17%
Transportation Finance	0.1	0.01%	0.7	0.20%			0.8	0.11%		
Trade Finance	4.2	0.66%	6.2	1.05%	12.5	1.90%	10.4	0.85%	17.2	1.26%
Vendor Finance	30.2	2.93%	32.4	3.04%	55.1	3.19%	62.6	2.98%	123.0	3.20%
Commercial Segments	94.0	2.27%	207.0	4.79%	231.8	3.66%	301.0	3.55%	440.3	3.28%
Consumer	3.4	0.17%	3.3	0.16%	19.8	0.79%	6.7	0.16%	48.4	0.94%
Total	$ 97.4	1.58%	$ 210.3	3.27%	$ 251.6	2.85%	$ 307.7	2.44%	$ 488.7	2.63%

Corporate Finance gross charge-offs in the current quarter included write-offs in a specific Canadian portfolio, while prior quarter charge-offs were concentrated in the energy sector. Transportation Finance had a minimal level of charge-offs in all periods presented, as the majority of assets in this segment are operating leases. Trade Finance reported a net recovery for the quarter, primarily reflecting the work out of two large accounts. Vendor Finance net charge-offs were essentially unchanged from last quarter, following the policy refinement in the fourth quarter which accelerated delinquency-based charge-offs to 150 days from the previous 180 days. The Vendor Finance prior year quarter charge-offs were driven by smaller loan balances. Consumer charge-offs were down from prior periods, due to reduced charge-offs in the private student loan portfolio, as charge-offs were virtually fully-absorbed by FSA discount through the sale of the portfolio in the 2010 fourth quarter. As a result, the Consumer portfolio consists primarily of student loans that are 97%-98% guaranteed by the U.S. government, thereby mitigating our ultimate credit risk.

The tables below present information on non-performing loans, which includes assets held for sale for each period:

Non-accrual and Past Due Loans (dollars in millions)

	June 30, 2011	March 31, 2011	December 31, 2010
Non-accrual loans			
U.S.	$ 870.1	$ 1,068.0	$ 1,336.1
Foreign	190.9	237.1	279.2
Commercial Segments	1,061.0	1,305.1	1,615.3
Consumer	0.8	0.9	0.7
Non-accrual loans	$ 1,061.8	$ 1,306.0	$ 1,616.0
Troubled Debt Restructurings			
U.S.	$ 317.1	$ 367.2	$ 412.4
Foreign	37.0	36.8	49.3
Restructured loans	$ 354.1	$ 404.0	$ 461.7
Accruing loans past due 90 days or more			
Government guaranteed accruing student loans past due 90 days or more	$ 399.0	$ 449.2	$ 433.6
Other accruing loans past due 90 days or more	5.6	4.5	1.7
Total accruing loans past due 90 days or more	$ 404.6	$ 453.7	$ 435.3

Non-accrual loans (post-FSA) as a Percentage of Finance Receivables (dollars in millions)

	Held for Investment		Held for Sale	Total	
June 30, 2011					
Corporate Finance	$ 512.3	6.90%	$ 292.1	$ 804.4	10.84%
Transportation Finance	56.0	4.13%		56.0	4.13%
Trade Finance	73.4	2.89%		73.4	2.89%
Vendor Finance	95.0	2.41%	32.2	127.2	3.23%
Commercial Segments	736.7	4.83%	324.3	1,061.0	6.95%
Consumer	0.2		0.6	0.8	0.01%
Total	736.9	3.31%	324.9	1,061.8	4.76%

March 31, 2011						
Corporate Finance	$ 872.2	11.05%	$ 131.9	$ 1,004.1	12.72%
Transportation Finance	62.1	4.84%		62.1	4.84%
Trade Finance	98.0	3.74%		98.0	3.74%
Vendor Finance	107.9	2.67%	33.0	140.9	3.49%
Commercial Segments	1,140.2	7.20%	164.9	1,305.1	8.24%
Consumer	0.9	0.01%		0.9	0.01%
Total	$ 1,141.1	4.81%	$ 164.9	$ 1,306.0	5.50%
December 31, 2010					
Corporate Finance	$ 1,183.7	13.95%	$ 56.1	$ 1,239.8	14.62%
Transportation Finance	63.2	4.55%		63.2	4.55%
Trade Finance	164.4	6.89%		164.4	6.89%
Vendor Finance	120.6	2.89%	27.3	147.9	3.55%
Commercial Segments	1,531.9	9.33%	83.4	1,615.3	9.84%
Consumer	0.4	0.01%	0.3	0.7	0.01%
Total	$ 1,532.3	6.25%	$ 83.7	$ 1,616.0	6.60%

Non-accrual Loans[1] (pre-FSA) as a Percentage of Finance Receivables (dollars in millions)

	June 30, 2011		March 31, 2011		December 31, 2010	
Corporate Finance	$ 1,072.4	13.60%	$ 1,282.3	14.72%	$ 1,604.0	16.76%
Transportation Finance	63.5	4.36%	70.2	5.00%	71.3	4.64%
Trade Finance	73.4	2.89%	98.0	3.74%	164.4	6.89%
Vendor Finance	164.7	4.07%	185.8	4.44%	174.9	4.02%
Commercial Segments	1,374.0	8.63%	1,636.3	9.67%	2,014.6	11.29%
Consumer	1.0	0.01%	0.9	0.01%	1.0	0.01%
Total	$ 1,375.0	5.88%	$ 1,637.2	6.47%	$ 2,015.6	7.63%

(1) *Reflects balances before fresh start accounting for non-accrual balances in Held for Investment and carrying value of balances in Held for Sale.*

See *Non-GAAP Financial Measurements* for reconciliation to GAAP measurement.

Non-accrual loans, on both a post- and pre-FSA basis, declined in amount and as a percentage of finance receivables from the prior quarter and the prior year quarter, reflecting continued workouts and asset sales. All segments experienced declines in relation to prior periods with the most notable improvements in Corporate Finance. Approximately 80% of our non-accrual accounts were paying currently at June 30, 2011, and our impaired loan carrying value (including FSA discount, specific reserves and charge-offs) to estimated outstanding contractual balances approximated 46%. For this purpose, impaired loans are comprised of non-accrual loans over $500,000 and TDR s.

Foregone Interest on Non-accrual Loans and Troubled Debt Restructurings (dollars in millions)

	Six months ended June 30, 2011		
	U.S.	Foreign	Total
Interest revenue that would have earned at original terms	$ 107.4	$ 15.6	$ 123.0
Interest recorded	6.8	3.0	9.8
Foregone interest revenue	$ 100.6	$ 12.6	$ 113.2

The Company periodically modifies the terms of loans / finance receivables in response to borrowers difficulties. Modifications that include a financial concession to the borrower, which otherwise would not have been considered, are accounted for as Troubled Debt Restructurings (TDR).

For those accounts that were modified but were not considered to be TDRs, it was determined that either the borrower was not in financial difficulty or for those modifications where the borrower was in financial difficulty no concessions had been granted by CIT to the borrower. CIT uses a consistent methodology across all loans to determine if a modification is with a borrower that has been determined to be in financial difficulty and was granted a concession. Specifically, our policies on TDR identification include the following examples of indicators used to determine whether the borrower is in financial difficulty:

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

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

- Assets used to satisfy debt are less than CIT s recorded investment in the receivable
- Modification of terms interest rate changed to below market rate
- Maturity date extension at an interest rate less than market rate
- Capitalization of interest
- Increase in interest reserves

- Conversion of credit to Payment-In-Kind (PIK)
- Delaying principal and/or interest for a period of three months or more
- Partial forgiveness of the balance or charge-off

Modified loans that are classified as TDRs are individually evaluated and measured for impairment. Modified loans that do not meet the definition of a TDR are subject to our standard impaired loan policy, namely that non-accrual loans in excess of $500,000 are individually reviewed for impairment, while non-accrual loans less than $500,000 are considered as part of homogenous pools and are included in the non-specific allowance.

Borrower compliance with the modified terms is the primary measurement that we use to determine the success of these programs.

The discussion and tables that follow reflect loan carrying values as of June 30, 2011 of accounts that have been modified. These balances are further detailed in the following table.

Trouble Debt Restructurings and Modifications (dollars in millions)

	June 30, 2011			December 31, 2010		
	Excluding FSA	Including FSA	% Compliant	Excluding FSA	Including FSA	% Compliant
Trouble Debt Restructurings						
Deferral of interest and/or principal	$ 362.9	$ 282.0	78%	$ 345.8	$ 247.9	86%
Debt forgiveness/interest rate reductions	34.3	19.5	72%	75.2	52.8	96%
Debt exchange	10.2	7.3	36%	27.8	22.9	20%
Covenant relief and other	52.8	45.3	93%	161.0	138.1	61%
	$ 460.2	$ 354.1	79%	$ 609.8	$ 461.7	76%
Percent non accrual	94%	92%		95%	95%	

	June 30, 2011		December 31, 2010[(2)]	
Modifications[(1)]	Excluding FSA	% Compliant	Excluding FSA	% Compliant
Interest rate increase/ additional collateral	$ 47.2	100%	$ 171.0	100%
Extended maturity	273.9	100%	93.0	100%
Covenant relief	172.6	100%	61.4	100%
Principal deferment	3.7	96%	19.1	98%
Debt exchange			14.2	100%
Forbearance agreement	12.2	100%	25.9	0%
Other	43.4	98%	30.9	100%
	$ 553.0	100%	$ 415.5	94%
Percent non accrual	12%		37%	

(1) *Table depicts the predominant element of modification which may contain several of the characteristics listed.*

(2) *The 2010 balances were conformed to the current presentation.*

OTHER INCOME

Total Other Income includes Rental Income on Operating Leases and Other. *Rental income on operating leases* increased from the prior quarter reflecting improvements in the aircraft and rail transportation portfolios. See *Net Finance Revenues* and *Financing and Leasing Assets Results by Business Segment* and *Concentrations Operating Leases* for additional information.

Other income decreased from the prior quarter and was impacted by mark-to-market valuations on non-qualifying hedge derivatives, as well as a lower level of recoveries on receivables charged-off prior to adoption of FSA. Prior year quarter benefited from $113.1 million of recoveries on pre-FSA charge-offs. The following table presents the Other components.

Other Income (dollars in millions)

	Quarters Ended			**Six Months Ended**	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Gains on loan and portfolio sales	$ 89.8	$ 73.9	$ 75.1	$ 163.7	$ 112.1
Fees and other revenue	40.0	27.2	29.5	67.2	68.8
Counterparty receivable accretion	32.9	31.8	23.9	64.7	59.7
Factoring commissions	30.9	33.8	34.9	64.7	71.1
Recoveries of pre-FSA charge-offs	24.7	31.7	113.1	56.4	157.1
Net gains on sales of leasing equipment	19.7	40.0	54.2	59.7	82.1
Net gains on investment sales	11.0	16.9	4.1	27.9	7.4
Gain (loss) on non-qualifying hedge derivatives and foreign currency exchange	(9.1)	22.9	3.7	13.8	(69.4)
Total	$ 239.9	$ 278.2	$ 338.5	$ 518.1	$ 488.9

Gains on loan and portfolio sales reflect amounts received in excess of current net asset carrying values. During the quarter, we continued to opportunistically sell loans, including non-accrual loans. Loans sold during the 2011 second quarter totaled $454 million, consisting of $280 million in Vendor Finance, $157 million in Corporate Finance and $17 million in Transportation Finance. Loans sold last quarter totaled $547 million, while 2010 second quarter loans sales were $1,584 million. Gain as a percentage of loans sold in the 2011 second quarter benefited from sales of Corporate Finance nonaccrual loans that were in held for sale.

Fees and other revenue are comprised of asset management, agent and advisory fees, and servicing fees, as well as income from joint ventures. The current quarter includes a non-recurring benefit of $11 million related to a change in the aircraft order book and corresponding acceleration of FSA.

Counterparty receivable accretion primarily relates to the accretion of a fair value mark on the receivable from GSI related to a secured borrowing facility. See *Note 5 Long-term Borrowings.*

Factoring commissions declined, primarily due to lower surcharges reflecting the gradual improvement in the retail credit environment.

Recoveries of pre-FSA charge-offs reflects repayments or other workout resolutions on loans charged off prior to emergence from bankruptcy. These recoveries are recorded as other income, not as a reduction to the provision for loan losses.

Net gains on sales of leasing equipment resulted from sales volume of $224 million in the 2011 second quarter versus $196 million last quarter and $193 million in the 2010 second quarter. Equipment sales for

the 2011 second quarter consisted of $153 million in Vendor Finance assets, $38 million in Corporate Finance assets and $33 million in Transportation Finance assets. Gains as a percentage of equipment sold were less than prior quarter due to a decrease in Vendor Finance equipment sale gain percentage.

Net gains on investment sales for the 2011 first and second quarter reflect sales of equity investments, primarily in Corporate Finance.

Gains and losses on non-qualifying derivatives and foreign currency exchange largely are driven by transactional exposures and economic hedges that do not qualify for hedge accounting, and losses on interest rate swaps that arose from the bankruptcy, when most of our derivative transactions were terminated. The second quarter 2011 net losses of $9 million reflect $35 million of losses on non-qualifying hedges and qualifying cash flow hedges, partially offset by favorable currency movements.

EXPENSES

Depreciation on operating leases is recognized on owned equipment over the lease term or projected economic life of the asset. Depreciation expense totaled $145.5 million for the quarter, down from $160.5 million for last quarter and $178.1 million for the 2010 second quarter. FSA adjustments reduced second quarter 2011 depreciation expense by $64 million, a slight change from $61 million in the prior quarter. 2011 depreciation reflects the suspension of depreciation on equipment once it is transferred to held for sale and a decline due to scrapping older railcars, as described further in *Net Finance Revenues* . *See also Financing and Leasing Assets Results by Business Segment* and *Concentrations Operating Leases* for additional information.

Operating expenses increased on *non-recurring servicing expenses in Vendor Finance and higher litigation-related costs.*

Operating Expenses (dollars in millions)

	Quarters Ended			**Six Months Ended**	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Salaries and general operating expenses:					
Compensation and benefits	$ 123.7	$ 116.6	$ 179.3	$ 240.3	$ 319.6
Professional fees	35.3	29.6	25.6	64.9	55.3
Technology	18.1	18.7	18.2	36.8	37.4
Occupancy expense	9.7	10.1	11.3	19.8	26.2
Provision for severance and facilities exiting activities	0.9	6.6	2.6	7.5	14.5
Other expenses	58.1	34.8	40.8	92.9	86.5
Total operating expenses	$ 245.8	$ 216.4	$ 277.8	$ 462.2	$ 539.5
Headcount	3,480	3,693	4,006		

- *Compensation and benefits* reflect higher incentive compensation expense as the 2011 first quarter included a reduction in the accrual as a result of the finalization of the 2010 incentive compensation payments. Compensation and benefits decreased from prior year as 2010 included retention related costs and higher employee headcount.
- *Professional fees* reflect legal and other professional fees such as tax, audit, and consulting services and increased in the second quarter due to higher litigation-related costs.

- *Provision for severance and facilities exiting activities* expense was less than $1 million in the second quarter. The first quarter 2011 primarily reflects the outsourcing of the student loan portfolio, which reduced headcount.
- *Other expenses* in the second quarter were impacted by higher servicing costs in our Vendor Finance business, of which approximately $7 million was a correction of prior periods.

INCOME TAXES

Income Tax Data (dollars in millions)

	Quarters Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**(1)	**June 30, 2011**	**June 30, 2010**
Provision for income taxes	$ 24.7	$ 49.1	$ 62.9	$ 73.8	$ 102.5
Discrete Items	2.2	16.6	25.3	18.8	29.1
Provision for income taxes	$ 26.9	$ 65.7	$ 88.2	$ 92.6	$ 131.6
Effective tax rate excluding discrete items	(113.1)%	36.2%	23.3%	64.9%	22.3%
Effective tax rate	(123.2)%	48.5%	32.7%	81.5%	28.7%

CIT s tax provision of $26.9 million for the second quarter decreased compared to a tax provision of $88.2 million in the prior year quarter primarily as a result of lower international earnings and a decrease in discrete items.

CIT s tax provision of $92.6 million for the six months ended June 30, 2011 decreased compared to a tax provision of $131.6 million in the prior year six months primarily as a result of lower international earnings. For the year to date tax provision, the Company recorded income tax expense on the earnings of certain international operations and no income tax benefit on its domestic losses. A tax benefit was not recognized on the domestic losses because management has concluded that it does not currently meet the criteria to recognize these tax benefits considering its recent history of domestic losses. The year end 2011 effective tax rate may vary from the current rate primarily due to changes in the mix of domestic and international earnings.

The tax provision for the second quarter and six months ended 2011 included $2.2 million and $18.8 million, respectively, of discrete tax expense items. Included in the discrete items for the second quarter and year to date was approximately $0.8 million and $9.8 million, primarily related to a net increase in liabilities for uncertain tax positions and incremental valuation allowances on certain foreign losses. The Company anticipates that it is reasonably possible that the total unrecognized tax benefits will decrease due to the settlement of audits and the expiration of statutes of limitation prior to June 30, 2012 in the range of $0-$10 million. The tax provisions for the quarter and six months ended June 30, 2010 included $25.3 million and $29.1 million, respectively, of tax expense related to valuation allowance recorded against international deferred tax assets and changes in liabilities for uncertain tax positions.

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

As of December 31, 2010, CIT had cumulative U.S. Federal net operating loss carry-forwards (NOL s) of $4.0 billion. Excluding FSA adjustments, which are not included in the calculation of U.S. Federal taxable income, the Company generated a domestic pretax loss of $288 million in the second quarter ($701 million year to date) which, excluding certain other book-to-tax adjustments, will increase the post-emergence NOLs. Pursuant to Section 382 of the Internal Revenue Code, the Company is generally subject to a $230 million annual limitation on the use of its $1.9 billion of pre-emergence NOLs. NOLs arising in post-emergence years are not subject to this limitation.

See *Funding, Liquidity and Capital* (Tax Implications on Cash in Foreign Subsidiaries) for a discussion pertaining to unremitted earnings in foreign subsidiaries.

See also *Note 10 Income Taxes* for additional information.

RESULTS BY BUSINESS SEGMENT

We refined our expense and capital allocation methodologies during the first quarter of 2011. For 2011, Corporate and other includes certain costs that had been previously allocated to the segments, including prepayment penalty fees on high-cost debt payments and certain corporate liquidity costs. In addition, we refined the capital and interest allocation methodologies for the segments. These changes had the most impact on Transportation Finance given the capital requirements for their forward-purchase commitments and reduced the interest expense charged to this segment. The refinement was not significant to the other segments. The 2010 balances are reflected as originally reported and are not conformed to the 2011 presentation.

Information about our segments is also in Item 1, *Note 13 Business Segment Information.*

Corporate Finance

Corporate Finance s middle-market lending business in the U.S. and Canada provides lending, leasing and other financial and advisory services to the middle market sector, with a focus on specific industries, including Communications, Energy, Entertainment, Healthcare, Industrials, Information Services & Technology, Restaurants, Retail, and Sports & Gaming. We also have specialized business units focusing on small business lending in the US, and on financial sponsors in Europe. Revenue is generated primarily from interest earned on loans, supplemented by fees collected on services provided.

Corporate Finance (including Small Business Lending, SBL) offers senior secured loans, including revolving lines of credit secured by accounts receivables and inventories; cash flow loans based on operating cash flow and enterprise valuation; and government guaranteed loans (such as Small Business Administration (SBA) loans). Risks associated with secured financings relate to the ability of the borrower to repay its loan and the value of the collateral underlying the loan should the borrower default on its payments. In our SBL business, the collateral consists in some instances of real estate. Risks associated with cash flow loans relate to the collectability of the loan should there be a decline in the credit worthiness of the client. SBA loans are also subject to repurchase agreements, for instance in circumstances where there are issues related to original loan underwriting.

(dollars in millions)	Quarters Ended			Six Months Ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Earnings Summary					
Interest income	$ 270.9	$ 298.7	$ 494.7	$ 569.6	$ 1,042.7
Interest expense	(212.0)	(196.8)	(276.0)	(408.8)	(574.8)
Provision for credit losses	(61.3)	(74.5)	(95.2)	(135.8)	(229.1)
Rental income on operating leases	5.5	6.5	7.3	12.0	16.1
Other income, excluding rental income	118.2	163.8	206.4	282.0	309.0
Depreciation on operating lease equipment	(3.0)	(2.9)	(5.1)	(5.9)	(8.7)
Other expenses, excluding depreciation	(66.9)	(58.8)	(90.3)	(125.7)	(170.2)
Income before provision for income taxes	$ 51.4	$ 136.0	$ 241.8	$ 187.4	$ 385.0
Select Average Balances					
Average finance receivables (AFR)	$ 7,736.2	$ 8,205.5	$ 11,734.5	$ 7,981.5	$ 12,224.9
Average operating leases (AOL)	$ 65.5	$ 78.5	$ 118.5	$ 71.9	$ 127.4
Average earning assets (AEA)	$ 8,012.4	$ 8,440.3	$ 11,961.7	$ 8,238.7	$ 12,538.9
Statistical Data					
Net finance revenue (interest and rental income, net of interest and depreciation expense) as a % of AEA	3.06%	5.00%	7.39%	4.05%	7.58%
Funded new business volume	$ 732.9	$ 470.7	$ 245.0	$ 1,203.6	$ 390.5

Corporate Finance new committed loan volume rose 29% from the first quarter to over $1 billion, and new funded volume was $733 million, up 56%. Both figures were also significantly above prior year second quarter amounts. CIT Bank originated approximately 80% of the U.S. funded volume.

- Corporate Finance pre-tax earnings were $51 million, down from $136 million in the 2011 first quarter and $242 million in the prior year quarter, primarily due to lower FSA accretion. The sequential quarter decline also reflects lower gains on asset sales and lower recoveries on loans charged-off prior to the adoption of FSA, partially offset by a lower provision for credit losses.
- Net finance revenue was $61 million, down from $105 million and $221 million in the first quarter of 2011 and second quarter of 2010, as a result of lower FSA accretion and financing and leasing asset levels. FSA accretion increased net finance revenue by $9 million for the quarter, $59 million in the prior quarter and $270 million in the 2010 second quarter.
  The reduced FSA accretion reflects primarily lower prepayments of loans and the acceleration of FSA associated with debt repayments.
- Other income continues to be driven by gains on asset sales ($62 million), FSA accretion from the Goldman facility ($25 million) and recoveries on loans charged-off prior to the adoption of FSA ($10 million). Other income declined from the prior quarter and 2010 second quarter on lower recoveries of pre-FSA charge-offs

and gains on asset sales.

- Non-accrual loans declined 20% during the quarter to $0.8 billion from $1.0 billion at March 31, 2011 on sales, payments and charge-offs. Net charge-offs were $40 million, a $77 million decrease from the prior quarter which had included charge-offs concentrated in the energy section.
- Financing and leasing assets decreased $0.3 billion which was less than last quarter s $0.6 billion decline and was largely attributable to prepayments, as current period volume nearly kept pace with portfolio collections. Asset sales slowed and continued to include a high proportion of non- accrual loans.

Transportation Finance

Transportation Finance leases primarily commercial aircraft to airlines globally and rail equipment to North American operators, and provides other financing to these customers as well as those in the defense sector. Revenue is generated from rents collected on leased assets, and to a lesser extent from interest on loans, fees, and gains from assets sold.

Transportation Finance offers asset-backed and cash flow lending products to its customers for the purchase of aerospace and rail equipment. The risk associated with loans relates to the ability of the borrower to repay its loan and the collectability of the value of the collateral underlying the loan should the borrower default on its payments. For operating leases and finance leases the risk relates to the accuracy of the estimated residual value of the leased equipment, the ability of the customer to make the lease payments when due, and the on-going asset value. Risks associated with cash flow loans relate to the collectability of the loans should there be a decline in the credit worthiness of the client.

	Quarters Ended			Six Months Ended	
(dollars in millions)	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Earnings Summary					
Interest income	$ 44.5	$ 42.5	$ 57.8	$ 87.0	$ 121.5
Interest expense	(250.8)	(210.5)	(234.3)	(461.3)	(492.6)
Provision for credit losses	(4.7)	(1.8)	(3.0)	(6.5)	(4.3)
Rental income on operating leases	339.5	324.7	315.0	664.2	621.8
Other income, excluding rental income	33.0	24.3	18.2	57.3	40.4
Depreciation on operating lease equipment	(86.7)	(96.7)	(85.9)	(183.4)	(164.5)
Other expenses, excluding depreciation	(37.4)	(39.8)	(45.5)	(77.2)	(85.1)
Income before provision for income taxes	$ 37.4	$ 42.7	$ 22.3	$ 80.1	$ 37.2
Select Average Balances					
Average finance receivables	$ 1,346.3	$ 1,352.2	$ 1,747.6	$ 1,358.8	$ 1,791.3
Average operating leases	$ 10,574.2	$ 10,634.4	$ 10,271.8	$ 10,612.7	$ 10,220.9
Average earning assets	$ 12,171.5	$ 12,053.7	$ 12,020.1	$ 12,115.8	$ 12,012.8
Statistical Data					
Net finance revenue as a % of AEA	1.53%	1.99%	1.75%	1.76%	1.44%
Operating lease margin as a % of AOL	9.56%	8.58%	8.92%	9.06%	8.95%
Funded new business volume	$ 398.8	$ 317.9	$ 255.5	$ 716.7	$ 481.2

Key drivers impacting revenue are utilization and lease renewal rates. All commercial aircraft were leased at June 30, 2011. Aerospace benefited from the redeployment of several aircraft this quarter. Rail fleet utilization, including commitments, increased to 96% from 95% in the prior quarter.

In June, the Aerospace unit signed a Memorandum of Understanding with Airbus for 50 A320neo Family aircraft.

Deliveries are scheduled to begin in 2016. During the quarter, $150 million of secured aircraft financing was funded through a newly established facility guaranteed by the Export-Import Bank of the United States.

- Transportation Finance pre-tax earnings were $37 million, down from $43 million in the prior quarter and improved from $22 million for the prior year quarter. The sequential decline reflects accelerated FSA discount amortization on debt repayments that was charged to interest expense and lower gains on assets sales, partially offset by higher rental income and a $19 million non-

recurring benefit, largely related to a change in the aircraft order book ($11 million) and an $8 million benefit associated with the correction of certain prior period amounts. Comparisons to last year reflect lower interest expense due to changes in segment allocations instituted in 2011 (see *Corporate and Other*). On a comparable basis, pre-tax earnings would have been $67 million in the prior year quarter and $140 million for the six months ended June 30, 2010.

- Net finance revenue was $47 million; down from $60 million in the prior quarter impacted by higher interest expense, partially offset by improved net lease yields. FSA accretion decreased net finance revenue by $18 million for the quarter due to higher interest expense related to debt prepayments, and increased net finance revenue by $13 million last quarter and $42 million in the 2010 second quarter. Net lease yields in Aerospace benefited from aircraft redeployment and lower maintenance costs and Rail benefited from increased utilization.
- Other income increased from the prior quarter primarily due to $14 million of non-recurring benefits, $11 million related to a change in the aircraft order book and corresponding acceleration of FSA.
- Volume reflected deliveries of commercial aircraft and approximately 200 railcars from the first quarter railcar purchase commitment as well as new loans originated by CIT Bank. See *Note 11 Commitments*.
- Net charge-offs were minimal for each period and non-accrual loans decreased $6 million from the prior quarter to $56 million.
- Financing and leasing assets increased $0.1 billion from the prior quarter and $0.2 billion from year-end as new equipment purchases (principally aircraft) and loans originated by CIT Bank exceeded depreciation and equipment sales. Assets held for sale includes 7 aircraft transferred to held-for-sale in the first quarter.
- In the second quarter, we placed 4 new aircraft and have lease commitments for all aircraft to be delivered during the next 12 months. The Company s rail business entered into a commitment to purchase 3,500 railcars in the first quarter of 2011 and entered into a commitment to purchase 2,250 railcars in the second quarter of 2011. Pursuant to these contractual commitments, approximately 5,550 railcars remain to be purchased with deliveries scheduled periodically in 2011 and 2012. All of the railcars scheduled to be delivered in 2011 have lease commitments. On July 26, 2011, CIT announced orders for 5,000 railcars (which includes the second quarter commitment of 2,250 railcars and an incremental 2,750 railcars) from multiple manufacturers for which deliveries are scheduled throughout 2012. The orders include the exercise of an option for an additional 1,750 railcars received when the Company ordered 3,500 railcars earlier this year.

Trade Finance

Trade Finance provides factoring, receivable management products, and secured financing to businesses (our clients) that operate in several industries, including apparel, textile, furniture, home furnishings and consumer electronics. Factoring entails the factor s assumption of credit risk with respect to trade accounts receivable arising from the sale of goods by our clients to their customers (generally retailers), which have been factored or sold to the factor. Although primarily U.S.-based, Trade Finance also conducts international business in Asia, Latin America and Europe. Revenue is principally generated from commissions earned on factoring and related activities, interest on loans and other fees for services rendered.

The services mentioned above that are provided by Trade Finance entail two dimensions of risk, customer and client. Customer risk relates to the financial inability of a customer to pay on undisputed trade accounts receivable due from such customer to the factor. Client risk relates to a decline in the credit worthiness of a borrowing client, their consequent inability to repay their loan to Trade Finance and the possible insufficiency of the underlying collateral (including the aforementioned customer accounts receivable) to cover any loan repayment shortfall.

(dollars in millions)	Quarters Ended June 30, 2011	Quarters Ended March 31, 2011	Quarters Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Earnings Summary					
Interest income	$ 17.9	$ 17.1	$ 24.4	$ 35.0	$ 54.9
Interest expense	(29.5)	(25.7)	(49.5)	(55.2)	(91.1)
Provision for credit losses	(4.0)	(3.3)	(12.3)	(7.3)	(46.2)
Other income, commissions	30.9	33.8	34.9	64.7	71.1
Other income, excluding commissions	11.9	3.3	16.5	15.2	29.5
Other expenses	(26.4)	(27.8)	(33.0)	(54.2)	(65.0)
Income (loss) before provision (benefit) for income taxes	$ 0.8	$ (2.6)	$ (19.0)	$ (1.8)	$ (46.8)
Select Average Balances					
Average finance receivables	$ 2,577.9	$ 2,356.0	$ 2,637.2	$ 2,444.8	$ 2,714.0
Average earning assets[(1)]	$ 1,421.9	$ 1,378.6	$ 1,701.1	$ 1,395.1	$ 1,777.9
Statistical Data					
Net finance revenue as a % of AEA	(3.25)%	(2.50)%	(5.90)%	(2.90)%	(4.07)%
Factoring volume	$ 6,142.2	$ 6,130.7	$ 6,307.3	$ 12,272.9	$ 12,685.4

(1) *AEA is lower than AFR as it is reduced by the average credit balances for factoring clients.*

During the quarter, Trade Finance continued to focus on signing traditional factoring business in core markets, pursuing clients lost during 2009 and early 2010 and serving its client base. Trade Finance continues to experience a general upward trend in new business signings and stability in its client base.

- Trade Finance pre-tax income was $1 million for the quarter, compared to pre-tax losses of $3 million in the prior quarter and $19 million for the prior year quarter. The improvement from last quarter s results reflected higher recoveries on both pre- and post-emergence charge-offs, partially offset by increased non-specific reserves and lower commissions. The six months ended June 30, 2010 results were significantly impacted by 2010 first quarter replenishment of non- specific reserves eliminated under FSA.
- Net finance revenue declined by $3 million from the prior quarter as it was impacted by $4 million in higher FSA interest expense as a result of debt prepayments. Interest income declined from the prior year on lower AEA and the fourth quarter 2010 completion of FSA interest income accretion in this segment.
- Factoring volume was $6.1 billion, unchanged from the first quarter and down from $6.3 billion for the 2010 second quarter, due to the wind-down of Trade Finance s European factoring operation. Excluding the European operation, factored volume was up approximately 4% from the 2010 second quarter.
- Factoring commissions for the second quarter of 2011 were down from the first quarter of 2011 and the second quarter of 2010 on lower surcharges reflecting a gradual improvement in the retail credit environment.
- Other income for the quarter increased from the prior quarter primarily on higher recoveries on accounts charged off pre-FSA, and decreased from prior year quarter on lower recoveries.
- Non-accrual balances declined 25% from March 31, 2011. Charge-offs declined $6 million from the prior quarter primarily due to two large recoveries and the allowance for loan losses increased primarily due to credit downgrades on a few client accounts.

Vendor Finance

Vendor Finance has relationships with leading manufacturers and distributors of information technology, office products and telecommunications equipment to deliver financing and leasing solutions to end-user customers, predominantly small and medium sized businesses, globally. We also offer financing for diversified asset types in certain international markets. Vendor Finance earns revenues from interest on loans, rents on leases, and fees and other revenue from leasing activities.

Vendor Finance (both U.S. and International) offers asset-backed loans and finance leases to the customers of its vendor relationships and other customers primarily for the purchase of equipment. For loans, the risk relates to the ability of the borrower to repay its loan and the value of the collateral underlying the loans should the borrower default on its payments, and for operating leases and finance leases the risk relates to estimated residual value, the ability of the customer to make the lease payments when due, and the on-going asset value.

	Quarters Ended			Six Months Ended	
(dollars in millions)	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Earnings Summary					
Interest income	$ 195.1	$ 208.3	$ 345.2	$ 403.4	$ 707.2
Interest expense	(145.5)	(133.0)	(190.4)	(278.5)	(358.3)
Provision for credit losses	(13.8)	(42.9)	(111.9)	(56.7)	(164.4)
Rental income on operating leases	72.9	82.1	96.1	155.0	206.9
Other income, excluding rental income	50.8	31.6	33.2	82.4	72.0
Depreciation on operating lease equipment	(55.8)	(60.9)	(87.4)	(116.7)	(178.1)
Other expenses, excluding depreciation	(82.1)	(71.7)	(86.3)	(153.8)	(173.2)
Income (loss) before provision (benefit) for income taxes	$ 21.6	$ 13.5	$ (1.5)	$ 35.1	$ 112.1
Select Average Balances					
Average finance receivables	$ 3,999.8	$ 4,101.5	$ 6,416.9	$ 4,052.7	$ 7,143.3
Average operating leases	$ 378.0	$ 426.5	$ 583.2	$ 399.5	$ 614.2
Average earning assets	$ 5,062.5	$ 5,271.7	$ 7,438.5	$ 5,162.9	$ 8,008.0
Statistical Data					
Net finance revenue as a % of AEA	5.27%	7.32%	8.79%	6.32%	9.43%
Operating lease margin as a % of AOL	18.10%	19.88%	5.97%	19.17%	9.38%
Funded new business volume	$ 592.7	$ 538.8	$ 532.5	$ 1,131.5	$ 1,064.7

During the quarter, Vendor Finance increased business with existing relationships and added new vendor partners. New business volumes were up from both the second quarter 2010 and the last quarter, and continue to be originated at low double-digit yields. We continued to utilize local sources to fund the international business, including expanding deposits in our Brazilian bank.

In the second quarter 2011, we closed the sale of Dell Financial Services Canada Ltd. (DFS Canada) to Dell which included financing and leasing assets of approximately $360 million and approximately 60 employees. In a separate transaction, Dell also intends to buy CIT s Dell-related assets and sales and servicing functions in Europe (DFS Europe) with the sale planned to close in 2012. DFS Europe includes financing and leasing assets of approximately $400 million as of June 30, 2011, which include operating lease equipment moved to assets held for sale during the second quarter. The sale is subject to additional regulatory requirements. CIT will continue to support Dell in Europe during the transition.

- Vendor Finance pre-tax earnings were $22 million, improved from $14 million in the prior quarter and a pre-tax loss of $2 million in the prior year quarter, reflecting lower credit costs and the gain from the sale of DFS Canada, partially offset by lower asset levels and reduced FSA accretion income and higher operating expenses.
- Net finance revenue as compared to prior quarter was impacted by $19 million in higher FSA interest expense as a result of debt prepayments and the second quarter included a $8 million temporary benefit related to accounting for certain assets classified as held-for-sale, down from $13 million in the first quarter of 2011. Net finance revenue as a percentage of AEA was down from a year ago due to lower FSA interest income accretion and as higher yielding, higher risk assets were sold during 2010. We continue to book new business volume at double-digit rates.
- The provision for credit losses decreased on declining charge-offs, as the portfolio quality continues to improve. Non-accrual loans were down 10% from March 31, 2011, while past dues also declined.
- Other income primarily consists of gains on receivable and equipment sales and recoveries of loans charged-off pre-FSA. Other income increased from prior quarter reflecting the gain on sale of DFS Canada.
- Other expenses were impacted by accruals for non-recurring servicing expenses, approximately $7 million of which pertained to corrections of prior periods.
- Total financing and leasing assets declined to $4.7 billion from $5.2 billion at March 31, 2011, due primarily to the sale of Dell Canada assets and were down $2.0 billion from June 30, 2010, as asset sales and net portfolio collections outpaced new business volume.
- We funded $593 million of new business volume in the second quarter, which was up approximately 10% from the prior quarter and 11% from the prior year quarter. Excluding volume associated with the Australia and New Zealand platforms sold in the 2010 second quarter, volume rose 28% from the 2010 second quarter with contributions from both domestic and international operations.
- We continued to make progress on our local funding initiatives. During the quarter, we closed a new RMB 1.8 billion (approximately $275 million) committed secured funding facility in China, although there was no usage as of June 30, 2011, and renewed a £100 million (approximately $150 million) U.K. committed conduit facility at significantly reduced costs, increased advance rate and lengthened expiration and maturity term. We also increased our local currency deposits in Brazil, growing the balance to $75 million as of June 30, 2011 which was up from $31 million at March 31, 2011 and $7 million at December 31, 2010.
- During the second quarter we obtained the necessary regulatory approvals and transferred our U.S. Vendor Finance platform into CIT Bank in July.

Consumer

Consumer predominately includes government-guaranteed student loans. We ceased offering private student loans during 2007 and government-guaranteed student loans in 2008. Therefore, CIT s risk relates mainly to the ability of the borrower to repay its loan and is primarily limited to the portion, generally 2% - 3%, that is not guaranteed by the government. Government-guaranteed loans are also subject to repurchase agreements, for instance in circumstances where there are issues related to the original student loan underwriting.

	Quarters Ended			**Six Months Ended**	
(dollars in millions)	**June 30, 2011**	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Earnings Summary					
Interest income	$ 68.9	$ 70.8	$ 96.7	$ 139.7	$ 192.6
Interest expense	(48.7)	(53.0)	(59.4)	(101.7)	(126.2)
Provision for credit losses	(0.9)	(0.9)	(9.3)	(1.8)	(13.8)
Other income	3.1	3.1	18.3	6.2	24.1
Other expenses	(15.5)	(17.4)	(22.7)	(32.9)	(44.2)
Income before provision for income taxes	$ 6.9	$ 2.6	$ 23.6	$ 9.5	$ 32.5
Select Average Balances					
Average finance receivables	$ 7,631.4	$ 7,984.8	$ 8,861.9	$ 7,795.1	$ 9,192.4
Average earning assets	$ 7,809.5	$ 8,049.8	$ 9,090.3	$ 7,933.5	$ 9,337.1
Statistical Data					
Net finance revenue as a % of AEA	1.03%	0.88%	1.64%	0.96%	1.42%

- Consumer Finance pre-tax earnings were $7 million, up from $3 million in the prior quarter and down from $24 million for the prior year quarter.
- Net finance revenue benefited from net FSA accretion of $9 million in the second quarter and $8 million in the first quarter, down from $27 million for the prior year quarter.
- Other income in 2011 primarily reflects FSA accretion on a counterparty receivable. Second quarter 2010 other income includes a $12 million gain on sale of receivables.
- In the second quarter, $0.7 billion of student loans were transferred to assets-held-for-sale and government-guaranteed student loans declined by $170 million from the prior quarter reflecting portfolio run-off.

Corporate and Other

Certain items are not allocated to operating segments and are included in Corporate and Other. For 2011, Corporate and Other includes cash liquidity in excess of the amount required by the business units that management determines is prudent for the overall company and the prepayment penalty fees associated with debt repayments. In addition, we refined our capital and interest allocation methodologies for our segments in 2011. The Company did not conform 2010 periods. Had the Company conformed the 2010 periods, the changes to each of the segments would be offset in Corporate and Other, including increases to (loss) income before provision for income taxes of $45 million for the quarter ended June 30, 2010 and $103 million for the six months ended June 30, 2010 relating to increased allocations to Transportation Finance. For 2010, Corporate and other consisted primarily of mark-to-market on non-qualifying derivatives and restructuring charges for severance and facilities exit activities.

	Quarters Ended			Six Months Ended	
(dollars in millions)	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Earnings Summary					
Interest income	$ 4.8	$ 5.8	$ 5.0	$ 10.6	$ 9.6
Interest expense	(119.2)	(79.9)	2.1	(199.1)	4.1
Provision for credit losses			(15.0)		(15.0)
Rental income on operating leases			(0.5)		(1.1)
Other income, excluding rental income	(8.0)	18.3	11.0	10.3	(57.2)
Depreciation on operating lease equipment			0.3		0.5
Other expenses	(16.6)	5.7	2.6	(10.9)	12.7
Other expenses provision for severance and facilities exiting activities	(0.9)	(6.6)	(2.6)	(7.5)	(14.5)
(Loss) income before provision for income taxes	$ (139.9)	$ (56.7)	$ 2.9	$ (196.6)	$ (60.9)

- Interest income consists of interest and dividend income primarily from deposits held at other depository institutions and U.S. Treasury Securities.
- Interest expense reflects amounts not allocated to the business segments. During 2010, management allocated interest on high cost debt to each segment, which for 2011 is reflected in Corporate and Other.
- Other income primarily reflects gains and (losses) on non-qualifying derivatives and foreign currency exchange. Other income declined as there was a $32 million fluctuation in mark-to- market valuations on non-qualifying hedge derivatives and foreign currency exchange as compared to the first quarter.
- Other expenses reflects salary and general and administrative expenses unallocated to the business segments and litigation-related costs.
- Provision for severance and facilities exiting activities reflects primarily the outsourcing of the student loan portfolio in 2011, facility consolidation charges and other efficiency measures.

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FINANCING AND LEASING ASSETS

The following table presents our financing and leasing assets by segment.

Financing and Leasing Asset Composition (dollars in millions)

	June 30, 2011	March 31, 2011	December 31, 2010	% Change Quarter	% Change YTD
Corporate Finance					
Loans	$ 7,423.9	$ 7,896.1	$ 8,482.2	(6.0)%	(12.5)%
Operating lease equipment, net	51.1	72.8	83.2	(29.8)%	(38.6)%
Assets held for sale	378.8	171.0	219.2	121.5%	72.8%
Financing and leasing assets	7,853.8	8,139.9	8,784.6	(3.5)%	(10.6)%
Transportation Finance					
Loans	1,356.3	1,282.6	1,388.9	5.7%	(2.3)%
Operating lease equipment, net	10,619.3	10,545.9	10,618.8	0.7%	0.0%
Assets held for sale	257.3	261.3	2.8	(1.5)%	>100%
Financing and leasing assets	12,232.9	12,089.8	12,010.5	1.2%	1.9%
Trade Finance					
Factoring receivables and Loans	2,538.4	2,622.6	2,387.4	(3.2)%	6.3%
Vendor Finance					
Loans	3,940.4	4,036.5	4,166.1	(2.4)%	(5.4)%
Operating lease equipment, net	250.0	421.5	434.7	(40.7)%	(42.5)%
Assets held for sale	528.1	738.6	749.8	(28.5)%	(29.6)%
Financing and leasing assets	4,718.5	5,196.6	5,350.6	(9.2)%	(11.8)%
Consumer					
Loans student lending	7,003.5	7,869.0	8,035.5	(11.0)%	(12.8)%
Loans other	22.2	29.9	40.4	(25.8)%	(45.0)%
Assets held for sale	699.3	3.5	246.7	>100%	>100%
Financing and leasing assets	7,725.0	7,902.4	8,322.6	(2.2)%	(7.2)%
Total financing and leasing assets	$ 35,068.6	$ 35,951.3	$ 36,855.7	(2.5)%	(4.8)%

Finance and leasing assets declined $883 million during the quarter, $706 million in the commercial segments and $177 million in the consumer segment. With respect to the commercial portfolio, we funded $1.7 billion of new business volume, which largely kept pace with our net portfolio collections and we sold approximately $675 million (post-FSA) of commercial assets, including our Canadian Dell portfolio in Vendor Finance, which we announced last quarter. Year to date, financing and leasing assets are down $1,787 million.

Asset sales will continue as assets held-for-sale increased to $1.9 billion from $1.2 billion at March 31, 2011. During the second quarter, transfers to held-for-sale included approximately $700 million of student loans (largely in CIT Bank), $290 million of corporate finance loans (most of which were non-accrual), and $160 million of vendor equipment related to the Dell Europe sale.

The following table provides further detail of the changes in financing and leasing assets.

(dollars in millions)

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Commercial Segments	Consumer	Total
Balance at March 31, 2011	**$ 8,139.9**	**$ 12,089.8**	**$ 2,622.6**	**$ 5,196.6**	**$ 28,048.9**	**$ 7,902.4**	**$ 35,951.3**
New business volume	732.9	398.8		592.7	1,724.4		1,724.4
Loan sales (pre-FSA)	(168.8)	(19.3)		(286.1)	(474.2)		(474.2)
Equipment sales (pre-FSA)	(59.0)	(60.7)		(159.1)	(278.8)		(278.8)
Depreciation (pre-FSA)	(4.6)	(139.3)		(60.0)	(203.9)		(203.9)
Gross charge-offs (pre-FSA)	(59.5)	(0.1)	(4.2)	(30.2)	(94.0)	(3.4)	(97.4)
Collections and other	(1,086.0)	(112.9)	(80.0)	(577.4)	(1,856.3)	(227.6)	(2,083.9)
Change in finance receivable FSA discounts	357.4	20.2		36.2	413.8	53.6	467.4
Change in operating lease FSA discounts	1.5	56.4		5.8	63.7		63.7
Balance at June 30, 2011	**$ 7,853.8**	**$ 12,232.9**	**$ 2,538.4**	**$ 4,718.5**	**$ 27,343.6**	**$ 7,725.0**	**$ 35,068.6**
Balance at December 31, 2010	**$ 8,784.6**	**$ 12,010.5**	**$ 2,387.4**	**$ 5,350.6**	**$ 28,533.1**	**$ 8,322.6**	**$ 36,855.7**
New business volume	1,203.6	716.7		1,131.5	3,051.8		3,051.8
Loan sales (pre-FSA)	(507.9)	(40.9)		(286.1)	(834.9)	(251.8)	(1,086.7)
Equipment sales (pre-FSA)	(110.0)	(152.0)		(256.8)	(518.8)		(518.8)
Depreciation (pre-FSA)	(8.8)	(280.3)		(123.5)	(412.6)		(412.6)
Gross charge-offs (pre-FSA)	(227.2)	(0.8)	(10.4)	(62.6)	(301.0)	(6.7)	(307.7)
Collections and other (pre-FSA)	(1,914.5)	(183.9)	161.4	(1,119.2)	(3,056.2)	(417.0)	(3,473.2)
Change in finance receivable FSA discounts	630.0	45.5		74.5	750.0	77.9	827.9
Change in operating lease FSA discounts	4.0	118.1		10.1	132.2		132.2
Balance at June 30, 2011	**$ 7,853.8**	**$ 12,232.9**	**$ 2,538.4**	**$ 4,718.5**	**$ 27,343.6**	**$ 7,725.0**	**$ 35,068.6**

The following table provides further detail of funded and committed new business volume:

	Quarters Ended			**Six Months Ended**	
(dollars in millions)	**June 30, 2011**	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Funded Volume					
Corporate Finance	$ 732.9	$ 470.7	$ 245.0	$ 1,203.6	$ 390.5
Transportation Finance	398.8	317.9	255.5	716.7	481.2
Vendor Finance	592.7	538.8	532.5	1,131.5	1,064.7
Commercial Segments	$ 1,724.4	$ 1,327.4	$ 1,033.0	$ 3,051.8	$ 1,936.4
Committed Volume					
Corporate Finance	$ 1,052.0	$ 816.7	$ 337.6	$ 1,868.7	$ 504.7
Transportation Finance	428.6	343.9	255.5	772.5	481.2
Vendor Finance	592.7	538.8	532.5	1,131.5	1,064.7
Commercial Segments	$ 2,073.3	$ 1,699.4	$ 1,125.6	$ 3,772.7	$ 2,050.6

Factoring Volume					
Trade Finance	$ 6,142.2	$ 6,130.7	$ 6,307.3	$ 12,272.9	$ 12,685.4

Corporate Finance, Transportation Finance and Vendor Finance each reported double digit sequential and year-over-year increases in new business funded and committed volumes. Moreover, over 70% of our U.S. lending volume was originated and funded by CIT Bank up from 61% last quarter and 27% a year ago.

Factoring volume was $6.1 billion, unchanged from the first quarter and down from $6.3 billion for the 2010 second quarter, due to the wind-down of our European factoring operation. Excluding the European operation, factored volume was up approximately 4% from the 2010 second quarter and 3% for the six months.

The following table provides further detail of loan sales:

Loan Sales, excluding factoring, (dollars in millions)

	Quarters Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Corporate Finance	$ 168.8	$ 339.1	$ 694.3	$ 507.9	$ 902.6
Transportation Finance	19.3	21.6		40.9	
Vendor Finance	286.1		454.4	286.1	864.1
Commercial Segments	474.2	360.7	1,148.7	834.9	1,766.7
Consumer		251.8	582.1	251.8	582.1
Total	$ 474.2	$ 612.5	$ 1,730.8	$ 1,086.7	$ 2,348.8

Nearly half of the Corporate Finance loans sold during the 2011 second quarter were non-accrual. Vendor Finance loans sold during the second quarter related primarily to the Dell Canada platform.

First quarter 2011 sales activity in Corporate Finance consisted primarily of non-performing loans that were previously entered into as syndication transactions and sold this quarter, with the remaining sales consisting primarily of non-performing communications and media, healthcare and energy loans. Sales of Consumer loans consisted primarily of government-guaranteed student loans.

CONCENTRATIONS

Ten Largest Accounts

Our ten largest financing and leasing asset accounts in the aggregate represented 7.8% of our total financing and leasing assets at June 30, 2011. The largest account primarily consisted of operating lease equipment leased to an airline carrier and represents 2.2% of our total financing and leasing assets. Excluding student loans, the top ten accounts in aggregate represented 10.0% of total owned assets (the largest account totaled 2.8%).

The largest accounts were in Transportation Finance (airlines and rail), Trade Finance (retail) and Corporate Finance (healthcare).

The top ten accounts were 7.6% and 9.7% (excluding student loans) at December 31, 2010.

Operating Lease Equipment by Segment (dollars in millions)

		June 30, 2011	December 31, 2010
Transportation Finance	Aerospace[1]	$ 7,198.2	$ 7,125.5
Transportation Finance	Rail and Other	3,421.1	3,493.3
Vendor Finance		250.0	434.7
Corporate Finance		51.1	83.2
Total		$ 10,920.4	$ 11,136.7

[1] *Aerospace includes commercial, regional and corporate aircraft and equipment.*

At June 30, 2011, the Transportation Finance aerospace and rail equipment on operating lease included 250 commercial aircraft, and approximately 100,000 railcars and 400 locomotives.

Geographic Concentrations

The following table represents the financing and leasing assets by obligor geography:

(dollars in millions)

	June 30, 2011		December 31, 2010	
Midwest	$ 5,865.8	16.7%	$ 6,094.9	16.5%
Northeast	5,397.5	15.4%	5,970.6	16.2%
West	4,764.0	13.6%	5,120.6	13.9%
Southeast	3,988.4	11.4%	4,030.2	10.9%
Southwest	2,958.1	8.4%	3,205.5	8.7%
Total U.S.	22,973.8	65.5%	24,421.8	66.2%
Canada	3,000.4	8.6%	3,572.1	9.7%
Other international	9,094.4	25.9%	8,861.8	24.1%
Total	$ 35,068.6	100.0%	$ 36,855.7	100.0%

The following table summarizes both state concentrations greater than 5.0% and international country concentrations in excess of 1.0% of our financing and leasing assets:

	June 30, 2011	December 31, 2010
State		
California	6.9%	6.9%
Texas	6.1%	6.6%
New York	5.4%	6.2%
All other states	47.1%	46.5%
Total U.S.	65.5%	66.2%

Country		
Canada	8.6%	9.7%
Australia	2.8%	2.5%
Mexico	2.4%	2.3%
England	2.2%	2.4%
China	1.8%	1.8%
Brazil	1.5%	1.3%
Spain	1.3%	1.1%
Germany	1.2%	1.4%
All other countries	12.7%	11.3%
Total International	34.5%	33.8%

Industry Concentrations

The following table represents financing and leasing assets by industry of obligor:

(dollars in millions)

	June 30, 2011		December 31, 2010	
Industry				
Commercial airlines (including regional airlines)	$ 7,963.2	22.7%	$ 7,743.3	21.0%
Student lending[1]	7,700.4	22.0%	8,280.9	22.5%
Manufacturing[2]	4,672.0	13.3%	4,761.1	12.9%
Retail[3]	3,464.3	9.9%	3,588.4	9.7%
Service industries	2,919.8	8.3%	3,076.6	8.4%
Transportation[4]	2,077.1	5.9%	2,151.1	5.9%
Healthcare	1,826.4	5.2%	1,996.8	5.4%
Finance and insurance	693.0	2.0%	839.8	2.3%
Energy and utilities	582.3	1.7%	638.8	1.7%
Communications	578.6	1.7%	745.8	2.0%
Wholesaling	471.9	1.3%	456.9	1.2%
Other (no industry greater than 2%)	2,119.6	6.0%	2,576.2	7.0%
Total	$ 35,068.6	100.0%	$ 36,855.7	100.0%

(1) *See Student Lending section for further information.*

(2) *At June 30, 2011, includes manufacturers of chemical products and pharmaceuticals (2.2%), apparel (1.9%), food (1.8%), and printing and publishing (1.1%).*

(3) *At June 30, 2011, includes retailers of apparel (3.6%) and general merchandise (1.5%).*

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

Aerospace

Commercial Aerospace Portfolio (dollars in millions)

	June 30, 2011		December 31, 2010	
	Net Investment	Number	Net Investment	Number
By Region:				
Asia Pacific	$ 2,614.7	90	$ 2,569.2	95
Europe	2,272.5	82	2,151.0	79
U.S. and Canada	1,111.4	62	1,212.1	68
Latin America	992.3	42	902.0	36
Africa / Middle East	771.5	22	731.8	20
Total	$ 7,762.4	298	$ 7,566.1	298
By Manufacturer:				
Airbus	$ 5,027.8	168	$ 4,845.8	163
Boeing	2,665.4	128	2,702.0	135
Other	69.2	2	18.3	
Total	$ 7,762.4	298	$ 7,566.1	298
By Body Type[(1)]**:**				
Narrow body	$ 5,723.5	238	$ 5,536.4	235
Intermediate	1,893.0	50	1,895.6	53
Wide body	133.1	10	115.8	10
Other	12.8		18.3	
Total	$ 7,762.4	298	$ 7,566.1	298
By Product:				
Operating lease	$ 7,380.1	250	$ 7,064.9	238
Loan	357.3	46	447.5	56
Capital lease	25.0	2	53.7	4
Total	$ 7,762.4	298	$ 7,566.1	298
Number of accounts	98		100	
Weighted average age of fleet (years)	6		5	
Largest customer net investment	$ 757.9		$ 692.4	

[(1)] *Narrow body are single aisle design and consist primarily of Boeing 737 series and Airbus A320 series aircraft. Intermediate body are smaller twin aisle design and consist primarily of Boeing 767 series and Airbus A330 series aircraft. Wide body are large twin aisle design and consist primarily of Boeing 747 and 777 series aircraft.*

Our top five commercial aerospace outstandings totaled $1,621.0 million at June 30, 2011, all of which were to carriers outside the U.S. The largest individual outstanding exposure to a U.S. carrier at June 30, 2011 was $148.3 million.

See *Note 11 Commitments* for additional information regarding commitments to purchase additional aircraft.

Student Lending (Student Loan Xpress or SLX)

The Consumer segment includes our liquidating student loan portfolio. Student loan portfolio balances declined $580.5 million from December 31, 2010, reflecting the first quarter sale of approximately $250 million of government-guaranteed loans and cumulative portfolio run-off. We completed the outsourcing of servicing for the remaining government-guaranteed student loan portfolio and closed our Xpress Loan Servicing offices in Cleveland and Cincinnati, Ohio. During the second quarter, we transferred approximately $700 million of government-guaranteed student loans to assets-held-for-sale.

See *Note 5 Long-Term Borrowings* for description of related financings.

Student loans by product type are presented in the following table.

(dollars in millions)

	June 30, 2011	December 31, 2010
Consolidation loans	$ 6,622.7	$ 7,119.0
Other U.S. Government guaranteed loans	1,075.0	1,159.2
Private (non-guaranteed) loans and other	2.7	2.7
Total	$ 7,700.4	$ 8,280.9
Delinquencies (sixty days or more)	$ 527.1	$ 608.9
Top state concentrations (%)	35%	35%
Top state concentrations	California, New York, Texas, Ohio, Pennsylvania	

OTHER ASSETS / OTHER LIABILITIES

The following table presents components of other assets.

Other Assets (dollars in millions)

	June 30, 2011	March 31, 2011	December 31, 2010
Deposits on commercial aerospace equipment	$ 613.5	$ 558.4	$ 609.7
Other counterparty receivables	464.3	472.8	310.7
Deferred debt costs	176.9	148.0	126.4
Accrued interest and dividends	132.0	114.0	97.7
Executive retirement plan and deferred compensation	117.3	116.2	110.2
Prepaid expenses	84.7	78.7	87.5
Furniture and fixtures	77.5	78.2	79.3
Tax receivables, other than income taxes	68.3	121.0	125.1
Servicer and maintenance fee receivables		116.6	115.3
Other	401.4	312.3	367.5
Total other assets	$ 2,135.9	$ 2,116.2	$ 2,029.4

The following table presents components of other liabilities:

Other Liabilities (dollars in millions)

	June 30, 2011	March 31, 2011	December 31, 2010
Equipment maintenance reserves	$ 695.9	$ 668.1	$ 633.6
Accrued expenses	391.5	421.5	499.3
Estimated valuation adjustment relating to aerospace commitments(1)	349.1	391.4	429.6
Security and other deposits	193.2	197.1	201.4
Accrued interest payable	184.9	240.5	254.8
Qualifying hedges derivative liability	136.6	118.5	74.5
Current taxes payable and deferred taxes	109.0	(14.8)	(62.0)
Accounts payable	82.7	96.1	188.6
Other liabilities	289.1	265.5	247.1
Total other liabilities	$ 2,432.0	$ 2,383.9	$ 2,466.9

(1) *In conjunction with FSA, a liability was recorded to reflect the current fair value of aircraft purchase commitments outstanding at the time. When the aircraft are purchased, the cost basis of the assets will be reduced by the associated liability.*

RISK MANAGEMENT

We are subject to a variety of risks that can manifest themselves in the course of the business that we operate in. We consider the following to be the principal forms of risk:

- Credit and asset risk (including lending, leasing, counterparty, equipment valuation and residual risk)
- Market risk (including interest rate and foreign currency)
- Liquidity risk
- Legal, regulatory and compliance risks (including compliance with laws and regulations)
- Operational risks (including process failures, data and systems, human resource risks and risks arising from external events)

Managing risk is essential to conducting our businesses and to our profitability. This includes establishing and enforcing policies, processes, procedures and limits to manage risk, as well as developing appropriate management information systems to identify, monitor and report on risks. We continue to enhance our risk management practices, including governance, measurement and monitoring.

Processes and procedures relating to Risk Management mentioned above are unchanged from December 31, 2010, and are detailed in our 2010 Form 10-K.

Interest Rate Risk

At June 30, 2011, the Company s loan, lease, and investment portfolio was split approximately evenly, in principal amount, between fixed and floating rate transactions, while our interest-bearing liabilities were predominately fixed rate based. As a result, our portfolio is in an asset sensitive position, as our assets will reprice faster than our liabilities. Therefore, our net interest margin may increase if interest rates rise, or decrease should interest rates decline. The following table summarizes the composition of interest rate sensitive assets and liabilities.

	June 30, 2011		March 31, 2011		December 31, 2010	
	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate
Assets	52%	48%	49%	51%	48%	52%
Liabilities	79%	21%	80%	20%	80%	20%

We evaluate and monitor interest rate risk through two primary metrics.

- Net Interest Income (NII), which measures the impact of hypothetical changes in interest rates on net interest income.
- Economic Value of Equity (EVE), which measures the net economic value of equity by assessing market value of assets, liabilities and derivatives.

A wide variety of potential interest rates scenarios are simulated within our asset/liability management system. Rates are shocked up and down by up to 400 basis points via a set of scenarios that include both parallel and non-parallel interest rate movements. Scenarios are also run to capture our sensitivity to changes in the shape of the yield curve (such as yield curve twists, ramps, and steepeners). In addition, we evaluate the sensitivity of these results to a number of key assumptions, such as credit quality and prepayments. NII and EVE limits have been set and are monitored for certain of the key scenarios.

The table below summarizes the results of simulation modeling produced by our asset/liability management system. The results reflect the percentage change in net interest income and economic value of equity over the next twelve months assuming an immediate 100 basis point parallel increase and decrease in interest rates.

	June 30, 2011		March 31, 2011		December 31, 2010	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Net Interest Income	14.3%	(4.7)%	12.7%	(4.8)%	18.0%	(6.5)%
Economic Value of Equity	3.5%	0.7%	3.5%	0.1%	3.1%	(0.5)%

The simulation modeling assumes we take no action in response to the assumed changes in interest rates. Our net interest income is asset sensitive to a parallel shift in interest rates at June 30, 2011.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality, size, competition and prepayment characteristics of our balance sheet. They also do not account for other business developments that could affect net income, or for management actions that could affect net income, or for management actions that could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent our current view of expected future interest rate movements.

FUNDING, LIQUIDITY AND CAPITAL

Portfolio collections, capital markets, various securitization facilities and secured borrowings provide our sources of funding and liquidity. Additionally, the Company maintains a portfolio of cash and investment securities to satisfy funding and other operating obligations, while also providing protection against unforeseen stress events, for instance unanticipated funding obligations such as customer line draws, or disruptions to capital markets or other funding sources.

Our cash investments in short-term investments include U.S. Treasury bills and government agency bonds, all of which have maturities of 91 days or less. We anticipate continued investment of our cash in various types of high-grade, short-term investments. Cash and short-term investment securities totaled $10.1 billion at June 30, 2011, comprised of $7.4 billion of cash and $2.7 billion of short-term investments, down from $11.8 billion at March 31, 2011 and $11.2 billion of cash at December 31, 2010. The declines largely reflect the repayment of debt. Cash and short-term investment securities at June 30, 2011 consisted of $4.0 billion at the bank holding company, $0.8 billion at CIT Bank, $1.6 billion at operating subsidiaries and $3.7 billion in restricted balances, including $2.5 billion in the Cash Sweep account.

As described below, during the quarter we redeemed $2.5 billion of Series A Notes. During the first six months of 2011, we repaid approximately $6.2 billion of debt, including $3.5 billion of Series A Notes, approximately $0.75 billion of Series B Notes and approximately $2.0 billion of other secured debt. In March, we issued $2 billion of new Series C Second-Priority Secured Notes and in July, redeemed $0.5 billion of First Lien Facility. See *Note 5 Long-Term Borrowings* for additional information on borrowings.

We have targeted the transfer of certain business platforms suitable for operating within CIT Bank. We transferred our small business lending platform in March 2011 and the U.S. Vendor Finance platform in July. Following a platform transfer, related new originations are funded by CIT Bank using its available cash, deposits and secured financings. The platform transfers exclude portfolio assets outstanding at the time of the transfer, which are serviced by CIT Bank. Cash flows from the outstanding portfolio assets are retained by the Company to be used for other corporate purposes, but are subject to restrictions under the Cash Sweep.

Secured financings have been our primary source of funding since mid-2007. These secured financing transactions do not meet accounting requirements for sale treatment and are recorded as secured borrowings, with the assets remaining on-balance sheet. The debt associated with these transactions is collateralized by receivables, leases and/or equipment. Certain related cash balances are restricted, including amounts in the Cash Sweep account, as discussed further below.

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. At June 30, 2011, the First Lien Facility had an outstanding balance of $3 billion that matures in August 2015. In July 2011, we redeemed $500 million of the First Lien Facility. The net impact of the acceleration of deferred debt costs and the favorable FSA amortization will increase third quarter interest expense by approximately $15 million.

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. At June 30, 2011, after eliminating certain pledged entities that are being evaluated for consolidation or dissolution, the collateral coverage ratio was 4.9x.

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 the $2.5 billion of Series A Notes in May 2011 discussed below.

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 2014 Series A Notes Indentures limit the ability of the Company and the Company s restricted subsidiaries to make certain payments or investments, incur indebtedness (including guarantees), issue preferred stock, incur liens, enter into sale and leaseback transactions, pay dividends, sell assets, and enter into transactions with affiliates. The 2015-2017 Series A Notes and Series C Notes Indentures limit the Company s ability to create liens, merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of its assets. Under the terms of the Series A Notes, the Company is required to use certain cash collections to repay the 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.

On May 2, 2011, the Company redeemed $2.5 billion of 7% Series A Notes at a redemption price of 102% of the aggregate principal amount. This redemption included approximately $1.1 billion principal amount of remaining 2013 Series A Notes and approximately $1.4 billion principal amount of the 2014 Series A Notes. The acceleration of FSA amortization on these Notes increased second quarter interest expense by $113 million, approximately $66 million for the 2013 maturities and $47 million for the 2014 maturities.

During the 2011 first quarter, 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.

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

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

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

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

Series B Notes

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

Other Secured Borrowings

These secured borrowings are comprised largely of securitization financings. At June 30, 2011, we had other secured borrowings of $9.86 billion, which was down $0.5 billion for the quarter reflecting repayments on existing structures corresponding to receivable repayments.

GSI Facility

The GSI Facility is a long-term committed financing facility with Goldman Sachs International (GSI), which is structured as a Total Return Swap (TRS) and which has a maximum notional amount of $2.125 billion at June 30, 2011. At June 30, 2011, a total of $2,861.9 million, after FSA, of financing and leasing assets, comprised of $1,169.7 million in Corporate Finance, $585.4 million in Consumer and $1,106.8 million in commercial aerospace in Transportation Finance, were pledged in conjunction with $1,556.0 million in secured debt issued to investors under the GSI Facility. After adjustment to the amount of actual qualifying borrowing base under terms of the GSI Facility, this $1,556.0 million of secured debt provided for usage of $1,083.5 million of the maximum notional amount of the GSI Facility at June 30, 2011. The remaining $1,041.5 million of the maximum notional amount of the GSI Facility represents the unused portion of the GSI Facility and constitutes the notional amount of a derivative financial instrument. Actual terms of the facility, including facility usage and collateral coverage, are measured on a pre-FSA basis.

Unsecured counterparty receivable of $528.9 million, net of FSA, is owed to CIT from GSI for debt discount, return of collateral posted to GSI and settlements resulting from market value changes to asset-backed securities underlying the structure at June 30, 2011.

The GSI Facility was originally executed on June 6, 2008, and under an October 28, 2009 amendment, the maximum notional amount of the GSI Facility was reduced from $3.0 billion to $2.125 billion. During the first half of 2008, CIT experienced significant constraints on its ability to raise funding through the debt capital markets and access the Company s historical sources of funding. The GSI Facility provided a swapped rate on qualifying secured funding at a lower cost than available to CIT through other funding sources. The GSI Facility was structured as a TRS to satisfy the specific requirements to obtain this funding commitment from GSI. Pursuant to applicable accounting guidance, only the unutilized portion of the TRS is accounted for as a derivative and recorded at fair value. Under the terms of the GSI Facility, CIT raises cash from the issuance of Asset Backed Securities (ABS) to investors designated by GSI under the TRS, equivalent to the face amount of the ABS less an adjustment for any Original Issue Discount (OID) which equals the market price of the ABS. CIT is also required to deposit a portion of the face amount of the ABS with GSI as additional collateral prior to funding ABS through the TRS facility.

Amounts deposited with GSI can increase or decrease over time depending on the market value of the ABS and / or changes in the ratings of the ABS. CIT and GSI engage in periodic settlements based on the timing and amount of coupon and principal payments actually made on the ABS. GSI is obligated to return those same amounts to CIT plus a proportionate amount of the initial deposit.

CIT is obligated to pay GSI (1) principal in an amount equal to the initial market price less the initial deposit, in each case, as a percentage of the ABS times the principal amount returned by GSI and (2) interest equal to LIBOR times the adjusted qualifying borrowing base of the ABS. On a quarterly basis, CIT pays the fixed facility fee of 2.85% per annum times the maximum facility commitment amount, currently $2.125 billion, to GSI.

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

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

Based on the Company s valuation, it was determined that the derivative had no value at June 30, 2011.

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Interest expense related to the GSI Facility is affected by the following:

- A fixed facility fee of 2.85% per annum times the maximum facility commitment amount, currently $2.125 billion
- A variable amount based on one-month or three-month USD LIBOR times the utilized amount (effectively the adjusted qualifying borrowing base) of the TRS, and
- A reduction in interest expense due to the recognition of the payment of any OID from GSI on the various ABS.

2011 New and Renewed Facilities

During the second quarter, CIT completed the following funding transactions:

- Received $150 million of secured aircraft funding through a newly established facility guaranteed by the Export-Import Bank of the United States;
- Closed a new RMB 1.8 billion (approximately $275 million) committed Vendor Finance China funding facility. The committed availability period of the facility expires in June 2013 with a three year final maturity for each drawdown under the facility; and
- Renewed a £100 million committed U.K. Vendor Finance securitization facility at significantly lower cost.

In March 2011, CIT renewed its $1 billion committed U.S. Vendor Finance conduit facility, with significantly reduced costs, increased advance rate and lengthened expiration and maturity term. The committed revolving period of the facility now expires in March 2013 and the facility has a final maturity in 2020.

Cash Sweep and Required Cash Sweep Payments

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 (the Cash Sweep). The Company may also use amounts in the Cash Sweep Accounts for certain designated purposes. While the First Lien Facility no longer contains a Cash Sweep provision, the terms of the Series A Notes still require Cash Sweep payments to be made in order of priority first to the First Lien Facility and once all obligations under the First Lien Facility have been paid off in full, then to repay or redeem the Series A Notes (including purchases of Series A Notes in open market transactions, pursuant to tender offers or otherwise).

The Cash Sweep account totaled $2,533.7 million at June 30, 2011, which included restricted investments and cash, compared to $1,229.8 million at December 31, 2010. In July 2011, the $500 million first lien prepayment was sourced from cash in the Cash Sweep account.

Debt Ratings

Our debt ratings at June 30, 2011 are presented in the following table. On May 3, 2011, Moody s Investors Service upgraded the Company s corporate credit rating (Issuer) to B2 from B3. Other changes since December 31, 2010 relate to the ratings on the Series C Notes that were issued in March 2011, and the omission of ratings on the Series B Notes that were repaid in January 2011. The Series C Notes ratings equate to the ratings on the Series A Notes.

Debt Ratings as of June 30, 2011	**S&P Ratings Services**	**Moody s Investors Service**	**DBRS**
Issuer / Counterparty Credit Rating	B+	B2	B (High)
1st Lien Debt Rating	BB	Ba3	BB (High)
2nd Lien Debt Rating (Series A and C)	B+	B2	B (High)
Outlook / Trend	Positive	Stable	Positive

Debt ratings can influence the cost and availability of short-and long-term funding, the terms and conditions on which such funding may be available, the collateral requirements, if any, for borrowings and certain derivative instruments, the acceptability of our letters of credit, and the number of investors and counter-parties willing to lend to the Company. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect liquidity and financial condition.

Rating agencies indicate that they base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current legislative and regulatory environment, including implied government support. In addition, rating agencies themselves have been subject to scrutiny arising from the financial crisis and could make or be required to make substantial changes to their ratings policies and practices, particularly in response to legislative and regulatory changes, including as a result of provisions in Dodd-Frank. Potential changes in the legislative and regulatory environment and the timing of those changes could impact our ratings, which as noted above, could impact our liquidity and financial condition.

A security rating is not a recommendation to buy, sell or hold securities, and the ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

Tax Implications on Cash in Foreign Subsidiaries

Cash and short term investments held by foreign subsidiaries at June 30, 2011 and December 31, 2010 totaled $3.0 billion and $2.3 billion, respectively.

As a general matter, the Company is asserting indefinite reinvestment for the unremitted earnings in its foreign subsidiaries except for certain deemed dividend inclusions under U.S. tax rules and the investment in one of our foreign subsidiaries.

One of the Company s 2011 priorities is to grow its business, including expanding internationally. The Company plans on reinvesting earnings to expand its existing businesses across various jurisdictions, acquire new businesses, and invest in new IT initiatives. Specifically, our Commercial Aerospace business has future new aircraft delivery commitments of approximately $8 billion through 2019 and expects to lease these aircraft into various jurisdictions globally. In the Vendor Finance segment, the Company expects to continue to finance products to existing and new customers by partnering with

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manufacturers and resellers in approximately 20 countries across Latin America, Canada, Europe and Asia.

While CIT does not currently intend to repatriate cash related to earnings currently residing in our foreign subsidiaries, we will continue to remit cash held by foreign subsidiaries as part of the Company s cash management efforts on a non-taxable basis, for instance by repaying intercompany debt obligations.

The Company will accrue U.S. federal and applicable foreign withholding taxes on unremitted international earnings if it decides to reverse its indefinite reinvestment assertions. If these assertions are reversed, the Company does not expect to pay U.S. federal income taxes on any distributions except for Alternative Minimum Taxes, which would be fully creditable on a prospective basis, until the U.S. federal net operating losses (NOLs) have been fully utilized. The federal NOLs were approximately $4 billion at December 31, 2010. Any applicable foreign withholding taxes would be payable at the time of any future cash distribution.

Contractual Payments and Commitments

The following tables summarize significant contractual payments and contractual commitment expirations at June 30, 2011. Certain amounts in the payments table are not the same as the respective balance sheet totals as this table is before FSA, in order to better reflect projected contractual payments. Likewise, actual cash flows will vary materially from those depicted in the payments table as further explained in the table footnotes.

Payments by Year, for the twelve months ended June 30[(1)] (dollars in millions)

	Total	2012	2013	2014	2015	2016 +	2017 +
Secured borrowings[(2)]	$ 10,622.3	$ 1,945.5	$ 1,007.3	$ 920.9	$ 748.5	$ 805.6	$ 5,194.5
First Lien Facility[(3)]	3,000.0	500.0				2,500.0	
Other debt	214.9	42.0	34.9	2.4	0.1		135.5
Series A Notes	8,774.6			1,760.0	1,601.7	2,165.4	3,247.5
Series C Notes (Exchanged)	8,765.0				1,554.2	3,094.5	4,116.3
Series C Notes	2,000.0			1,300.0			700.0
Total Long-term borrowings	33,376.8	2,487.5	1,042.2	3,983.3	3,904.5	8,565.5	13,393.8
Deposits	4,403.8	1,422.4	1,064.7	885.1	447.4	416.3	167.9
Credit balances of factoring clients	1,084.9	1,084.9					
Lease rental expense	282.8	35.1	32.1	30.8	28.9	27.4	128.5
Total contractual payments	$ 39,148.3	$ 5,029.9	$ 2,139.0	$ 4,899.2	$ 4,380.8	$ 9,009.2	$ 13,690.2

(1) *Projected payments of debt interest expense and obligations relating to postretirement programs are excluded.*

(2) *Includes non-recourse secured borrowings, which are generally repaid in conjunction with the pledged receivable maturities.*

(3) *First lien facility payments for the twelve months ended June 30, 2012 reflect redemption of $500 million in July 2011.*

Commitment Expiration by twelve month periods ended June 30 (dollars in millions)

	Total	2012	2013	2014	2015	2016 +
Financing commitments[(1)]	$ 2,615.9	$ 276.8	$ 569.6	$ 420.2	$ 224.0	$ 1,125.3
Aerospace and other manufacturer purchase commitments[(2)]	8,391.3	1,413.3	499.0	967.7	578.6	4,932.7
Letters of credit	374.8	179.3	48.6	18.6	35.5	92.8
Deferred purchase credit protection agreements	1,244.0	1,244.0				
Guarantees, acceptances and other recourse obligations	34.8	13.5	11.6	8.6	0.4	0.7
Liabilities for unrecognized tax obligations[(3)]	452.1	10.0	442.1			
Total contractual commitments	$ 13,112.9	$ 3,136.9	$ 1,570.9	$ 1,415.1	$ 838.5	$ 6,151.5

(1) *Financing commitments do not include certain unused, cancelable lines of credit to customers in connection with third-party vendor programs, which can be reduced or cancelled by CIT at any time without notice.*

(2) *Aerospace commitments are net of amounts on deposit with manufacturers.*

(3) *The balance cannot be estimated past 2013; therefore the remaining balance is reflected in 2013.*

Financing commitments declined from $3.1 billion at December 31, 2010 to $2.6 billion at June 30, 2011. The table above includes approximately $0.5 billion of commitments at June 30, 2011 and $0.7 billion at December 31, 2010 that were not available for draw due to requirements for collateral availability or covenant conditions existing at June 30, 2011. At June 30, 2011, unfunded commitments related to lead agented asset-based loans totaled $319 million, down from $377 million at December 31, 2010.

At June 30, 2011, substantially all financing commitments were senior facilities, with approximately 57% secured by equipment or other assets and the remainder comprised of cash-flow or enterprise value facilities. CIT is lead agent in approximately 28% of the facilities. Most of our undrawn and available financing commitments are in Corporate Finance. The top ten undrawn commitments totaled $306 million at June 30, 2011.

Risk Weighted Assets

For a BHC, capital adequacy is based upon risk-weighted asset ratios calculated in accordance with quantitative measures established by the Federal Reserve. Under these guidelines, certain commitments and off-balance sheet transactions are assigned asset equivalent balances, and together with on-balance sheet assets, are divided into risk categories, each of which is assigned a risk weighting ranging from 0% (for example U.S. Treasury Bonds) to 100% (for example commercial loans). The reconciliation of balance sheet assets to risk-weighted assets are presented below:

Risk-Weighted Assets (dollars in millions)

	June 30, 2011	March 31, 2011	December 31, 2010
Balance sheet assets	$ 48,009.6	$ 50,675.2	$ 50,958.2
Risk weighting adjustments to balance sheet assets	(14,844.4)	(17,377.4)	(16,029.5)
Off balance sheet items[(1)]	10,871.8	9,132.3	9,248.0
Risk-weighted assets	$ 44,037.0	$ 42,430.1	$ 44,176.7

(1) *Primarily reflects commitments to purchase aircraft and for unused lines of credit and letters of credit. See Note 9 Regulatory Capital for more information.*

Regulatory Capital

The Company is subject to various regulatory capital requirements set by the Federal Reserve Board. CIT committed to its regulators to maintain a 13% Total Capital Ratio at the BHC and a 15% Tier 1 Leverage Ratio at CIT Bank for at least three years.

Regulatory Capital and Ratios (dollars in millions)

	CIT June 30, 2011	CIT March 31, 2011	CIT December 31, 2010
Tier 1 Capital			
Total stockholders equity	$ 8,941.5	$ 8,992.3	$ 8,916.0
Effect of certain items in accumulated other comprehensive loss excluded from Tier 1 Capital	(9.5)	(2.0)	(3.3)
Adjusted total equity	8,932.0	8,990.3	8,912.7
Less: Goodwill	(264.5)	(277.4)	(277.4)
Disallowed intangible assets	(84.1)	(99.1)	(119.2)
Investment in certain subsidiaries	(35.3)	(34.4)	(33.4)
Other Tier 1 components[(1)]	(62.7)	(59.0)	(65.2)
Total Tier 1 Capital	8,485.4	8,520.4	8,417.5
Tier 2 Capital			
Qualifying reserve for credit losses	439.3	415.3	416.2
Less: Investment in certain subsidiaries	(35.3)	(34.4)	(33.4)
Other Tier 2 components[(2)]	2.6	0.2	0.2
Total Tier 2 Capital	406.6	381.1	383.0
Total Capital (Tier 1 and Tier 2 Capital)	$ 8,892.0	$ 8,901.5	$ 8,800.5
Risk-weighted assets	$ 44,037.0	$ 42,430.1	$ 44,176.7
Tier 1 Capital Ratio[(3)]	19.3%	20.1%	19.1%
Total Capital Ratio	20.2%	21.0%	19.9%
Tier 1 Leverage Ratio	17.1%	17.2%	16.2%
CIT Bank Ratios:			
Tier 1 Capital Ratio	47.5%	56.1%	57.4%
Total Capital Ratio	48.1%	56.5%	57.7%
Tier 1 Leverage Ratio	27.4%	25.6%	24.2%

(1) *Includes the portion of net deferred tax assets that does not qualify for*

inclusion in Tier 1 capital based on the capital guidelines and the Tier 1 capital charge for nonfinancial equity investments.

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

(3) *For the Company, the Tier 1 Capital Ratio equates to Tier 1 Common Equity Ratio since the Company has only common equity.*

Regulatory capital guidelines are based on the Capital Accord of the Basel Committee on Banking Supervision (Basel I). We compute capital ratios in accordance with Federal Reserve capital guidelines for assessing adequacy of capital. To be well capitalized, a BHC generally must maintain Tier 1 and Total Capital Ratios of at least 6% and 10%, respectively. The Federal Reserve Board also has established minimum guidelines. The minimum ratios are: Tier 1 Capital Ratio of 4.0%, Total Capital Ratio of 8.0% and Tier 1 Leverage Ratio of 4.0%. In order to be considered a well capitalized depository institution under FDIC guidelines, CIT Bank must maintain a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10%, and a Tier 1 Leverage Ratio of at least 5%.

Basel III

In December 2010, the Basel Committee on Banking Supervision released its final framework for strengthening international capital and liquidity regulation (Basel III). Basel III requirements include, among other things, higher minimum capital ratios, increased limitations on qualifying capital, and a more constrained leverage ratio requirement. The U.S. bank regulatory agencies have not yet set forth a formal timeline for a notice of proposed rulemaking or final adoption of regulations responsive to Basel III. However, they have indicated informally that a notice of proposed rulemaking likely will be released in the second half of 2011, with final amendments to regulations becoming effective in mid-2012.

Basel III revisions governing capital requirements are subject to a prolonged and phased-in transition period which begins on January 1, 2013, with full implementation on January 1, 2019. When Basel III is fully phased in on January 1, 2019, CIT will be required to maintain risk-based capital ratios as follows:

	Minimum Capital Requirements - January 1, 2019		
	Tier 1 Common Equity	**Tier 1 Capital**	**Total Capital**
Stated minimum Ratio	4.5%	6.0%	8.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Effective minimum ratio	7.0%	8.5%	10.5%

We continue to evaluate the potential impact of implementing BASEL III requirements. Given our current capital ratios, high proportion of common equity in our capital structure, and liquidity profile, we expect the impact to be minimal.

CIT BANK

CIT Bank is a state-chartered bank headquartered in Salt Lake City, Utah and is the Company s principal bank subsidiary. CIT Bank originates and funds lending activity of various business segments. During the second quarter, CIT Bank originated over 70% of CIT Group s new origination volume in the U.S.

Loan origination activity within CIT Bank continued to increase. Committed loan volume rose 41% from the prior quarter to $1.1 billion, of which $812 million was funded, nearly double the first quarter amount. Total assets were $6.9 billion, up slightly from $6.8 billion at March 31, 2011, as the increase in funded commercial loans outpaced the run-off of consumer loans and use of cash to pay maturing deposits. Total loans were $5.7 billion, up from $5.2 billion at March 31, 2011, and consisted of $2.2 billion of commercial loans and $3.5 billion of consumer loans. Cash was $0.8 billion at June 30, 2011, down from $1.2 billion at March 31, 2011. Total deposits were $4.4 billion, up slightly from $4.3 billion. During the quarter, the Bank issued approximately $630 million of certificate of deposits (CDs) at an average rate of approximately 1.75% while maturing CDs were at higher rates. The Total Capital ratio at the Bank was 48.1% and the Tier 1 Leverage ratio was 27.4%.

During the second quarter we obtained the necessary regulatory approvals and transferred our U.S Vendor Finance platform into CIT Bank in July. In addition, during the 2011 first quarter, we transferred our small business lending operations into CIT Bank. As previously disclosed, the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI) terminated their Cease and Desist orders on CIT Bank in April.

The following presents condensed financial information for CIT Bank.

CONDENSED BALANCE SHEETS (dollars in millions)

	June 30, 2011	December 31, 2010
ASSETS:		
Cash and deposits with banks	$ 800.5	$ 1,299.1
Assets held for sale	576.0	16.6
Net loans	5,080.0	5,224.2
Other assets	478.0	512.8
Total Assets	$ 6,934.5	$ 7,052.7
LIABILITIES AND EQUITY:		
Long-term borrowings, including deposits	$ 4,976.3	$ 5,186.5
Other liabilities	44.7	34.0
Total Liabilities	5,021.0	5,220.5
Total Stockholders Equity	1,913.5	1,832.2

Total Liabilities and Equity	$ 6,934.5	$ 7,052.7

CONDENSED STATEMENTS OF OPERATION (dollars in millions)

	Quarters Ended June 30	
	2011	**2010**
Interest income	$ 65.9	$ 78.0
Interest expense	(26.3)	(25.7)
Net interest revenue	39.6	52.3
Provision for credit losses	(11.1)	(1.9)
Net interest revenue, after credit provision	28.5	50.4
Total other income	14.6	16.5
Total net revenue, net of interest expense and credit provision	43.1	66.9
Total other expenses	(12.0)	(11.0)
Income before income taxes	31.1	55.9
Provision for income taxes	(16.3)	(16.4)
Net income	$ 14.8	$ 39.5

SELECT QUARTERLY FINANCIAL DATA

(dollars in millions, except per share data)

	At or for the Quarters Ended			At or for the Six Months Ended	
	June 30, 2011	March 31, 2011	June 30, 2010(1)	June 30, 2011	June 30, 2010(1)
Select Statement of Operations Data					
Net interest revenue	$ (203.6)	$ (55.7)	$ 216.3	$ (259.3)	$ 489.6
Provision for credit losses	(84.7)	(123.4)	(246.7)	(208.1)	(472.8)
Total other income	657.8	691.5	756.4	1,349.3	1,332.6
Total other expenses	(391.3)	(376.9)	(455.9)	(768.2)	(890.3)
(Loss) income before provision for income taxes	(21.8)	135.5	270.1	113.7	459.1
Net (loss) income	(48.0)	65.6	181.6	17.6	326.2
Per Common Share Data					
(Loss) income per share diluted	$ (0.24)	$ 0.33	$ 0.91	$ 0.09	$ 1.63
Book value per common share	$ 44.58	$ 44.85	$ 43.52		
Tangible book value per common share	$ 42.84	$ 42.97	$ 41.26		
Performance Ratios					
Return on average common stockholders equity	(2.14)%	2.93%	8.41%	0.39%	7.62%
Net finance revenue as a percentage of average earning assets	0.80%	2.24%	4.32%	1.53%	4.50%
Return on average total assets	(0.39)%	0.52%	1.28%	0.07%	1.12%
Total ending equity to total ending assets	18.63%	17.75%	15.71%		
Balance Sheet Data					
Loans including receivables pledged	$ 22,284.7	$ 23,736.7	$ 29,388.6		
Allowance for loan losses	(424.0)	(402.5)	(356.9)		
Operating lease equipment, net	10,920.4	11,040.2	10,954.4		
Goodwill and intangible assets, net	348.6	376.5	451.8		
Total cash and short-term investments	10,055.8	11,812.3	10,678.4		
Total assets	48,009.6	50,675.2	55,454.9		
Total debt and deposits	35,319.2	37,981.2	43,398.9		
Total common stockholders equity	8,941.5	8,992.3	8,715.2		
Total stockholders equity	8,942.9	8,994.0	8,709.5		
Credit Quality(3)					
Non-accrual loans as a percentage of finance receivables	4.76%	5.50%	6.98%		
Net credit losses as a percentage of average finance receivables	0.96%	2.34%	1.36%	1.66%	1.11%
Reserve for credit losses as a percentage of finance receivables	1.90%	1.70%	1.21%		
Financial Ratios					
Tier 1 Capital	19.3%	20.1%	17.3%		
Total Risk-based Capital	20.2%	21.0%	18.1%		

(1)

Reflects previously restated balances as disclosed in the Company s December 31, 2010 Form 10-K.

AVERAGE BALANCES AND RATES

Quarterly Average Balances*(1)* **and Associated Income** (dollars in millions)

	June 30, 2011			March 31, 2011			June 30, 2010		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Deposits with banks	$ 6,712.6	$ 5.0	0.30%	$ 9,245.2	$ 6.3	0.27%	$ 9,855.0	$ 4.6	0.19%
Investments	3,986.8	2.8	0.28%	1,841.1	1.4	0.30%	346.2	2.7	3.12%
Loans and leases (including held for sale)(2)(3)									
U.S.	19,633.9	429.7	9.28%	19,910.4	467.4	9.87%	25,248.2	749.0	12.28%
Non-U.S.	4,982.2	164.6	13.22%	5,121.7	168.1	13.14%	6,660.7	267.5	16.10%
Total loans and leases(2)	24,616.1	594.3	10.12%	25,032.1	635.5	10.56%	31,908.9	1,016.5	13.10%
Total interest earning assets / interest income(2)(3)	35,315.5	602.1	7.04%	36,118.4	643.2	7.32%	42,110.1	1,023.8	9.93%
Operating lease equipment, net(4)									
U.S. Operating lease equipment, net(4)	4,888.7	102.4	8.38%	4,891.7	107.8	8.81%	5,000.4	80.5	6.44%
Non-U.S. operating lease equipment, net(4)	6,129.0	170.0	11.09%	6,247.8	145.0	9.28%	5,973.1	159.3	10.67%
Total operating lease equipment, net(4)	11,017.7	272.4	9.89%	11,139.5	252.8	9.08%	10,973.5	239.8	8.74%
Total earning assets (2)	46,333.2	$ 874.5	7.74%	47,257.9	$ 896.0	7.74%	53,083.6	$1,263.6	9.68%
Non interest earning assets									
Cash due from banks	287.2			247.1			255.7		
Allowance for loan losses	(405.8)			(413.1)			(271.2)		
All other non-interest earning assets	3,031.4			3,051.1			3,586.8		
Total Average Assets	**$49,246.0**			**$50,143.0**			**$56,654.9**		

Average Liabilities									
Borrowings									
Deposits	$ 4,253.8	$ 25.1	2.36%	$ 4,461.9	$ 24.4	2.19%	$ 4,723.2	$ 18.3	1.55%
Long-term borrowings	32,219.5	780.6	9.69%	33,125.1	674.5	8.14%	39,925.9	789.2	7.91%
Total interest-bearing liabilities	36,473.3	$ 805.7	8.84%	37,587.0	$ 698.9	7.44%	44,649.1	$ 807.5	7.23%
U.S. credit balances of factoring clients	1,118.7			962.4			851.5		
Non-U.S. credit balances of factoring clients	3.5			2.6			16.2		
Non-interest bearing liabilities, noncontrolling interests and shareholders equity									
Other liabilities	2,686.3			2,630.3			2,463.0		
Noncontrolling interests	2.3			(1.7)			(6.0)		
Stockholders equity	8,961.9			8,962.4			8,681.1		
Total Average Liabilities and Stockholders Equity	**$49,246.0**			**$50,143.0**			**$56,654.9**		
Net revenue spread			(1.10)%			0.30%			2.45%
Impact of non-interest bearing sources			1.71%			1.40%			1.04%
Net revenue/yield on earning assets(2)		$ 68.8	0.61%		$ 197.1	1.70%		$ 456.1	3.49%

Six Month Average Balances[1] **and Associated Income** (dollars in millions)

	June 30, 2011			June 30, 2010		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Deposits with banks	$ 8,336.9	$ 11.3	0.27%	$ 9,685.0	$ 8.5	0.18%
Investments	2,413.5	4.2	0.35%	348.2	6.1	3.50%
Loans and leases (including held for sale)[2][3]						
U.S.	19,771.4	897.1	9.57%	26,446.9	1,561.8	12.20%
Non-U.S.	5,040.2	332.7	13.21%	6,928.4	552.1	15.98%
Total loans and leases[2]	24,811.6	1,229.8	10.34%	33,375.3	2,113.9	13.00%
Total interest earning assets / interest income[2][3]	35,562.0	1,245.3	7.21%	43,408.5	2,128.5	10.01%
Operating lease equipment, net[4]						
U.S. Operating lease equipment, net[4]	4,902.6	210.2	8.58%	4,997.9	181.4	7.26%
Non-U.S. operating lease equipment, net[4]	6,181.5	315.0	10.19%	5,964.6	311.5	10.44%
Total operating lease equipment, net[4]	11,084.1	525.2	9.48%	10,962.5	492.9	8.99%
Total earning assets[2]	46,646.1	1,770.5	7.76%	54,371.0	2,621.4	9.80%
Non interest earning assets						
Cash due from banks	274.7			313.4		
Allowance for loan losses	(410.4)			(189.6)		
All other non-interest earning assets	3,044.1			3,612.3		
Total Average Assets	**$ 49,554.5**			**$ 58,107.1**		
Average Liabilities						
Borrowings						
Deposits	$ 4,366.9	$ 49.5	2.27%	$ 4,872.8	39.1	1.60%
Long-term borrowings	32,527.4	1,455.1	8.95%	41,369.2	1,599.8	7.73%
Total interest-bearing liabilities	36,894.3	$ 1,504.6	8.16%	46,242.0	$ 1,638.9	7.09%
U.S. credit balances of factoring clients	1,031.1			848.8		
Non-U.S. credit balances of						

factoring clients	2.9			16.5		
Non-interest bearing liabilities, noncontrolling interests and shareholders equity						
Other liabilities	2,668.2			2,433.3		
Noncontrolling interests	0.1			(6.1)		
Stockholders equity	8,957.9			8,572.6		
Total Average Liabilities and Stockholders Equity	**$ 49,554.5**			**$ 58,107.1**		
Net revenue spread			(0.40)%			2.71%
Impact of non-interest bearing sources			1.57%			0.96%
Net revenue/yield on earning assets[2]		$ 265.9	1.17%		$ 982.5	3.67%

(1) *The average balances presented are derived based on month end balances during the year. Tax exempt income was not significant in any of the years presented. Average rates are impacted by FSA accretion and amortization.*

(2) *The rate presented is calculated net of average credit balances for factoring clients.*

(3) *Non-accrual loans and related income are included in the respective categories.*

(4) *Operating lease rental income is a significant source of revenue; therefore, we have presented the net revenues.*

The average long-term borrowings balances presented below are derived based on daily balances and the average rates are based on a 30 days per month day count convention. The average rates include FSA amortization and prepayment fees, which due to the annualizing, can distort the derived rate. The debt coupon rates at June 30, 2011, on a pre-FSA basis, are as follows: Secured Borrowings 2.37%, First Lien Facility 6.25%, Secured Series A Notes 7.00%, Secured Series C Notes (exchanged from Series A Notes) 7.00%, Secured Series C Notes: $1.3 billion at 5.25% and $0.7 billion at 6.625%, and Other Debt 5.72%.

Average Daily Long-term Borrowings Balances and Rates (dollars in millions)

	Quarters Ended								
	June 30, 2011			March 31, 2011			June 30, 2010		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Secured Borrowings	$ 10,038.4	$ 117.5	4.68%	$ 10,658.2	$ 129.6	4.86%	$ 12,972.2	$ 133.5	4.12%
First Lien Facility	3,039.8	50.7	6.68%	3,041.5	50.4	6.62%	5,857.3	153.0	10.45%
Secured Series A Notes(1)	15,363.0	539.3	14.04%	18,756.6	487.0	10.39%	18,882.2	443.7	9.40%
Secured Series B Notes(1)				25.1	2.1	16.03%	2,194.7	53.3	9.71%
Secured Series C Notes	2,000.0	30.1	6.02%	22.2	0.8	6.02%			
Secured Series C Notes(1) (Exchanged from Series A)	1,267.2	38.6	12.19%						
Other Debt	146.8	4.4	12.11%	159.4	4.6	11.46%	210.9	5.7	10.81%
Long-term borrowings	$ 31,855.2	$ 780.6	9.80%	$ 32,663.0	$ 674.5	8.26%	$ 40,117.3	$ 789.2	7.87%

	Six Months Ended					
	June 30, 2011			June 30, 2010		
	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Secured Borrowings	$10,346.3	$ 247.1	4.78%	$13,799.1	$ 269.4	3.90%
First Lien Facility	3,040.6	101.1	6.65%	6,519.6	325.6	9.99%
Secured Series A Notes(1)	17,059.8	1,026.3	12.03%	18,844.6	886.8	9.41%
Secured Series B Notes(1)	12.5	2.1	16.03%	2,195.6	106.6	9.71%
Secured Series C Notes	1,011.1	30.9	6.11%			
Secured Series C Notes(1) (Exchanged from Series A)	633.6	38.6	12.19%			
Other Debt	153.1	9.0	11.77%	227.9	11.4	9.98%

Long-term borrowings	$32,257.0	$1,455.1	9.02%	$41,586.8	$1,599.8	7.69%

(1) *The interest expense for Series A Notes (including those exchanged) and Series B Notes include the following accelerated FSA accretion (amortization) and prepayment penalty fees:*

	Quarters Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
First Lien Facility accelerated FSA	$	$	$ (26.5)	$	$ (37.4)
First Lien Facility prepayment penalty			45.0		60.0
Secured Series A Notes accelerated FSA	113.3	24.7		138.0	
Secured Series A Notes prepayment penalty	50.0	20.0		70.0	
Secured Series B Notes accelerated FSA		(13.5)		(13.5)	
Secured Series B Notes prepayment penalty		15.0		15.0	
Total accelerated FSA and prepayment penalty	$ 163.3	$ 46.2	$ 18.5	$ 209.5	$ 22.6

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to use judgment in making estimates and assumptions that affect reported amounts of assets and liabilities, the reported amounts of income and expense during the reporting period and the disclosure of contingent assets and liabilities at the date of the financial statements. We consider accounting estimates relating to the following to be critical in applying our accounting policies:

- Assumptions and estimates recorded upon adoption of fresh start accounting
- Allowance for Loan Losses
- Impaired Loans
- Fair Value Determinations
- Lease Residual Values
- Goodwill and Intangible Assets
- Liabilities and Tax Reserves

There have been no significant changes to the methodologies and processes used in developing estimates relating to these items from those described in our 2010 Annual Report on Form 10-K.

INTERNAL CONTROLS

The Internal Controls Committee is responsible for monitoring and improving internal controls and overseeing the internal controls attestation mandated by Section 404 of the Sarbanes-Oxley Act of 2002 (SARBOX). The Committee, which is chaired by the Controller, includes the Chief Financial Officer, the Director of Internal Audit and other senior executives in finance, legal, risk management and information technology. See *Item 4. Controls and Procedures* for more information.

NON-GAAP FINANCIAL MEASUREMENTS

The SEC adopted regulations that apply to any public disclosure or release of material information that includes a non-GAAP financial measure. The accompanying 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. Non-GAAP financial measures are meant to provide additional information and insight regarding operating results and financial position of the business and in certain cases to provide financial information that is presented to rating agencies and other users of financial information. These measures are not in accordance with, or a substitute for, GAAP and may be different from or inconsistent with non-GAAP financial measures used by other companies. See footnotes below the tables for additional explanation of non-GAAP measurements.

Non-GAAP Reconciliations (dollars in millions)

	Quarters Ended			Six Months Ended	
	June 30, 2011	**March 31, 2011**	**June 30, 2010[4]**	**June 30, 2011**	**June 30, 2010[4]**
Total Net Revenues[1]					
Interest income	$ 602.1	$ 643.2	$ 1,023.8	$ 1,245.3	$ 2,128.5
Rental income on operating leases	417.9	413.3	417.9	831.2	843.7
Finance revenue	1,020.0	1,056.5	1,441.7	2,076.5	2,972.2
Interest expense	(805.7)	(698.9)	(807.5)	(1,504.6)	(1,638.9)
Depreciation on operating lease equipment	(145.5)	(160.5)	(178.1)	(306.0)	(350.8)
Net finance revenue	68.8	197.1	456.1	265.9	982.5
Other income	239.9	278.2	338.5	518.1	488.9
Total net revenues	$ 308.7	$ 475.3	$ 794.6	$ 784.0	$ 1,471.4
Net Operating Lease Revenue[2]					
Rental income on operating leases	$ 417.9	$ 413.3	$ 417.9	$ 831.2	$ 843.7
Depreciation on operating lease equipment	(145.5)	(160.5)	(178.1)	(306.0)	(350.8)
Net operating lease revenue	$ 272.4	$ 252.8	$ 239.8	$ 525.2	$ 492.9

Net Finance Revenue as a % of Average Earning Assets

	Quarters Ended					
	June 30, 2011		**March 31, 2011**		**June 30, 2010[4]**	
Net finance revenue	$ 68.8	0.80%	$ 197.1	2.24%	$ 456.1	4.32%
FSA impact on net finance revenue	21.9	0.13%	(86.7)	(1.13)%	(411.1)	(3.95)%
Secured debt prepayment penalty fee	50.0	0.52%	35.0	0.35%	45.0	0.36%
Adjusted net finance revenue	$ 140.7	1.45%	$ 145.4	1.46%	$ 90.0	0.73%

	Six Months Ended			
	June 30, 2011		**June 30, 2010[4]**	
Net finance revenue	$ 265.9	1.53%	$ 982.5	4.50%
FSA impact on net finance revenue	(64.8)	(0.51)%	(858.4)	(4.02)%
Secured debt prepayment penalty fee	85.0	0.43%	60.0	0.24%

Adjusted net finance revenue	$ 286.1	1.45%	$ 184.1	0.72%

Earning Assets[(3)]	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**June 30, 2010**[(4)]
Loans	$ 22,284.7	$ 23,736.7	$ 24,500.5	$ 29,388.6
Operating lease equipment, net	10,920.4	11,040.2	11,136.7	10,954.4
Assets held for sale	1,863.5	1,174.4	1,218.5	572.5
Credit balances of factoring clients	(1,084.9)	(1,110.7)	(935.3)	(877.3)
Total earning assets	$ 33,983.7	$ 34,840.6	$ 35,920.4	$ 40,038.2

(1) *Total net revenues are the combination of net finance revenue and other income and are an aggregation of all sources of revenue for the Company. Total net revenues are used by management to monitor business performance.*

(2) *Total net operating lease revenue is the combination of rental income on operating leases less depreciation on operating lease equipment. Total net operating lease revenues are used by management to monitor portfolio performance.*

(3) *Earnings assets are utilized in certain revenue and earnings ratios. Earning assets are net of credit balances of factoring clients. This net amount represents the amounts we fund.*

(4) *Reflects previously restated balances as disclosed in the Company s December 31, 2010 Form 10-K.*

Non-accrual Loans (including assets held for sale) After and Before Fresh Start Accounting[(1)]

	June 30, 2011	FSA Adjustments	June 30, 2011	March 31, 2011	FSA Adjustments	March 31, 2011	December 31, 2010	FSA Adjustments	December 31, 2010
	Post-FSA		Pre-FSA	Post-FSA		Pre-FSA	Post-FSA		Pre-FSA
Corporate Finance									
Non-accrual loans	804.4	268.0	1,072.4	1,004.1	278.2	1,282.3	1,239.8	364.2	1,604.0
Total loans	7,423.9	459.1	7,883.0	7,896.1	816.5	8,712.6	8,482.2	1,089.1	9,571.3
Non-accrual loans as a percentage of total loans	10.84%		13.60%	12.72%		14.72%	14.62%		16.76%
Transportation Finance									
Non-accrual loans	56.0	7.5	63.5	62.1	8.1	70.2	63.2	8.1	71.3
Total loans	1,356.3	102.2	1,458.5	1,282.6	122.5	1,405.1	1,388.9	147.9	1,536.8
Non-accrual loans as a percentage of total loans	4.13%		4.36%	4.84%		5.00%	4.55%		4.64%
Trade Finance									
Non-accrual loans	73.4		73.4	98.0		98.0	164.4		164.4
Total loans	2,538.4		2,538.4	2,622.6		2,622.6	2,387.4		2,387.4
Non-accrual loans as a percentage of total loans	2.89%		2.89%	3.74%		3.74%	6.89%		6.89%
Vendor Finance									
Non-accrual loans	127.2	37.5	164.7	140.9	44.9	185.8	147.9	27.0	174.9
Total loans	3,940.4	107.3	4,047.7	4,036.5	143.6	4,180.1	4,166.1	181.9	4,348.0
Non-accrual loans as a percentage of total loans	3.23%		4.07%	3.49%		4.44%	3.55%		4.02%
Consumer									
Non-accrual loans	0.8	0.2	1.0	0.9		0.9	0.7	0.3	1.0
Total loans	7,025.7	430.8	7,456.5	7,898.9	484.4	8,383.3	8,075.9	508.7	8,584.6
Non-accrual loans as a percentage of total loans	0.01%		0.01%	0.01%		0.01%	0.01%		0.01%
Total									
Non-accrual loans	1,061.8	313.2	1,375.0	1,306.0	331.2	1,637.2	1,616.0	399.6	2,015.6
Total loans	22,284.7	1,099.4	23,384.1	23,736.7	1,567.0	25,303.7	24,500.5	1,927.6	26,428.1
Non-accrual loans as a percentage of total loans	4.76%		5.88%	5.50%		6.47%	6.60%		7.63%

(1) *Non-accrual loans are presented after and before fresh start accounting adjustments as an aid to trend analysis. As a result of fresh start accounting, the resulting metrics are not comparable to prior balances. Loans included in held for sale no longer have FSA adjustments.*

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements contained herein that are not clearly historical in nature are

forward-looking and the words anticipate, believe, could, expect, estimate, forecast, intend, plan, pote target and similar expressions are generally intended to identify forward-looking statements. Any forward-looking statements contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission or in communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls, concerning our operations, economic performance and financial condition are subject to known and unknown risks, uncertainties and contingencies. Forward-looking statements are included, for example, in the discussions about:

- our liquidity risk and capital management, including our capital, leverage, and credit ratings, our liquidity plan, and our plans and the potential transactions designed to enhance our liquidity and capital,
- our plans to change our funding mix and to access new sources of funding to broaden our use of deposit taking,
- our credit risk management and credit quality,
- our asset/liability risk management,
- accretion and amortization of fresh start accounting adjustments,
- our funding, borrowing costs and net finance revenue,

- our operational risks, including success of systems enhancements and expansion of risk management and control functions,
- our mix of portfolio asset classes, including growth initiatives, acquisitions and divestitures, new products, new business and customer retention,
- legal risks,
- our growth rates,
- our commitments to extend credit or purchase equipment, and
- how we may be affected by legal proceedings

All forward-looking statements involve risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, forward-looking statements are based upon management s estimates of fair values and of future costs, using currently available information.

Therefore, actual results may differ materially from those expressed or implied in those statements. Factors, in addition to those disclosed in *Risk Factors* , that could cause such differences include, but are not limited to:

- capital markets liquidity,
- risks of and/or actual economic slowdown, downturn or recession,
- industry cycles and trends,
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks,
- estimates and assumptions used to fair value the balance sheet in accordance with fresh start accounting and actual variation between the estimated fair values and the realized values,
- adequacy of reserves for credit losses,
- risks inherent in changes in market interest rates and quality spreads,
- funding opportunities, deposit taking capabilities and borrowing costs,
- risks that the restructuring of the Company s capital structure did not result in sufficient additional capital or improved liquidity,
- risks that the Company will be unable to comply with the terms of the Written Agreement with the Reserve Bank,
- conditions and/or changes in funding markets and our access to such markets, including commercial paper, secured and unsecured term debt and the asset-backed securitization markets,
- risks of implementing new processes, procedures, and systems,
- risks associated with the value and recoverability of leased equipment and lease residual values,
- application of fair value accounting in volatile markets,
- application of goodwill accounting in a recessionary economy,
- changes in laws or regulations governing our business and operations,
- changes in competitive factors,
- demographic trends,

- customer retention rates,
- future acquisitions and dispositions of businesses or asset portfolios, and
- regulatory changes and/or developments.

Any or all of our forward-looking statements here or in other publications may turn out to be wrong, and there are no guarantees about our performance. We do not assume the obligation to update any forward-looking statement for any reason.

ITEM 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended (the Exchange Act) as of June 30, 2011. Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Company s disclosure controls and procedures were not effective as of June 30, 2011 due to the fact that there was a material weakness in our internal control over financial reporting as of December 31, 2010 as discussed in more detail below. Based on a number of factors, including remediation actions taken to address the material weakness, we believe the consolidated financial statements in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with generally accepted accounting principles.

As disclosed in Part II, Item 9A of the Company s December 31, 2010 Form 10-K, management identified a series of deficiencies that in aggregate as of December 31, 2010 were determined to be a material weakness related to the Company s application of Fresh Start Accounting (FSA). Specifically, the Company did not have effective controls over the processes to ensure proper accretion of discounts for loan prepayments, modifications, and charge-offs. The material weakness arose due to the complexities of applying FSA at the time of emergence from Bankruptcy and the ongoing complexity of the processes necessary to properly record accretion.

As of June 30, 2011, management believes it has placed in operation controls to address the material weakness; however given the timing of certain remediation activities there was not sufficient evidence to conclude upon their sustained effectiveness. As a result, management is evaluating the operating effectiveness of the controls implemented to ensure sustainability and will take further remediation actions as may be necessary.

The Audit Committee has directed management to monitor and test the controls implemented and develop additional controls should any of the new controls require additional enhancement. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of the Company s internal control environment, as well as policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Management believes the measures described above and others that will be implemented as necessary will remediate the control deficiencies the Company has identified and strengthen its internal control over financial reporting. Management is committed to continuous improvement of the Company s internal control processes and will continue to diligently review the Company s financial reporting controls and procedures. As management continues to evaluate and work to improve internal control over financial reporting, the Company may determine to take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

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Management does not expect that our disclosure controls or our internal controls over financial reporting will prevent all errors and frauds. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Such limitations include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures, such as simple errors or mistakes or intentional circumvention of the established process.

(b) Changes In Internal Control Over Financial Reporting

Except as described above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part Two Other Information

ITEM 1. Legal Proceedings

CIT is currently involved, and from time to time in the future may be involved, in a number of judicial, regulatory, and arbitration proceedings relating to matters that arise in connection with the conduct of its business (collectively, Litigation), certain of which Litigation matters are described in *Note 12 Contingencies* of *Item 1. Consolidated Financial Statements*. In view of the inherent difficulty of predicting the outcome of Litigation matters, particularly when such matters are in their early stages or where the claimants seek indeterminate damages, CIT cannot state with confidence what the eventual outcome of the pending Litigation will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines, or penalties related to each pending matter may be. In accordance with applicable accounting guidance, CIT establishes reserves for Litigation when those matters present loss contingencies as to which it is both probable that a loss will occur and the amount of such loss can be reasonably estimated. Based on currently available information, CIT believes that the results of Litigation that is currently pending, taken together, will not have a material adverse effect on the Company s financial condition, but may be material to the Company s operating results or cash flows for any particular period, depending in part on its operating results for that period. The actual results of resolving such matters may be substantially higher than the amounts reserved. For more information about pending legal proceedings, including an estimate of certain reasonably possible losses in excess of reserved amounts, see *Note 12 Contingencies* of *Item 1. Consolidated Financial Statements*.

ITEM 1A. Risk Factors

For a discussion of certain risk factors affecting CIT, see *Part I, Item 1A: Risk Factors*, of CIT s 2010 Annual Report on Form 10-K and Forward-Looking Statements of this Form 10-Q.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

No purchases of CIT equity securities were made during the 2011 second quarter and there were no such equity securities that may yet be purchased under any repurchase plans or programs.

ITEM 5. Other Information

On May 10, 2011, CIT held its 2011 Annual Meeting of Stockholders (the Annual Meeting), at the Company s offices in Livingston, New Jersey. A total of 200,478,847 shares of the Company s common stock were entitled to vote as of March 14, 2011, the record date for the Annual Meeting. There were 176,365,811 shares present in person or by proxy at the Annual Meeting. Among other matters acted upon at the Annual Meeting, the stockholders were asked to cast an advisory (non-binding) vote on the frequency with which advisory (non-binding) votes should be held on the compensation of the Company s named executive officers.

As reported on Form 8-K filed May 10, 2011, the advisory (non-binding) vote of the shareholders supported holding an advisory (non-binding) vote on the compensation of the Company s named executive officers, pursuant to the SEC s compensation disclosure rules, each year based on the following votes:

One Year	Two Years	Three Years	Abstain
150,530,760	67,213	8,501,118	567,088

In light of this vote, the Board of Directors has determined that it will hold an advisory (non-binding) vote of the shareholders on the compensation of the Company s named executive officers every year.

ITEM 6. Exhibits

(a) Exhibits

3.1 Third Amended and Restated Certificate of Incorporation of the Company, dated December 8, 2009 (incorporated by reference to Exhibit 3.1 to Form 8-K filed December 9, 2009).

3.2 Amended and Restated By-laws of the Company, as amended through December 8, 2009 (incorporated by reference to Exhibit 3.2 to Form 8-K filed December 9, 2009).

4.1 Indenture dated as of December 10, 2009 between CIT Group Inc. and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 to Form 8-K filed December 16, 2009).

4.2 First Supplemental Indenture dated as of December 10, 2009 among CIT Group Inc., certain Guarantors named therein and Deutsche Bank Trust Company Americas for the issuance of series A second-priority secured notes (incorporated by reference to Exhibit 4.2 to Form 8-K filed December 16, 2009).

4.3 First Amendment to Series A First Supplemental Indenture among CIT, certain Guarantors named therein, and Deutsche Bank Trust Company Americas, dated as of May 31, 2011 (incorporated by reference to Exhibit 4.4 to Form 8-K filed June 20, 2011

4.4 Indenture dated as of December 10, 2009 between CIT Group Funding Company of Delaware, LLC and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.3 to Form 8-K filed December 16, 2009).

4.5 First Supplemental Indenture dated as of December 10, 2009 among CIT Group Funding Company of Delaware, LLC, CIT Group Inc. and the other Guarantors named therein and Deutsche Bank Trust Company Americas for the issuance of series B second-priority secured notes (incorporated by reference to Exhibit 4.4 to Form 8-K filed December 16, 2009).

4.6 Indenture dated as of January 20, 2006 between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) for the issuance of senior debt securities (incorporated by reference to Exhibit 4.3 to Form S-3 filed January 20, 2006).

4.7 First Supplemental Indenture dated as of February 13, 2007 between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) for the issuance of senior debt securities (incorporated by reference to Exhibit 4.1 to Form 8-K filed on February 13, 2007).

4.8 Third Supplemental Indenture dated as of October 1, 2009, between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) relating to senior debt securities (incorporated by reference to Exhibit 4.4 to Form 8-K filed on October 7, 2009).

4.9 Fourth Supplemental Indenture dated as of October 16, 2009 between CIT Group Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank N.A.) relating to senior debt securities (incorporated by reference to Exhibit 4.1 to Form 8-K filed October 19, 2009).

4.10 Third Amended and Restated Credit and Guaranty Agreement, dated as of August 11, 2010, among CIT Group Inc., certain subsidiaries of CIT Group Inc., the lenders party thereto, Bank of America, N.A., as administrative

agent and collateral agent, and Banc of America Securities LLC, Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers and joint bookrunners, Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding, Inc., as syndication agents, RBC Capital Markets and UBS Securities LLC, as documentation agents, and Blaylock Robert Van, LLC and Castleoak Securities, L.P., as Senior Managing Agents (incorporated by reference to Exhibit A to Exhibit 10.1 to Form 8-K filed August 12, 2010).

4.11 Third Restatement Agreement dated as of August 11, 2010 among CIT Group Inc., certain subsidiaries of CIT Group Inc., Bank of America, N.A., as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to Form 8-K filed August 12, 2010).

4.12 Framework Agreement, dated July 11, 2008, among ABN AMRO Bank N.V., as arranger, Madeleine Leasing Limited, as initial borrower, CIT Aerospace International, as initial head lessee, and CIT Group Inc., as guarantor, as amended by the Deed of Amendment, dated July 19, 2010, among The Royal Bank of Scotland N.V. (f/k/a ABN AMRO Bank N.V.), as arranger, Madeleine Leasing Limited, as initial borrower, CIT Aerospace International, as initial head lessee, and CIT Group Inc., as guarantor, as supplemented by Letter Agreement No. 1 of 2010, dated July 19, 2010, among The Royal Bank of Scotland N.V., as arranger, CIT Aerospace International, as head lessee, and CIT Group Inc., as guarantor, as amended and supplemented by the Accession Deed, dated July 21, 2010, among The Royal Bank of Scotland N.V., as arranger, Madeleine Leasing Limited, as original borrower, and Jessica Leasing Limited, as acceding party, as supplemented by Letter Agreement No. 2 of 2010, dated July 29, 2010, among The Royal Bank of Scotland N.V., as arranger, CIT Aerospace International, as head lessee, and CIT Group Inc., as guarantor, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets (incorporated by reference to Exhibit 4.11 to Form 10-K filed March 10, 2011).

4.13 Form of All Parties Agreement among CIT Aerospace International, as head lessee, Madeleine Leasing Limited, as borrower and lessor, CIT Group Inc., as guarantor, various financial institutions, as original ECA lenders, ABN AMRO Bank N.V., Paris Branch, as French national agent, ABN AMRO Bank N.V., Niederlassung Deutschland, as German national agent, ABN AMRO Bank N.V., London Branch, as British national agent, ABN AMRO Bank N.V., London Branch, as ECA facility agent, ABN AMRO Bank N.V., London Branch, as security trustee, and CIT Aerospace International, as servicing agent, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2008 and 2009 fiscal years (incorporated by reference to Exhibit 4.12 to Form 10-K filed March 10, 2011).

4.14 Form of ECA Loan Agreement among Madeleine Leasing Limited, as borrower, various financial institutions, as original ECA lenders, ABN AMRO Bank N.V., Paris Branch, as French national agent, ABN AMRO Bank N.V., Niederlassung Deutschland, as German national agent, ABN AMRO Bank N.V., London Branch, as British national agent, ABN AMRO Bank N.V., London Branch, as ECA facility agent, ABN AMRO Bank N.V., London Branch, as security trustee, and CIT Aerospace International, as servicing agent, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2008 and 2009 fiscal years (incorporated by reference to Exhibit 4.13 to Form 10-K filed March 10, 2011).

4.15 Form of Aircraft Head Lease between Madeleine Leasing Limited, as lessor, and CIT Aerospace International, as head lessee, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2008 and 2009 fiscal years (incorporated by reference to Exhibit 4.14 to Form 10-K filed March 10, 2011).

4.16 Form of Proceeds and Intercreditor Deed among Madeleine Leasing Limited, as borrower and lessor, various financial institutions, ABN AMRO Bank N.V., Paris Branch, as French national agent, ABN AMRO Bank N.V., Niederlassung Deutschland, as German national agent, ABN AMRO Bank N.V., London Branch, as British national agent, ABN AMRO Bank N.V., London Branch, as ECA facility agent, ABN AMRO Bank N.V., London Branch, as security trustee, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2008 and 2009 fiscal years (incorporated by reference to Exhibit 4.15 to Form 10-K filed March 10, 2011).

4.17 Form of All Parties Agreement among CIT Aerospace International, as head lessee, Jessica Leasing Limited, as borrower and lessor, CIT Group Inc., as guarantor, various financial institutions, as original ECA lenders, Citibank International plc, as French national agent, Citibank International plc, as German national agent, Citibank International plc, as British national agent, The Royal Bank of Scotland N.V., London Branch, as ECA facility agent, The Royal Bank of Scotland N.V., London Branch, as security trustee, CIT Aerospace International, as servicing agent, and Citibank, N.A., as administrative agent, relating to certain Export Credit

Agency sponsored secured financings of aircraft and related assets during the 2010 fiscal year (incorporated by reference to Exhibit 4.16 to Form 10-K filed March 10, 2011).

4.18 Form of ECA Loan Agreement among Jessica Leasing Limited, as borrower, various financial institutions, as original ECA lenders, Citibank International plc, as French national agent, Citibank International plc, as German national agent, Citibank International plc, as British national agent, The Royal Bank of Scotland N.V., London Branch, as ECA facility agent, The Royal Bank of Scotland N.V., London Branch, as security trustee, and Citibank, N.A., as administrative agent, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2010 fiscal year (incorporated by reference to Exhibit 4.17 to Form 10-K filed March 10, 2011).

4.19 Form of Aircraft Head Lease between Jessica Leasing Limited, as lessor, and CIT Aerospace International, as head lessee, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2010 fiscal year (incorporated by reference to Exhibit 4.18 to Form 10-K filed March 10, 2011).

4.20	Form of Proceeds and Intercreditor Deed among Jessica Leasing Limited, as borrower and lessor, various financial institutions, as original ECA lenders, Citibank International plc, as French national agent, Citibank International plc, as German national agent, Citibank International plc, as British national agent, The Royal Bank of Scotland N.V., London Branch, as ECA facility agent, The Royal Bank of Scotland N.V., London Branch, as security trustee, and Citibank, N.A., as administrative agent, relating to certain Export Credit Agency sponsored secured financings of aircraft and related assets during the 2010 fiscal year (incorporated by reference to Exhibit 4.19 to Form 10-K filed March 10, 2011).
4.21	Indenture, dated as of March 30, 2011, between CIT Group Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K filed March 31, 2011).
4.22	First Supplemental Indenture, dated as of March 30, 2011, between CIT Group Inc., the Guarantors named therein, and Deutsche Bank Trust Company Americas, as trustee (including the Form of 5.250% Note due 2014 and the Form of 6.625% Note due 2018) (incorporated by reference to Exhibit 4.2 to Form 8-K filed March 31, 2011).
4.23	Second Supplemental Indenture among CIT, certain Guarantors named therein and Deutsche Bank Trust Company Americas (as trustee, Series C parent collateral agent, and Series C subsidiary collateral agent), dated as of June 15, 2011 ((incorporated by reference to Exhibit 4.1 to Form 8-K filed June 20, 2011).
4.24	Registration Rights Agreement, dated as of March 30, 2011, among CIT Group Inc., the Guarantors named therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives for the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to Form 8-K filed March 31, 2011).
4.25	Registration Rights Agreement, dated as of June 15, 2011, among CIT Group Inc., the Guarantors named therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as dealer-manager (incorporated by reference to Exhibit 10.1 to Form 8-K filed June 20, 2011).
10.1	Form of Separation Agreement by and between Tyco International Ltd. and CIT (incorporated by reference to Exhibit 10.2 to Amendment No. 3 to the Registration Statement on Form S-1 filed June 26, 2002)
10.2	Form of Financial Services Cooperation Agreement by and between Tyco International Ltd. and CIT (incorporated by reference to Exhibit 10.3 to Amendment No. 2 to the Registration Statement on Form S-1 filed June 12, 2002).
10.3*	Amended and Restated CIT Group Inc. Long-Term Incentive Plan (as amended and restated effective December 10, 2009) (incorporated by reference to Exhibit 4.1 to Form S-8 filed January 11, 2010).
10.4*	CIT Group Inc. Supplemental Retirement Plan (As Amended and Restated Effective as of January 1, 2008) (incorporated by reference to Exhibit 10.27 to Form 10-Q filed May 12, 2008).
10.5*	CIT Group Inc. Supplemental Savings Plan (As Amended and Restated Effective as of January 1, 2008) (incorporated by reference to Exhibit 10.28 to Form 10-Q filed May 12, 2008).
10.6*	New Executive Retirement Plan of CIT Group Inc. (As Amended and Restated as of January 1, 2008) (incorporated by reference to Exhibit 10.29 to Form 10-Q filed May 12, 2008).
10.7*	Letter Agreement, effective February 8, 2010, between CIT Group Inc. and John A. Thain (incorporated by reference to Exhibit 10.1 to Form 8-K filed February 8, 2010).

10.8* Form of CIT Group Inc. Three Year Stock Salary Award Agreement, dated February 8, 2010 (incorporated by reference to Exhibit 10.2 to Form 8-K filed February 8, 2010).

10.9* Form of CIT Group Inc. One Year Stock Salary Award Agreement, dated February 8, 2010 (incorporated by reference to Exhibit 10.3 to Form 8-K filed February 8, 2010).

10.10** Confirmation; Credit Support Annex, Master Agreement and ISDA Schedule, each dated June 6, 2008 and between CIT Financial Ltd. and Goldman Sachs International evidencing a $3 billion securities based financing facility (incorporated by reference to Exhibit 10.34 to Form 10-Q filed August 11, 2008).

10.11 Order to Cease and Desist, in the matter of CIT Bank, Salt Lake City, Utah, dated July 16, 2009, issued by the Federal Deposit Insurance Corporation (incorporated by reference to Exhibit 10.39 to Form 10-Q filed August 17, 2009).

10.12 Order to Cease and Desist, in the matter of CIT Bank, Salt Lake City, Utah, dated July 16, 2009, issued by the Utah Department of Financial Institutions (incorporated by reference to Exhibit 10.40 to Form 10-Q filed August 17, 2009).

10.13 Written Agreement, dated August 12, 2009, between CIT Group Inc. and the Federal Reserve Bank of New York (incorporated by reference to Exhibit 10.1 of Form 8-K filed August 13, 2009).

10.14** Amended and Restated Confirmation regarding Total Return Swap Facility, dated as of October 28, 2009, by and between CIT Financial Ltd. and Goldman Sachs International (incorporated by reference to Exhibit 10.1 to Form 8-K/A filed May 13, 2010).

10.15 Form of CIT Group Inc. Two Year Restricted Stock Unit Award Agreement, dated July 29, 2010 (incorporated by reference to Exhibit 10.31 to Form 10-Q filed August 9, 2010).

10.16* Letter Agreement, dated June 2, 2010, between CIT Group Inc. and Scott T. Parker (incorporated by reference to Exhibit 99.3 to Form 8-K filed July 6, 2010).

10.17 Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Unit Retention Award Agreement (incorporated by reference to Exhibit 10.33 to Form 10-Q filed August 9, 2010).

10.18 Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.34 to Form 10-Q filed August 9, 2010).

10.19 Form of CIT Group Inc. Long-term Incentive Plan Stock Option Award Agreement (One Year Vesting) (incorporated by reference to Exhibit 10.35 to Form 10-Q filed August 9, 2010).

10.20 Form of CIT Group Inc. Long-term Incentive Plan Stock Option Award Agreement (Three Year Vesting) (incorporated by reference to Exhibit 10.36 to Form 10-Q filed August 9, 2010).

10.21 Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Award Agreement (One Year Vesting) (incorporated by reference to Exhibit 10.37 to Form 10-Q filed August 9, 2010).

10.22 Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Award Agreement (Three Year Vesting) (incorporated by reference to Exhibit 10.38 to Form 10-Q filed August 9, 2010).

10.23 Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Unit Director Award Agreement (Initial Grant) (incorporated by reference to Exhibit 10.39 to Form 10-Q filed August 9, 2010).

10.24 Form of CIT Group Inc. Long-term Incentive Plan Restricted Stock Unit Director Award Agreement (Annual Grant) (incorporated by reference to Exhibit 10.40 to Form 10-Q filed August 9, 2010).

10.25 Form of Tax Agreement by and between Tyco International Ltd. and CIT (incorporated by reference to Exhibit 10.27 to Amendment No. 2 to the Registration Statement on Form S-1 filed June 12, 2002).

10.26* Amended and Restated Employment Agreement, dated as of May 7, 2008, between CIT Group Inc. and C. Jeffrey Knittel (incorporated by reference to Exhibit 10.35 to Form 10-K filed March 2, 2009).

10.27* Extension of Term of Employment Agreement, dated as of November 24, 2008, between CIT Group Inc. and C. Jeffrey Knittel (incorporated by reference to Exhibit 10.36 to Form 10-K filed March 2, 2009).

10.28* Amendment to Employment Agreement, dated December 22, 2008, between CIT Group Inc. and C. Jeffrey Knittel (incorporated by reference to Exhibit 10.37 to Form 10-K filed March 2, 2009).

10.29* Extension of Term of Employment Agreement, dated December 21, 2009, between CIT Group Inc. and C. Jeffrey Knittel (incorporated by reference to Exhibit 10.24 to Form 10-K filed March 16, 2010).

10.30* Extension of Term of Employment Agreement, dated March 14, 2011, between CIT Group Inc. and C. Jeffrey Knittel.

10.31* Letter Agreement, dated April 21, 2010, between CIT Group Inc. and Nelson J. Chai.

10.32* Letter Agreement, dated April 8, 2010, between CIT Group Inc. and Lisa K. Polsky.

10.33 Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (with Good Reason).

10.34 Form of CIT Group Inc. Long-Term Incentive Plan Restricted Stock Unit Award Agreement (without Good Reason).

10.35 Airbus A320 NEO Family Aircraft Purchase Agreement, dated as of July 28, 2011, between Airbus S.A.S. and C.I.T. Leasing Corporation.

31.1	Certification of John A. Thain pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Commission, as promulgated pursuant to Section 13(a) of the Securities Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Scott T. Parker pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Commission, as promulgated pursuant to Section 13(a) of the Securities Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
32.1****	Certification of John A. Thain pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2****	Certification of Scott T. Parker pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Senior Intercreditor and Subordination Agreement, dated as of December 10, 2009, among Bank of America, N.A., as First Lien Credit Facility Representative and First Lien Agent, Deutsche Bank Trust Company of America, as Series A Representative and Series A Collateral Agent and as Series B Representative and Series B Collateral Agent, CIT Group Funding Company of Delaware, LLC, as CIT Leasing Secured Party, and CIT Group Inc. and certain of its subsidiaries, as obligors (incorporated by reference to Exhibit 99.1 to Form 8-K/A filed May 13, 2010).
99.2	Junior Intercreditor Agreement, dated as of December 10, 2009, among Deutsche Bank Trust Company of America, as Series A Collateral Agent and as Series B Collateral Agent, CIT Group Funding Company of Delaware, LLC, as CIT Leasing Secured Party, and CIT Group Inc. and certain of its subsidiaries, as obligors (incorporated by reference to Exhibit 99.2 to Form 8-K/A filed May 13, 2010).
101.INS	XBRL Instance Document (Includes the following financial information included in the Company s Quarterly Report on Form 10- Q for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.)
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

*	*Indicates a management contract or compensatory plan or arrangement.*
**	*Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission in accordance with an order granting confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.*

***	*Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission in accordance with an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.*
****	*This information is furnished and not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference into any filing under the Securities Act of 1933.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 9, 2011

CIT GROUP INC.

/s/ Scott T. Parker

Scott T. Parker
Executive Vice President and
Chief Financial Officer

/s/ Carol Hayles

Carol Hayles
Senior Vice President and
Controller