

Edgar Filing: CIT GROUP INC - Form 10-Q/A

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

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

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

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

For the quarterly period ended September 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 001-31369

CIT Group Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

65-1051192
(IRS Employer
Identification Number)

1211 Avenue of the Americas, New York, New York
(Address of Registrant's principal executive offices)

10036
(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by 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 No

Indicate by check mark whether the registrant is an accelerated filer as
defined in Rule 12b-2 of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant is a shell company as
defined in Rule 12b-2 under the Securities Exchange Act of 1934. Yes No

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As of October 28, 2005, there were 199,775,814 shares of the Registrant's common stock outstanding.

Overview

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

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

At or for the Quarter and Nine Months Ended September 30, 2005	Quarter			Previously Reported
	Previously Reported	Restated	Change	Previously Reported
Income Statement				
Finance income	\$ 1,153.7	\$1,153.7	\$ --	\$ 3,282.4
Interest expense	495.4	495.4	--	1,356.3
Other revenue	253.8	239.5	(14.3)	784.2
Salaries and general operating expenses	281.1	281.1	--	813.9
Provision for income taxes	93.0	86.8	(6.2)	328.8
Net income	219.5	211.4	(8.1)	650.6
Basic earnings per common share ...	1.08	1.04	(0.04)	3.13
Diluted earnings per common share ..	1.06	1.02	(0.04)	3.06
Balance Sheet				
Finance receivables and education lending receivables.....	42,686.6	42,685.2	(1.4)	
Total debt	44,966.7	44,899.3	(67.4)	
Accrued liabilities and payables ...	4,293.7	4,322.2	28.5	
Total stockholders' equity	6,574.3	6,611.8	37.5	
Financial Ratios				
Net finance margin as a percentage of average earning assets	3.41%	3.41%		3.41%
Return on average earning assets ...	1.80%	1.73%		1.84%
Return on average common equity ...	14.3%	13.8%		14.0%
Return on average tangible common equity	17.0%	16.4%		16.2%
Tangible stockholders' equity and preferred capital securities to managed assets	9.44%	9.50%		
Efficiency ratio	42.0%	42.9%		42.2%

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

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accounting for certain cross-currency interest rate swaps ("compound swaps" or "compound derivatives") under SFAS 133.

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

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

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

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

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

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

	September 30, 2005	December 31, 2004
	-----	-----
	(Restated)	
ASSETS		
Financing and leasing assets:		
Finance receivables	\$ 38,289.1	\$ 35,048.2
Student lending receivables pledged	4,396.1	--
Reserve for credit losses	(652.8)	(617.2)
	-----	-----
Net finance receivables	42,032.4	34,431.0
Operating lease equipment, net	9,184.4	8,290.9
Financing and leasing assets held for sale	1,848.4	1,640.8
Cash and cash equivalents, including \$347.3 and \$0.0 restricted	1,935.4	2,210.2
Retained interest in securitizations and other investments	1,180.9	1,228.2
Goodwill and intangible assets, net	1,003.8	596.5
Other assets	2,964.9	2,713.7
	-----	-----
Total Assets	\$ 60,150.2	\$ 51,111.3
	=====	=====

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LIABILITIES AND STOCKHOLDERS' EQUITY

Debt:		
Commercial paper	\$ 5,185.1	\$ 4,210.9
Variable-rate senior unsecured notes	14,318.1	11,545.0
Fixed-rate senior unsecured notes	21,405.9	21,715.1
Non-recourse, secured borrowings -- student lending	3,737.7	--
Preferred capital securities	252.5	253.8
	-----	-----
Total debt	44,899.3	37,724.8
Credit balances of factoring clients	4,267.1	3,847.3
Accrued liabilities and payables	4,322.2	3,443.7
	-----	-----
Total Liabilities	53,488.6	45,015.8
Commitments and Contingencies (Note 10)		
Minority interest	49.8	40.4
Stockholders' Equity:		
Preferred stock: \$0.01 par value, 100,000,000 authorized, Issued and outstanding:		
Series A 14,000,000 with a liquidation preference of \$25 per share	350.0	--
Series B 1,500,000 with a liquidation preference of \$100 per share	150.0	--
Common stock: \$0.01 par value, 600,000,000 authorized, Issued: 212,284,056 and 212,112,203	2.1	2.1
Outstanding: 200,268,812 and 210,440,170		
Paid-in capital, net of deferred compensation of \$54.4 and \$39.3	10,598.7	10,674.3
Accumulated deficit	(3,905.7)	(4,499.1)
Accumulated other comprehensive loss	(50.6)	(58.4)
Less: treasury stock, 12,015,244 and 1,672,033 shares, at cost	(532.7)	(63.8)
	-----	-----
Total Common Stockholders' Equity	6,111.8	6,055.1
	-----	-----
Total Stockholders' Equity	6,611.8	6,055.1
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 60,150.2	\$ 51,111.3
	=====	=====

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

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

Quarters Ended September 30,	
2005	2004
-----	-----
(Restated)	

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Finance income	\$1,153.7	\$ 957.0
Interest expense	495.4	315.4
	-----	-----
Net finance income	658.3	641.6
Depreciation on operating lease equipment	242.6	248.2
	-----	-----
Net finance margin	415.7	393.4
Provision for credit losses	69.9	60.2
	-----	-----
Net finance margin after provision for credit losses	345.8	333.2
Other revenue	239.5	216.7
	-----	-----
Operating margin	585.3	549.9
Salaries and general operating expenses	281.1	248.1
Provision for restructuring	--	--
Gain on redemption of debt	--	--
	-----	-----
Income before provision for income taxes	304.2	301.8
Provision for income taxes	(86.8)	(117.7)
Minority interest, after tax	(0.8)	(0.2)
	-----	-----
Net income before preferred stock dividends	216.6	183.9
Preferred stock dividends	(5.2)	--
	-----	-----
Net income available to common stockholders	\$ 211.4	\$ 183.9
	=====	=====
Earnings per common share		
Basic earnings per common share	\$ 1.04	\$ 0.87
Diluted earnings per common share	\$ 1.02	\$ 0.86
Number of common shares -- basic (thousands)	203,103	210,489
Number of common shares -- diluted (thousands)	207,952	214,179
Dividends per common share	\$ 0.16	\$ 0.13

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

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

	Preferred Stock	Common Stock	Paid-in Capital	Accumulated (Deficit)/ Earnings	Accumu Ot Compre (Loss)
	-----	-----	-----	-----	-----
December 31, 2004.....	\$ --	\$ 2.1	\$10,674.3	\$(4,499.1)	\$ (
Net income.....				688.1	
Foreign currency translation adjustments					(
Change in fair values of derivatives qualifying as cash flow hedges					

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Unrealized gain on equity and securitization investments, net					
Minimum pension liability adjustment					
Total comprehensive income.....					
Issuance of Series A and B preferred stock	500.0		(10.1)		
Cash dividends.....				(94.7)	
Restricted common stock grants amortization			32.7		
Shares acquired under stock repurchase agreement			(52.3)		
Treasury stock purchased, at cost			(45.4)		
Exercise of stock option awards.....					
Employee stock purchase plan participation			(0.5)		
September 30, 2005.....	\$500.0	\$ 2.1	\$10,598.7	\$ (3,905.7)	\$ (
	=====	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

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

	Nine Months Ended September 30,	
	2005	2004
	-----	-----
	(Restated)	
Cash Flows From Operations		
Net income (loss)	\$ 688.1	\$ 549.8
Adjustments to reconcile net income (loss) to net cash flows from operations:		
Depreciation and amortization	752.8	747.5
Provision for deferred federal income taxes	265.3	274.2
Provision for credit losses	162.4	211.5
Gains on equipment, receivable and investment sales	(125.7)	(174.3)
Gain on debt redemption	--	(41.8)
Decrease (increase) in finance receivables held for sale ...	93.0	(771.5)
Decrease in other assets	27.7	133.5
Increase (decrease) in accrued liabilities and payables	422.5	(258.1)
Other	(93.7)	(74.7)
Net cash flows provided by operations	2,192.4	596.1
Cash Flows From Investing Activities		

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Loans extended	(41,169.6)	(37,978.6)
Collections on loans	38,178.4	34,905.9
Proceeds from asset and receivable sales	4,214.4	3,112.1
Purchase of finance receivable portfolios	(2,817.6)	(2,027.4)
Purchases of assets to be leased	(1,687.7)	(874.3)
Net decrease in short-term factoring receivables	(481.3)	(416.1)
Acquisitions, net of cash acquired	(315.1)	(724.8)
Goodwill and intangibles assets acquired	(423.0)	(114.1)
Other	137.0	69.2
	-----	-----
Net cash flows (used for) investing activities	(4,364.5)	(4,048.1)
	-----	-----
Cash Flows From Financing Activities		
Proceeds from the issuance of variable and fixed-rate notes ...	9,581.4	10,071.7
Repayments of variable and fixed-rate notes	(7,818.5)	(6,549.8)
Net increase in commercial paper	974.2	322.6
Net loans extended -- pledged in conjunction with secured borrowings	(782.2)	--
Issuance of preferred stock	489.9	--
Treasury stock repurchases	(521.2)	--
Cash dividends paid	(94.7)	(83.6)
Net repayments of non-recourse leveraged lease debt	81.6	(38.6)
Other	(13.2)	(83.9)
	-----	-----
Net cash flows provided by financing activities	1,897.3	3,638.4
	-----	-----
Net (decrease) increase in cash and cash equivalents	(274.8)	186.4
Cash and cash equivalents, beginning of period	2,210.2	1,973.7
	-----	-----
Cash and cash equivalents, end of period	\$ 1,935.4	\$ 2,160.1
	=====	=====
Supplementary Cash Flow Disclosure		
Interest paid	\$ 1,185.8	\$ 911.7
Federal, foreign, state and local income taxes paid, net	\$ 64.0	\$ 74.4

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited)

Note 1 -- Summary of Significant Accounting Policies

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

These financial statements have been prepared in accordance with the instructions to Form 10-Q, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States ("GAAP") and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004. Financial statements

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in this Form 10-Q have not been audited by the independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board (U.S.), but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of CIT's financial position and results of operations. Certain prior period amounts have been reclassified to conform to the current presentation.

Stock-Based Compensation

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

	Quarters Ended September 30,		Nine M Sep
	2005	2004	2005
	----- (Restated)	-----	----- (Restate
Net income available to common stockholders, as reported.....	\$211.4	\$183.9	\$688.1
Stock-based compensation expense -- fair value method, after tax.....	(4.7)	(5.1)	(14.6)
Proforma net income.....	\$206.7	\$178.8	\$673.5
	=====	=====	=====
Basic earnings per common share as reported.....	\$ 1.04	\$ 0.87	\$ 3.31
Basic earnings per common share proforma.....	\$ 1.02	\$ 0.85	\$ 3.24
Diluted earnings per common share as reported.....	\$ 1.02	\$ 0.86	\$ 3.24
Diluted earnings per common share proforma.....	\$ 0.99	\$ 0.83	\$ 3.17

For the quarters ended September 30, 2005 and 2004, net income as reported includes \$5.9 million and \$3.4 million of after-tax compensation cost related to restricted stock awards, while the year-to-date costs were \$20.0 million for 2005 and \$10.9 million for 2004.

Recent Accounting Pronouncements

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

In December 2004, the FASB issued a revision to SFAS No. 123, "Share-Based Payment" ("FAS 123R"). FAS 123R requires the recognition of compensation expense for all stock-based compensation plans as of the beginning of the first annual

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reporting period that begins after June 15, 2005. The current accounting for employee

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CIT GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Unaudited)

stock options is most impacted by this new standard, as costs associated with restricted stock awards are already recognized in net income and amounts associated with employee stock purchase plans are not significant. Similar to the proforma amounts disclosed historically, the compensation cost relating to options will be based upon the grant-date fair value of the award and will be recognized over the vesting period. The financial statement impact of adopting FAS 123R is not expected to differ materially from proforma amounts previously disclosed.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). The implementation of FSP 109-2 is not expected to have a material financial statement impact on the Company, as there are no present plans to repatriate foreign earnings.

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

Restatement Relating to Derivative Hedge Accounting (see Note 15 -- Restatement Relating to Derivative Hedge Accounting for additional information).

Note 2 -- Earnings Per Common Share

Basic earnings per common share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding for the period. The diluted EPS computation includes the potential impact of dilutive securities, including stock options and restricted stock grants. The dilutive effect of stock options is computed using the treasury stock method, which assumes the repurchase of common shares by CIT at the average market price for the period. Options that do not have a dilutive effect (because the exercise price is above the market price) are not included in the denominator and averaged approximately 15.9 million shares and 18.2 million shares for the quarters ended September 30, 2005 and 2004, and 16.3 million shares and 17.0 million shares for the nine months ended September 30, 2005 and 2004, respectively.

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

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	Quarter Ended September 30, 2005			Quarter Ended September 30, 2004	
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)
	(Restated)		(Restated)		
Basic EPS:					
Income available to common stockholders.....	\$211.4	203,103	\$1.04	\$183.9	210,488
Effect of Dilutive Securities:					
Restricted shares.....		960			64
Performance shares.....		893			-
Stock options.....		2,996			3,041
Diluted EPS.....	\$211.4	207,952	\$1.02	\$183.9	214,173
	=====	=====		=====	=====
	Nine Months Ended September 30, 2005			Nine Months Ended September 30, 2004	
	(Restated)		(Restated)		
Basic EPS:					
Income available to common stockholders.....	\$688.1	208,088	\$3.31	\$549.8	211,288
Effect of Dilutive Securities:					
Restricted shares.....		909			65
Performance shares.....		656			-
Stock options.....		2,927			3,181
Diluted EPS.....	\$688.1	212,580	\$3.24	\$549.8	215,114
	=====	=====		=====	=====

CIT GROUP INC. AND SUBSIDIARIES

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

The average common shares outstanding for the quarter ended September 30, 2005 reflects the receipt of 10,063,467 treasury shares in conjunction with a stock buyback agreement. See Note 6 for additional information.

Note 3 -- Business Segment Information

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

During the second quarter of 2005, segment reporting was modified in conjunction with certain business restructuring initiatives. The former Commercial Finance segment was divided into two segments, Commercial Services (factoring) and Corporate Finance. Corporate Finance includes the former Business Credit (asset based lending), Power, Energy and Infrastructure, which

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was transferred from Capital Finance, and Healthcare, which was transferred from Equipment Finance. Prior period balances have been adjusted to conform to current period presentation, except for the transfer of Healthcare assets and related income data (\$ in millions):

	Specialty Finance - commercial ----- (Restated)	Specialty Finance - consumer ----- (Res	Commercial Services ----- (Res	Corporate Finance ----- (Res	Equipment Finance ----- (Res	Capital Finance ----- (Res	To Seg ----- (Res
Quarter Ended							
September 30, 2005							
Net finance income ...	\$ 294.4	\$ 51.9	\$ 37.0	\$ 78.5	\$ 37.6	\$ 152.1	\$
Depreciation on operating lease equipment	143.0	--	--	2.9	6.7	90.0	
Provision for credit losses	23.7	9.2	6.3	(3.2)	3.4	2.3	
Other revenue	67.0	21.4	76.0	31.9	24.5	(75.4)	
Income taxes	(31.7)	(10.0)	(29.3)	(29.0)	(12.9)	44.6	
Net income	74.5	16.8	48.4	46.2	22.1	5.8	
Quarter Ended							
September 30, 2004							
Net finance income ...	\$ 308.8	\$ 34.6	\$ 29.9	\$ 63.5	\$ 53.0	\$ 130.3	\$
Depreciation on operating lease equipment	157.1	--	--	1.1	12.7	77.4	
Provision for credit losses	31.7	7.8	7.3	3.5	7.8	--	
Other revenue	79.5	9.4	74.1	21.2	23.1	5.2	
Income taxes	(42.9)	(8.0)	(26.9)	(22.5)	(12.1)	(11.8)	
Net income (loss) ...	69.5	12.2	42.6	32.7	20.1	27.9	
At or for the Nine							
Months Ended							
September 30, 2005							
Net finance income ...	\$ 871.8	\$ 143.0	\$ 98.7	\$ 224.7	\$ 130.6	\$ 421.1	\$
Depreciation on operating lease equipment	426.5	--	--	8.6	28.5	257.9	
Provision for credit losses	67.9	26.6	18.4	4.5	16.7	2.7	
Other revenue	244.8	59.5	212.4	95.2	94.8	(61.5)	
Income taxes	(121.5)	(30.5)	(77.7)	(80.3)	(47.0)	30.3	
Net income (loss) ...	227.9	49.2	128.3	131.3	77.6	71.3	
Total financing and leasing assets	10,715.8	11,776.7	7,388.9	9,054.2	4,676.1	10,137.4	5
Total managed assets..	14,712.0	12,688.1	7,388.9	9,100.3	7,261.8	10,137.4	6

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	Specialty Finance - commercial -----	Specialty Finance - consumer -----	Commercial Services -----	Corporate Finance -----	Equipment Finance -----	Capital Finance -----	T Se -----
At or for the Nine Months Ended September 30, 2004							
Net finance income	\$ 878.7	\$ 90.7	\$ 81.2	\$ 200.5	\$ 163.9	\$ 363.3	\$
Depreciation on operating lease equipment	441.6	--	--	3.2	38.0	239.2	
Provision for credit losses	83.2	23.8	17.3	24.5	49.6	7.6	
Other revenue	228.3	39.6	212.0	90.1	81.2	24.3	
Income taxes	(100.9)	(22.1)	(76.2)	(73.6)	(33.7)	(27.2)	
Net income (loss)	204.0	33.9	118.9	110.9	55.5	63.6	
Total financing and leasing assets	11,289.1	4,427.7	6,764.0	6,628.2	6,844.6	8,465.6	
Total managed assets ..	15,006.7	5,780.3	6,764.0	6,628.2	9,769.3	8,465.6	

Corporate and Other results for the quarter ended September 30, 2005 include a reserve for credit losses of \$34.6 million and a \$6.8 million pretax securitization retained interest impairment charge relating to estimated Hurricanes Katrina and Rita losses. These amounts reflect management's best estimate of loss as of September 30, 2005 based on available, relevant information. Total business segment owned and securitized receivables in the three most impacted states (Louisiana, Alabama and Mississippi) as of September 30, 2005 were approximately \$925 million and \$200 million. Of these amounts, exposure to commercial and consumer customers located in the Federal Emergency Management Agency ("FEMA") designated disaster areas and other areas that management determined were significantly impacted were approximately \$600 million and \$50 million respectively, including approximately \$250 million in the FEMA designated disaster areas relating principally to equipment and vendor finance assets and home mortgages. For commercial loans, management performed a loan-by-loan assessment of estimated loss. For the equipment and vendor assets and home mortgages in the FEMA designated disaster areas, management performed an analysis of exposure by zip code, including flood versus non-flood designated locations, supplemented with a range of corresponding estimated damage assessments. This estimate of loss involves considerable judgment and assumptions about uncertain matters, including the existence of insurance in force with respect to damages incurred, insurance claims and proceeds and the extent of property damage. Management will continue to assess the financial impact of the hurricanes as more information becomes available.

During the quarter ended September 30, 2005, management initiated actions to sell \$190 million of older, out-of-production aircraft and \$125 million in manufactured housing receivables. These assets were reclassified to Financing and Leasing Assets Held for Sale and marked to estimated fair value, which resulted in pretax losses recorded in other revenue during the quarter ended September 30, 2005 of \$86.6 million in Capital Finance related to aircraft and \$20.0 million in Specialty Finance - commercial related to the manufactured housing receivables. The estimated fair values were developed from relevant market information, including third party sales for similar equipment, published appraisal data and other relevant market place data.

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CIT GROUP INC. AND SUBSIDIARIES

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

Note 4 -- Concentrations

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

	September 30, 2005		December 31, 2004	
	Amount	Percent	Amount	Percent
	-----		-----	
	(Restated)			
Geographic				
North America:				
West	\$10,292.4	19.1%	\$ 8,595.3	19.0%
Northeast	10,244.8	19.1%	8,463.4	18.7%
Midwest	8,954.6	16.7%	6,907.0	15.3%
Southeast	7,626.0	14.2%	6,283.3	14.0%
Southwest	5,630.9	10.5%	4,848.3	10.7%
Canada	2,968.2	5.5%	2,483.4	5.5%
	-----		-----	
Total North America	45,716.9	85.1%	37,580.7	83.2%
Other foreign	8,032.2	14.9%	7,580.2	16.8%
	-----		-----	
Total	\$53,749.1	100.0%	\$45,160.9	100.0%
	=====		=====	
Industry				
Manufacturing(1) (7)	\$ 7,497.6	13.9%	\$ 6,932.0	15.4%
Retail(2)	7,052.2	13.1%	5,859.4	13.0%
Consumer based lending -- home lending	6,886.4	12.8%	5,069.8	11.2%
Commercial airlines (including regional airlines)	5,998.4	11.2%	5,512.4	12.2%
Consumer based lending -- student lending	4,552.4	8.5%	--	--
Service industries	2,999.2	5.6%	2,854.5	6.3%
Transportation(3)	2,664.8	5.0%	2,969.6	6.6%
Consumer based lending -- non-real estate(4)	2,120.0	3.9%	2,480.1	5.5%
Wholesaling	1,877.3	3.5%	1,727.5	3.8%
Healthcare services	1,782.9	3.3%	992.5	2.2%
Construction equipment	1,437.1	2.7%	1,603.1	3.5%
Communications(5)	1,216.1	2.3%	1,292.1	2.9%
Other (no industry greater than 2.2%) (6) (7)	7,664.7	14.2%	7,867.9	17.4%
	-----		-----	
Total	\$53,749.1	100.0%	\$45,160.9	100.0%
	=====		=====	

(1) Includes manufacturers of apparel (2.8%), followed by food and kindred products, chemical and allied products, textiles, transportation equipment, industrial machinery and equipment, and other industries.

(2) Includes retailers of apparel (5.7%) and general merchandise (4.1%).

(3) Includes rail (3.6%), followed by over-the-road trucking, shipping, bus and business aircraft.

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

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- (5) Includes \$297.9 million and \$335.2 million of equipment financed for the telecommunications industry at September 30, 2005 and December 31, 2004, respectively, but excludes telecommunications equipment financed for other industries.
- (6) The largest concentration included in "Other" is the energy, power and utilities sectors, which totaled \$1.1 billion, or 2.1% of total financing and leasing assets at September 30, 2005. This amount includes approximately \$696.2 million in project financing and \$359.0 million in rail cars on lease.
- (7) Total exposure to manufacturers of automobiles and related suppliers included in Manufacturing and Other was less than 1% of total financing and leasing assets at September 30, 2005.

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CIT GROUP INC. AND SUBSIDIARIES

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

Note 5 -- Retained Interests in Securitizations and Other Investments

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

	September 30, 2005	December 31, 2004
	-----	-----
Retained interests in commercial loans:		
Retained subordinated securities	\$ 402.3	\$ 446.2
Interest-only strips	390.0	292.4
Cash reserve accounts	291.0	323.4
	-----	-----
Total retained interests in commercial loans	1,083.3	1,062.0
	-----	-----
Retained interests in consumer loans:(1)		
Retained subordinated securities	56.3	76.6
Interest-only strips	4.8	17.0
Cash reserve accounts	--	--
	-----	-----
Total retained interests in consumer loans	61.1	93.6
	-----	-----
Total retained interests in securitizations	1,144.4	1,155.6
Aerospace equipment trust certificates and other(2)	36.5	72.6
	-----	-----
Total	\$ 1,180.9	\$ 1,228.2
	=====	=====

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

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

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Note 6 -- Stockholders' Equity

Treasury Stock

Pursuant to authorization by the Company's Board of Directors, on July 19, 2005, the Company entered into an agreement to purchase shares of the Company's common stock for an aggregate purchase price of \$500 million under an accelerated stock buyback program.

On July 28, 2005, the Company paid \$500 million and received an initial delivery of 8,232,655 shares. On August 12, 2005, the Company received an additional 1,830,812 shares under the program. CIT retains the right to receive up to a maximum of 1,232,261 additional shares at the conclusion of the program in the fourth quarter of 2005. The actual amount received will depend on CIT's common stock price during the remaining term of the repurchase agreement. Repurchased shares delivered to CIT are held in treasury.

Preferred Stock

On July 26, 2005, the Company issued \$500 million aggregate amount of Series A and Series B preferred equity securities. The proceeds from this offering were used to fund the repurchase of our common stock in conjunction with the accelerated stock buyback program. The key terms of the issuances are as follows:

	Series A	Series B
Securities issued	Stated value of \$350 million, comprised of 14 million shares of 6.35% non-cumulative fixed rate preferred stock, \$0.01 par value per share, with a liquidation value of \$25.	Stated value of \$150 million comprised of 1.5 million shares of 5.1% non-cumulative adjustable rate preferred stock, \$0.01 value per share, with liquidation value of \$100.

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CIT GROUP INC. AND SUBSIDIARIES

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

	Series A	Series B
Dividends	Annual fixed-rate of 6.35%, paid quarterly, when and if declared by the Board of Directors. Dividends are non-cumulative.	Annual fixed-rate of 5.18% paid quarterly, when and if declared by the Board of Directors, through September 15, 2010, and thereafter at an annual floating rate spread over a pre-specified benchmark rate. Dividends are non-cumulative.

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Redemption / maturity	No stated maturity date. Not redeemable prior to September 15, 2010. Redeemable thereafter at \$25 per share at the option of CIT.	No stated maturity date. redeemable prior to September 15, 2010. Redeemable thereafter at \$100 per share at the option of CIT.
Voting rights	No voting rights.	No voting rights.

Accumulated Other Comprehensive Loss

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

	September 30, 2005	December 31, 2004
Changes in fair values of derivatives		
qualifying as cash flow hedges	\$ 15.5	\$ (27.1)
Foreign currency translation adjustments	(84.5)	(37.2)
Minimum pension liability adjustments	(2.3)	(2.7)
Unrealized gain on equity and securitization		
investments	20.7	8.6
Total accumulated other comprehensive loss	\$ (50.6)	\$ (58.4)

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

During the nine months ended September 30, 2005, \$47.5 million in foreign currency translation losses were reclassified to the foreign currency translation component of equity from other assets and liabilities, representing translation adjustments, net of hedging activity, relating to the company's investments in foreign operations. This reclassification followed the completion of enhancements in internal controls, including additional proof and control procedures, with respect to foreign currency accounting.

Total comprehensive income was \$190.4 million and \$220.9 million for the quarters ended September 30, 2005 and 2004 and \$695.9 million and \$610.3 million for the nine months ended September 30, 2005 and 2004.

Note 7 -- Derivative Financial Instruments

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

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CIT utilizes interest rate swaps, whereby a fixed rate of interest is paid and a variable rate of interest is received by the Company. These swaps hedge the cash flow variability associated with forecasted issuances of

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CIT GROUP INC. AND SUBSIDIARIES

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

commercial paper and specific variable-rate debt instruments. These interest rate swaps are designated as cash flow hedges and changes in fair value of these swaps, to the extent they are effective as a hedge, are recorded in other comprehensive income. Amounts related to hedges to the extent ineffective are recorded in interest expense.

CIT also utilizes interest rate swaps whereby a variable rate of interest is paid and a fixed rate of interest is received by the Company. These swaps primarily hedge specific fixed-rate debt instruments and are designated as fair value hedges. Changes in fair value of these swaps are effectively recorded as an adjustment to the carrying value of the hedged item, as the offsetting changes in fair value of the swaps and the hedged items are recorded in earnings. A limited number of these swaps hedge the cash flow variability associated with specific variable rate assets and are classified as cash flow hedges.

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

	Fair Value Adjustments of Derivatives	Income Tax Effects	To Unrea Gain
	-----	-----	-----
Balance at December 31, 2004 -- unrealized loss	(\$ 41.3)	\$ 14.2	(\$2
Changes in values of derivatives qualifying as cash flow hedges	69.8	(27.2)	4
	-----	-----	-----
Balance at September 30, 2005 -- unrealized gain	\$ 28.5	(\$ 13.0)	\$ 1
	=====	=====	=====

The unrealized gain as of and for the nine months ended September 30, 2005 reflects higher market interest rates since the inception of the hedges. The Accumulated Other Comprehensive Loss (along with the corresponding swap asset or liability) will be adjusted as market interest rates change over the remaining life of the swaps. Assuming no change in interest rates, approximately \$3.8 million, net of tax, of the Accumulated Other Comprehensive Loss as of September 30, 2005 is expected to be reclassified to earnings over the next twelve months as contractual cash payments are made.

Hedge ineffectiveness occurs in certain cash flow hedges, and is recorded as either an increase or decrease to interest expense as presented in the following table (\$ in millions):

Increase/Decrease to

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	Ineffectiveness	Interest Expense
	-----	-----
Quarter ended September 30, 2005.....	\$0.1	Increase
Quarter ended September 30, 2004.....	\$0.2	Increase
Nine months ended September 30, 2005 (Restated)	\$0.5	Decrease
Nine months ended September 30, 2004.....	\$0.5	Decrease

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

	September 30, 2005	December 31, 2004	
	-----	-----	
Variable to fixed-rate swaps....	\$ 6,684.9	\$ 3,533.6	Hedge the cash flow variability associated with forecasted commercial paper issuances and specific variable rate debt (cash flow hedges).
Fixed to variable-rate swaps....	7,962.9	7,642.6	Hedge specific fixed rate debt (fair value hedges); and in limited instances hedge the cash flow variability associated with specific variable rate assets (cash flow hedges)

In addition to the swaps in the table above, in conjunction with securitizations, at September 30, 2005, CIT has \$1.9 billion in notional amount of interest rate swaps outstanding with the related trusts to protect the trusts against interest rate risk. CIT entered into offsetting swap transactions with third parties totaling \$1.9 billion in notional amount at September 30, 2005 to insulate the related interest rate risk.

CIT GROUP INC. AND SUBSIDIARIES

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

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

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During 2005 and 2004, CIT entered into credit default swaps, with a combined notional value of \$118.0 million and terms of 5 years, to economically hedge certain CIT credit exposures. These swaps do not meet the requirements for hedge accounting treatment under SFAS 133 and therefore are recorded at fair value, with both realized and unrealized gains or losses recorded in other revenue in the consolidated statement of income. The change in the fair value adjustment for the quarter and nine months ended September 30, 2005 amounted to a \$(0.2) million and \$5.3 million pretax (loss)/gain. CIT also has certain cross-currency swaps (with a combined notional principal amount of \$1,634 million (Restated)) and certain U.S. dollar interest rate swaps (with notional principal amount totaling \$1,680 million) that are excluded from the preceding tables. These instruments economically hedge exposures, but do not qualify for hedge accounting. These derivatives are recorded at fair value, with both realized and unrealized gains or losses recorded in other revenue in the consolidated statement of income.

Note 8 -- Certain Relationships and Related Transactions

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

CIT regularly purchases finance receivables from DFS at a premium, portions of which are typically securitized within 90 days of purchase from DFS. CIT has limited recourse to DFS on defaulted contracts. In accordance with the joint venture agreement, net income and losses generated by DFS as determined under GAAP are allocated 70% to Dell and 30% to CIT. The DFS board of directors voting representation is equally weighted between designees of CIT and Dell, with one independent director. DFS is not consolidated in CIT's financial statements and is accounted for under the equity method. At September 30, 2005 and December 31, 2004, financing and leasing assets related to the DFS program included in the CIT Consolidated Balance Sheet (but excluding certain related international receivables originated directly by CIT) were approximately \$2.1 billion and \$2.0 billion, and securitized assets included in managed assets were approximately \$2.5 billion at both period ends. CIT's equity investment in and loans to the joint venture was approximately \$204 million and \$267 million at September 30, 2005 and December 31, 2004.

CIT also has a joint venture arrangement with Snap-on Incorporated ("Snap-on") that has a similar business purpose and model to the DFS arrangement described above, including limited credit recourse on defaulted receivables. The agreement with Snap-on was recently extended until January 2009. CIT and Snap-on have 50% ownership interests, 50% board of directors' representation, and share income and losses equally. The Snap-on joint venture is accounted for under the equity method and is not consolidated in CIT's financial statements. Financing and leasing assets were approximately \$1.1 billion and securitized assets included in managed assets were \$0.1 billion at both September 30, 2005 and December 31, 2004. In addition to the owned and securitized assets purchased from the Snap-on joint venture, CIT's equity investment in and loans to the joint venture were approximately \$10 million and \$16 million at September 30, 2005 and December 31, 2004.

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CIT GROUP INC. AND SUBSIDIARIES

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

Since December 2000, CIT has been a joint venture partner with Canadian Imperial Bank of Commerce ("CIBC") in an entity that is engaged in asset-based lending in Canada. Both CIT and CIBC have a 50% ownership interest in the joint venture, and share income and losses equally. This entity is not consolidated in CIT's financial statements and is accounted for under the equity method. CIT's investment in and loans to the joint venture were approximately \$278 million and \$191 million at September 30, 2005 and December 31, 2004.

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

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

Note 9 -- Postretirement and Other Benefit Plans

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

	For the Quarters Ended September 30,		For the N Ended Sep
	2005	2004	2005
	----	----	----
Retirement Plans			
Service cost.....	\$ 4.9	\$ 4.4	\$14.7
Interest cost.....	4.2	3.9	12.9
Expected return on plan assets.....	(4.8)	(4.0)	(14.4)
Amortization of net (gain) loss.....	0.7	0.7	2.1
	-----	-----	-----
Net periodic benefit cost.....	5.0	5.0	15.3
(Gain) Loss due to Settlements & Curtailments.....	--	--	0.5
Cost for Special Termination Benefits.....	--	--	2.3
	-----	-----	-----
Net amount recognized.....	\$ 5.0	\$ 5.0	\$18.1
	=====	=====	=====
Postretirement Plans			
Service cost.....	\$ 0.6	\$ 0.5	\$ 1.7
Interest cost.....	0.8	0.8	2.4
Amortization of net (gain) loss.....	0.2	--	0.7
	-----	-----	-----
Net periodic benefit cost.....	\$ 1.6	\$ 1.3	\$ 4.8
	=====	=====	=====

CIT previously disclosed in the notes to consolidated financial statements for the year ended December 31, 2004, that it expected to contribute \$4.0

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million to its pension plans in 2005. CIT contributed \$7.7 million to the pension plans for the nine months ended September 30, 2005, and currently expects to fund approximately an additional \$15 million during the last quarter of 2005.

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CIT GROUP INC. AND SUBSIDIARIES

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

Note 10 -- Commitments and Contingencies

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

	September 30, 2005		
	Due to Expire		Total Outstanding
	Within One Year	After One Year	
Financing Commitments			
Financing and leasing assets.....	\$1,674.0	\$7,849.1	\$9,523.1
Letters of credit and acceptances:			
Standby letters of credit.....	406.5	106.5	513.0
Other letters of credit.....	503.8	0.2	504.0
Acceptances.....	24.7	--	24.7
Guarantees.....	200.9	12.1	213.0
Purchase and Funding Commitments			
Aerospace purchase commitments.....	716.0	2,375.0	3,091.0
Other equipment purchase commitments.....	372.8	--	372.8
Sale-leaseback payments.....	31.0	433.7	464.7
Venture capital fund investment commitments.....	--	--	--

In addition to the amounts shown in the table above, unused, cancelable lines of credit to consumers in connection with a third-party vendor program, which may be used to finance additional technology product purchases, amounted to approximately \$15.6 billion and \$9.8 billion at September 30, 2005 and December 31, 2004. These uncommitted vendor-related lines of credit can be reduced or canceled by CIT at any time without notice. Our experience indicates that customers typically will not exercise their entire available line of credit at any point in time.

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

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forms of credit support from the customer.

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

CIT's firm purchase commitments relate predominantly to purchases of commercial aircraft and rail equipment. The commitments to purchase commercial aircraft are with both Airbus Industrie and The Boeing Company. These purchase commitments are fixed price, but are subject to customary price increases for future changes in inflation and manufacturing components. The aerospace equipment purchases are contracted for a specific model aircraft using a baseline aircraft specification at fixed prices, which reflect discounts from fair market purchase prices prevailing at the time of commitment. The delivery price of an aircraft may also change depending on the final specifications of the aircraft, including engine thrust, aircraft weight and seating configuration. Equipment purchases are recorded at delivery date at the final purchase price paid, which includes purchase price discounts, price changes relating to specification changes and price increases relating to inflation and manufacturing components. Accordingly, the commitment amounts detailed in the preceding table are based

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CIT GROUP INC. AND SUBSIDIARIES

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

on estimated values. Pursuant to existing contractual commitments, 62 aircraft remain to be purchased (17 within the next twelve months). Lease commitments are in place for fourteen of the remaining aircraft to be delivered over the next twelve months. The order amount excludes CIT's options to purchase additional aircraft. CIT entered into a purchase commitment with Airbus Industrie for an additional 29 aircraft to be delivered between 2007 and 2013 during the quarter ended September 30, 2005, which are included in the preceding table.

Outstanding commitments to purchase equipment to be leased to customers, other than aircraft, relates primarily to rail equipment. Rail equipment purchase commitments are at fixed prices subject to price increases for inflation and manufacturing components. The time period between commitment and purchase for rail equipment is generally less than 18 months. Additionally, CIT is party to railcar sale-leaseback transactions under which it is obligated to pay a remaining total of \$464.7 million, or approximately \$31 million per year through 2010 and declining thereafter through 2024, which is more than offset by CIT's re-lease of the assets, provided CIT can maintain railcar usage. In conjunction with this sale-leaseback transaction, CIT has guaranteed all obligations of the related consolidated lessee entity.

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

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in local currencies.

Note 11 -- Legal Proceedings

On September 9, 2004, Exquisite Caterers Inc., et al. v. Popular Leasing Inc., et al. ("Exquisite Caterers"), a putative national class action, was filed in the Superior Court of New Jersey against 13 financial institutions, including CIT, which had acquired equipment leases ("NorVergence Leases") from NorVergence, Inc., a reseller of telecommunications and Internet services to businesses. The complaint alleged that NorVergence misrepresented the capabilities of, and overcharged for, the equipment leased to its customers and that the NorVergence Leases are unenforceable. Plaintiffs seek rescission, punitive damages, treble damages and attorneys' fees. In addition, putative class action suits in Illinois and Texas, all based upon the same core allegations and seeking the same relief, were filed by NorVergence customers against CIT and other financial institutions and remain pending. The Court in Exquisite Caterers certified a New Jersey-only class, and a motion for decertification is pending.

On July 14, 2004, the U.S. Bankruptcy Court ordered the liquidation of NorVergence under Chapter 7 of the Bankruptcy Code. Thereafter, the Attorneys General of several states commenced investigations of NorVergence and the financial institutions, including CIT, that purchased NorVergence Leases. CIT has entered into settlement agreements with the Attorneys General in each of these states, except for Texas. Under those settlements, lessees have had an opportunity to resolve all claims by and against CIT by paying a percentage of the remaining balance on their leases. CIT has also produced documents related to NorVergence at the request of the Federal Trade Commission ("FTC") and pursuant to a subpoena in a grand jury proceeding being conducted by the U.S. Attorney for the Southern District of New York in connection with an investigation of transactions related to NorVergence.

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

CIT GROUP INC. AND SUBSIDIARIES

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

Note 12 -- Severance and Facility Restructuring Reserves

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

	Severance		Facilities	
	Number of Employees	Reserve	Number of Facilities	Reserve
	-----	-----	-----	-----
Balance at December 31, 2004.....	129	\$12.2	15	\$ 5.7

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2005 additions, foreign currency translation and other	191	21.3	--	2.2
2005 utilization.....	(279)	(22.5)	(5)	(2.3)
	----	-----	--	----
Balance at September 30, 2005.....	41	\$11.0	10	\$5.6
	=====	=====	==	=====

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

Note 13 -- Goodwill and Intangible Assets, Net

Goodwill and intangible assets totaled \$1,003.8 million at September 30, 2005, which consisted of \$780.9 million of goodwill, and \$222.9 million of intangible assets by segment (\$ in millions):

	Specialty Finance -- commercial -----	Specialty Finance -- consumer -----	Commercial Services -----	C
Goodwill				
Balance at December 31, 2004	\$ 62.3	\$ --	\$ 261.6	\$
Additions, foreign currency translation, other	(8.1)	257.2	(0.1)	
	-----	-----	-----	
Balance at September 30, 2005	\$ 54.2	\$ 257.2	\$ 261.5	\$
	=====	=====	=====	
Intangible Assets				
Balance at December 31, 2004	\$ 68.0	\$ --	\$ 95.8	\$
Additions, foreign currency translation, other	(12.3)	29.4	30.3	
Amortization	(7.3)	(0.4)	(7.8)	
	-----	-----	-----	
Balance at September 30, 2005	\$ 48.4	\$ 29.0	\$ 118.3	\$
	=====	=====	=====	

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill is no longer amortized but instead is assessed periodically for impairment. The Company periodically reviews and evaluates its goodwill and intangible assets for potential impairment at a minimum annually, or more frequently if circumstances indicate that impairment is possible. The most recent goodwill and intangible asset impairment analyses indicated that the fair values of each were in excess of the carrying values.

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Other intangible assets, net, are comprised primarily of acquired customer relationships (Specialty Finance and Commercial Services), as well as proprietary computer software and related transaction processes (Commercial Services). The increase was primarily related to acquisitions: a student lending acquisition in Specialty Finance - consumer, a healthcare acquisition in Corporate Finance and a factoring acquisition in Commercial Services. Other intangible assets are being amortized over their corresponding lives ranging from five

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CIT GROUP INC. AND SUBSIDIARIES

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

to twenty years in relation to the related cash flows, where applicable. Amortization expense totaled \$5.5 million and \$15.7 million for the quarter and nine months ended September 30, 2005 versus \$3.3 million and \$7.8 million for the respective prior year periods. Accumulated amortization totaled \$39.4 million and \$23.7 million at September 30, 2005 and December 31, 2004. The projected amortization for the years ended December 31, 2005 through December 31, 2009 is: \$21.5 million for 2005; \$21.6 million for 2006; \$18.5 million for 2007; \$18.8 million for 2008 and \$19.2 million for 2009.

The increase in goodwill during the period was primarily due to the student lending acquisition in Specialty Finance - consumer and a healthcare acquisition in Corporate Finance, both detailed below.

Healthcare Acquisition

In July 2005, CIT acquired, for cash, Healthcare Business Credit Corporation ("HBCC"), a full service health care financing company that specializes in asset-based and cash flow financing to U.S. healthcare providers. The HBCC acquisition was accounted for under the purchase method, with the acquired assets and liabilities recorded at their estimated fair values as of the acquisition date. The assets acquired included approximately \$500 million of finance receivables and \$127 million of goodwill and intangible assets.

Education Lending Acquisition

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

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cash equivalents, are restricted in conjunction with these borrowings.

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

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CIT GROUP INC. AND SUBSIDIARIES

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

Note 14 -- Summarized Financial Information of Subsidiaries

The following presents condensed consolidating financial information for CIT Holdings LLC. CIT has guaranteed on a full and unconditional basis the existing debt securities that were registered under the Securities Act of 1933 and certain other indebtedness of this subsidiary. CIT has not presented related financial statements or other information for this subsidiary on a stand-alone basis. The remaining debt associated with Capita Corporation (formerly AT&T Capital Corporation), a subsidiary previously disclosed, matured in 2005 and prior period amounts associated with this subsidiary are included in the "Other Subsidiaries" column in the tables below. Also included under "Other Subsidiaries" is a 100%-owned finance subsidiary of CIT Group Inc., Canadian Funding Company LLC, for which CIT has fully and unconditionally guaranteed the debt securities. (\$ in millions):

CONSOLIDATING BALANCE SHEETS -----	CIT Group Inc. -----	CIT Holdings LLC -----	Oth Subsid -----
September 30, 2005 (Restated)			
ASSETS			
Net finance receivables	\$ 1,013.3	\$ 2,161.9	\$ 38,
Operating lease equipment, net	--	194.9	8,
Finance receivables held for sale	--	64.5	1,
Cash and cash equivalents	711.7	144.1	1,
Other assets	10,000.1	307.2	1,
	-----	-----	-----
Total Assets	\$ 11,725.1	\$ 2,872.6	\$ 52,
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Debt	\$ 37,621.4	\$ 4,254.1	\$ 3,
Credit balances of factoring clients	--	--	4,
Accrued liabilities and payables	(32,508.1)	(1,789.4)	38,
	-----	-----	-----
Total Liabilities	5,113.3	2,464.7	45,
Minority interest	--	--	--
Total Stockholders' Equity	6,611.8	407.9	6,
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 11,725.1	\$ 2,872.6	\$ 52,
	=====	=====	=====
December 31, 2004			
ASSETS			

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Net finance receivables	\$ 1,121.1	\$ 1,682.7	\$ 31,
Operating lease equipment, net	--	130.8	8,
Finance receivables held for sale	--	72.0	1,
Cash and cash equivalents	1,311.4	127.5	
Other assets	9,536.8	316.2	
	-----	-----	-----
Total Assets	\$ 11,969.3	\$ 2,329.2	\$ 42,
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Debt	\$ 34,699.1	\$ 1,383.8	\$ 1,
Credit balances of factoring clients	--	--	3,
Accrued liabilities and payables (including inter-company payables and receivables)	(28,784.9)	(591.3)	32,
	-----	-----	-----
Total Liabilities	5,914.2	792.5	38,
Minority interest	--	--	
Total Stockholders' Equity	6,055.1	1,536.7	4,
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 11,969.3	\$ 2,329.2	\$ 42,
	=====	=====	=====

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CIT GROUP INC. AND SUBSIDIARIES

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

CONSOLIDATING STATEMENTS OF INCOME -----	CIT Group Inc. -----	CIT Holdings LLC -----	Othe Subsidi -----
Nine Months Ended September 30, 2005 (Restated)			
Finance income	\$ 30.8	\$ 174.4	\$ 3,0
Interest expense	(23.9)	57.4	1,3
	-----	-----	-----
Net finance income	54.7	117.0	1,7
Depreciation on operating lease equipment	--	34.3	6
	-----	-----	-----
Net finance margin	54.7	82.7	1,0
Provision for credit losses	22.8	8.5	1
	-----	-----	-----
Net finance margin, after provision for credit losses ..	31.9	74.2	9
Equity in net income of subsidiaries	721.9	--	
Other revenue	63.1	85.4	7
	-----	-----	-----
Operating margin	816.9	159.6	1,6
Operating expenses	130.6	65.8	6
Provision for restructuring	--	--	
	-----	-----	-----
Income (loss) before provision for income taxes	686.3	93.8	9
Benefit (provision) for income taxes	7.0	(34.5)	(3
Minority interest, after tax	--	--	
Preferred stock dividends	(5.2)	--	

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Net income available to common stockholders	\$ 688.1	\$ 59.3	\$ 6
=====			
Nine Months Ended September 30, 2004			
Finance income	\$ 24.5	\$ 143.8	\$ 2,5
Interest expense	(62.5)	10.9	9

Net finance income	87.0	132.9	1,6
Depreciation on operating lease equipment	--	32.5	6

Net finance margin	87.0	100.4	9
Provision for credit losses	13.9	8.5	1

Net finance margin, after provision for credit losses ..	73.1	91.9	7
Equity in net income of subsidiaries	533.5	--	
Other revenue	(3.0)	70.3	6

Operating margin	603.6	162.2	1,3
Operating expenses	94.5	69.7	5
Gain on redemption of debt	41.8		

Income (loss) before provision for income taxes	550.9	92.5	7
Provision benefit for income taxes	(1.1)	(36.1)	(3
Minority interest, after tax	--	--	

Net income available to common stockholders	\$ 549.8	\$ 56.4	\$ 4
=====			

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CIT GROUP INC. AND SUBSIDIARIES

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

CONSOLIDATING STATEMENTS OF CASH FLOWS -----	CIT Group Inc. -----	CIT Holdings LLC -----	Other Subsidiaries -----
Nine Months Ended September 30, 2005 (Restated)			
Cash Flows From Operating Activities:			
Net cash flows provided by (used for) operations	\$ 3,513.5	\$ 209.6	\$ (1,53

Cash Flows From Investing Activities:			
Net increase (decrease) in financing and leasing assets	84.8	(555.7)	(4,03
Decrease in inter-company loans and investments	(6,994.3)	--	
Other	--	--	13

Net cash flows (used for) provided by investing activities	(6,909.5)	(555.7)	(3,89

Cash Flows From Financing Activities:			
Net increase (decrease) in debt	2,922.3	2,870.3	(2,97
Net loans extended -- pledged in conjunction			

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with secured borrowings	--	--	(78)
Inter-company financing	--	(2,507.6)	9,50
Cash dividends paid	(94.7)	--	
Other	(31.3)	--	(1
	-----	-----	-----
Net cash flows provided by (used for)			
financing activities	2,796.3	362.7	5,73
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents ...	(599.7)	16.6	30
Cash and cash equivalents, beginning of period	1,311.4	127.5	77
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 711.7	\$ 144.1	\$ 1,07
	=====	=====	=====
Nine Months Ended September 30, 2004			
Cash Flows From Operating Activities:			
Net cash flows provided by (used for) operations	\$ (177.8)	\$ (91.9)	\$ 86
	-----	-----	-----
Cash Flows From Investing Activities:			
Net increase (decrease) in financing and leasing assets	490.9	(147.0)	(4,46
Decrease in inter-company loans and investments	(4,359.0)	--	
Other	--	--	6
	-----	-----	-----
Net cash flows (used for) provided by			
investing activities	(3,868.1)	(147.0)	(4,39
	-----	-----	-----
Cash Flows From Financing Activities:			
Net increase (decrease) in debt	4,114.9	(43.6)	(26
Inter-company financing	--	307.6	4,05
Cash dividends paid	(83.6)	--	
Other	--	--	(8
	-----	-----	-----
Net cash flows provided by (used for)			
financing activities	4,031.3	264.0	3,70
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents ...	(14.6)	25.1	17
Cash and cash equivalents, beginning of period	1,479.9	227.5	26
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 1,465.3	\$ 252.6	\$ 44
	=====	=====	=====

Note 15 -- Restatement Relating to Derivative Hedge Accounting

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

We determined that certain compound swaps were not appropriately accounted for, even though these compound swaps were highly effective economic hedges of the interest rate and currency exchange risks associated with foreign denominated debt. We documented these swaps originally as "matched terms" hedges, which assumes no hedge ineffectiveness. The swaps would have qualified for "long-haul" hedge accounting with ineffectiveness reflected in current

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earnings. However, the swaps did not qualify for hedge accounting treatment from their inception, as SFAS 133 does not allow for subsequent documentation modifications.

The elimination of hedge accounting from inception of the compound swaps resulted in a \$14.3 million decrease and \$65.8 million increase in pre-tax income for the three and nine months ended September 30, 2005, to reflect the elimination of adjustments to the basis of the corresponding debt under SFAS 133 fair value hedge accounting for changes in interest rates during the period. This amount includes a year to date increase in other revenue for 2004 and prior derivative hedge accounting adjustments that management determined to be immaterial to the 2004 annual and interim financial statements. This increase to revenues for the nine-month period will reduce future earnings by an equal amount through 2015. We are also including other previously identified, immaterial, in-period financial statement changes for various revenue and expense accruals in conjunction with this restatement with respect to year to date results.

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

At or for the Quarter and Nine Months Ended September 30, 2005	Quarter			Previously Reported
	Previously Reported	Restated	Change	
Income Statement				
Finance income	\$ 1,153.7	\$1,153.7	\$ --	\$ 3,282.4
Interest expense	495.4	495.4	--	1,356.3
Other revenue	253.8	239.5	(14.3)	784.2
Salaries and general operating expenses	281.1	281.1	--	813.9
Provision for income taxes	93.0	86.8	(6.2)	328.8
Net income	219.5	211.4	(8.1)	650.6
Basic earnings per common share ...	1.08	1.04	(0.04)	3.13
Diluted earnings per common share ..	1.06	1.02	(0.04)	3.06
Balance Sheet				
Finance receivables and education lending receivables.....	42,686.6	42,685.2	(1.4)	
Total debt	44,966.7	44,899.3	(67.4)	
Accrued liabilities and payables ...	4,293.7	4,322.2	28.5	
Total stockholders' equity	6,574.3	6,611.8	37.5	

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

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

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Certain data within this section has been "Restated" as detailed in Note 15 -- Restatement Relating to Derivative Hedge Accounting to the financial statements.

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

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

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

Profitability

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

	Quarters Ended September 30,	
	2005	2004
	(Restated)	
Net income (\$ in millions)	\$ 211.4	\$ 183.9
Net income per diluted share	\$ 1.02	\$ 0.86
Net income as a percentage of AEA	1.73%	1.88%
Return on average tangible common equity	16.4%	14.1%
Return on average common equity	13.8%	12.8%

 Net income for the quarter ended September 30, 2005 includes the following items:

- o A pre-tax gain of \$115.0 million on the sale of a real estate investment (\$0.34 diluted EPS increase);
- o Pre-tax charges of \$86.6 million on certain aircraft held for sale and \$20.0 million on certain manufactured housing assets held for sale (total \$0.31 diluted EPS decrease);
- o Total pre-tax hurricane provisions of \$41.3 million, including credit losses of \$34.6 million and a \$6.8 million impairment on securitization retained interests due to Hurricanes Katrina and Rita (\$0.13 diluted EPS decrease); and
- o A \$17.6 million tax liability reversal corresponding to the conclusion of a tax return filing matter in our international

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operations for which reserves were previously taken (\$0.08 diluted EPS increase).

- o A \$14.3 million pre-tax mark-to-market loss for the quarter (pre-tax year to date gain of \$65.8 million) relating to derivatives that do not qualify for hedge accounting treatment (\$0.05 diluted EPS decrease for the quarter, \$0.19 increase year to date).

In addition to the items above, year to date 2005 net income includes:

- o A pre-tax \$25.2 million restructuring charge corresponding to the termination benefits of approximately 200 employees in conjunction with the realignment of Commercial Finance and other business streamlining activities (detailed further in Note 12 -- Severance and Facility Restructuring Reserves) and
- o A pre-tax \$22.0 million gain on the sale of a significant portion of the business aircraft portfolio.

Prior year to date net income included a pre-tax \$41.8 million gain on early debt redemption specified above. Excluding all the noteworthy transactions specified above, the improved 2005 results reflected lower charge-offs, strong non-spread revenues and a lower effective tax rate.

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Results by Business Segment

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

	Quarters Ended Se		
	2005		
	Net Income (Restated)	Return on AEA (Restated)	Return on Risk-Adjusted Capital (Restated)
Specialty Finance - commercial	\$ 74.5	2.71%	22.7%
Specialty Finance - consumer	16.8	0.59%	8.9%
	91.3	1.63%	17.3%
Commercial Services	48.4	6.50%	27.2%
Corporate Finance	46.2	2.14%	19.3%
Equipment Finance	22.1	1.88%	12.4%
Capital Finance	5.8	0.23%	1.7%

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Total Commercial Finance	122.5	1.86%	13.0%
Corporate, including certain charges	(2.4)	(0.02)%	--
Net income and return on tangible common stockholders' equity	\$211.4	1.73%	16.4%

	Nine Months Ended		
	2005		
	Net Income	Return on AEA	Return on Risk-Adjusted Capital
	(Restated)	(Restated)	(Restated)
Specialty Finance - commercial	\$227.9	2.74%	23.2%
Specialty Finance - consumer	49.2	0.67%	9.7%
Total Specialty Finance	277.1	1.76%	18.2%
Commercial Services	128.3	6.32%	25.8%
Corporate Finance	131.3	2.17%	20.0%
Equipment Finance	77.6	1.84%	12.5%
Capital Finance	71.3	0.99%	7.4%
Total Commercial Finance	408.5	2.09%	14.9%
Corporate, including certain charges	2.5	--	--
Net income and return on tangible common stockholders' equity	\$688.1	1.95%	17.1%

Capital is allocated to the segments by applying different leverage ratios to each business using market and risk criteria. The capital allocations reflect the relative risk of individual asset classes within the segments and range from approximately 2% of managed assets for U.S. government guaranteed education loans to approximately 15% of managed assets for longer-term assets such as aerospace. The targeted risk-adjusted capital allocations by segment (as a percentage of average managed assets) are as follows: Specialty Finance - commercial 9%, Specialty Finance - consumer 5%, Commercial Services, Corporate Finance and Equipment Finance 10% and Capital Finance 14%.

Results by segment were as follows:

- o Specialty Finance - commercial net income for the current quarter includes a pre-tax \$20.0 million mark-to-market charge on the portion of our manufactured housing receivables transferred to held for sale. Net income for the quarter outpaced the prior year primarily due to improved vendor finance earnings, while year to date earnings improvements were driven by the international units and small business lending.
- o Specialty Finance - consumer reported strong results over the prior

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year. The improvement over last year for both quarter and year to date is primarily driven by a higher asset base in the home lending business

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and the addition of the student lending business in 2005. Returns in this segment were below last year due to the addition of the student lending business. Student lending return rates are low reflecting the low risk of loss due to the related guarantees by the U.S. government.

- o Commercial Services earnings are driven by factoring commissions, which continued to grow along with the asset level. However, commission rates declined modestly from the prior year (as a percentage of factoring volume).
- o Corporate Finance earnings improvement from the prior year was particularly strong in the Capital Markets and the Communications, Media & Entertainment units, reflecting higher risk-adjusted margins, including higher recoveries, and non-spread revenue.
- o Equipment Finance returns improved over the prior year driven by stronger margins and improvement in the level of charge-offs.
- o Capital Finance earnings reflect an \$86.6 million pre-tax charge in the quarter on a mark-to-market adjustment on aircraft transferred to held for sale. However, earnings remained positive due to the following: (1) the release of an international tax liability; (2) the lower effective tax rate resulting from aircraft transfers to Ireland; and (3) improved operating results, reflecting stronger operating lease margins in both aerospace and rail. See "Income Taxes" for additional information.

Corporate included amounts as shown in the table below (after tax) (\$ in millions):

	Quarters Ended September 30,	
	2005	2004
	(Restated)	
Unallocated expenses	\$ (33.1)	\$ (17.8)
Real estate investment gain	69.7	--
Hurricane charges	(25.6)	--
(Loss) gain on derivatives	(8.1)	--
Preferred stock dividends	(5.2)	--
Restructuring charges	--	--
Gain on debt redemption	--	--
Venture capital operating income / (losses)(1)	(0.1)	(3.3)
	-----	-----
Total	\$ (2.4)	\$ (21.1)

(1) Venture capital operating income / (losses) include realized and unrealized gains and losses related to venture capital investments, as well as interest costs and other operating expenses associated with these portfolios.

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Net Finance Margin

A table summarizing the components of net finance margin is set forth below (\$ in millions):

	Quarters Ended September 30,		
	2005	2004	
Finance income -- loans and capital leases	\$ 777.0	\$ 596.5	\$
Rental income on operating leases	376.7	360.5	
Interest expense	495.4	315.4	
Net finance income	658.3	641.6	
Depreciation on operating lease equipment	242.6	248.2	
Net finance margin	\$ 415.7	\$ 393.4	\$
As a % of AEA:			
Finance income -- loans and capital leases	6.37%	6.08%	
Rental income on operating leases	3.09%	3.68%	
Interest expense	4.06%	3.22%	
Net finance income	5.40%	6.54%	
Depreciation on operating lease equipment	1.99%	2.53%	
Net finance margin	3.41%	4.01%	
As a % of AOL:			
Rental income on operating leases	16.97%	18.32%	
Depreciation on operating lease equipment	10.93%	12.61%	
Net operating lease margin	6.04%	5.71%	
Average Earning Assets (Restated)	\$ 48,781.2	\$ 39,195.6	\$
Average Operating Lease Equipment ("AOL")	\$ 8,878.7	\$ 7,873.2	\$

Analysis of net finance margin is as follows:

- o Finance income improved in 2005 benefited from higher asset levels and assets repricing at higher market interest rates.

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- o Interest expense increased from 2004, reflecting debt assumed during acquisitions, incremental debt to fund portfolio growth and higher 2005 market interest rates to fund the growth, as well as the effect of extending the maturity of the debt portfolio, which exceeded the savings from refinancing higher-cost debt at tighter 2005 spreads.
- o The decline in net finance margin as a percentage of AEA reflects the blending of the lower-margin student lending receivables into the portfolio, lower yield-related fees, as well as pricing pressure, reflecting liquidity in many of our lending businesses, particularly in Corporate Finance and Equipment Finance. Lease margin trends were favorable as discussed below.
- o Rental income increased over the prior year periods on higher asset levels and strong rates in aerospace and rail. Depreciation expense declined as a percentage of AOL from 2004, reflecting the continued asset mix change from shorter-term small to mid-ticket leasing assets in Specialty Finance and Equipment Finance to longer-lived assets in Capital Finance. The 2004 year to date depreciation expense includes a \$14.8 million impairment charge. See "Concentrations -- Operating Leases" for additional information regarding our operating lease assets.

We regularly monitor and simulate our degree of interest rate sensitivity by measuring the repricing characteristics of interest-sensitive assets, liabilities, and derivatives. The Capital Committee reviews the results of this modeling periodically. The interest rate sensitivity modeling techniques we employ include the creation of prospective twelve month "baseline" and "rate shocked" net finance income simulations.

At the date that interest rate sensitivity is modeled, "baseline" net finance income is derived using the current level of interest-sensitive assets, the current level of interest-sensitive liabilities and related maturities, and the current level of derivatives. The "baseline" simulation assumes that, over the next successive twelve months,

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market interest rates (as of the date of simulation) are held constant and that no new loans or leases are extended. Once the "baseline" net finance income is calculated, market interest rates, which were previously held constant, are raised instantaneously 100 basis points across the entire yield curve, and a "rate shocked" simulation is run. Interest rate sensitivity is then measured as the difference between calculated "baseline" and "rate shocked" net finance income.

An immediate hypothetical 100 basis point increase in the yield curve on October 1, 2005 would reduce net income by an estimated \$14 million after-tax over the next twelve months. A corresponding decrease in the yield curve would cause an increase in net income of a like amount. A 100 basis point increase in the yield curve on October 1, 2004 would have reduced net income by an estimated \$15 million after tax, while a corresponding decrease in the yield curve would have increased net income by a like amount. Although management believes that this static analysis provides an estimate of our interest rate sensitivity, it does not account for potential changes in the credit quality, size, composition and prepayment characteristics of the balance sheet and other business developments that could affect net income. Accordingly, no assurance can be given that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent

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management's current view of future market interest rate movements.

A comparative analysis of the weighted average principal outstanding and interest rates on our debt before and after the effect of interest rate swaps is shown in the following table (\$ in millions):

	Before Swaps		Aft
Quarter Ended September 30, 2005 (Restated)			
Commercial paper, variable-rate senior notes and bank credit facilities	\$17,780.3	3.72%	\$21,514
Fixed-rate senior and subordinated notes	25,959.7	5.11%	22,225
Composite	\$43,740.0	4.55%	\$43,740
Quarter Ended September 30, 2004			
Commercial paper, variable-rate senior notes and bank credit facilities	\$15,855.5	1.78%	\$17,661
Fixed-rate senior and subordinated notes	19,357.5	5.76%	17,551
Composite	\$35,213.0	3.97%	\$35,213
Nine Months Ended September 30, 2005 (Restated)			
Commercial paper, variable-rate senior notes and bank credit facilities	\$16,595.6	3.29%	\$20,449
Fixed-rate senior and subordinated notes	25,626.5	5.05%	21,772
Composite	\$42,222.1	4.36%	\$42,222
Nine Months Ended September 30, 2004			
Commercial paper, variable-rate senior notes and bank credit facilities	\$14,742.5	1.69%	\$17,842
Fixed-rate senior and subordinated notes	19,206.0	5.72%	16,106
Composite	\$33,948.5	3.97%	\$33,948

The weighted average interest rates before swaps do not necessarily reflect the interest expense that would have been incurred over the life of the borrowings had the interest rate risk been managed without the use of such swaps.

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Net Finance Margin after Provision for Credit Losses (Risk-Adjusted Margin)

The following table summarizes risk-adjusted margin, both in amount and as a percentage of AEA (\$ in millions):

Quarters Ended
September 30,

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	2005	2004
Net finance margin	\$ 415.7	\$ 393.4
Provision for credit losses	69.9	60.2
Net finance margin after provision for credit losses (risk adjusted margin)	\$ 345.8	\$ 333.2
As a % of AEA:		
Net finance margin	3.41%	4.01%
Provision for credit losses	0.57%	0.61%
Net finance margin after provision for credit losses (risk adjusted margin)	2.84%	3.40%

The provision for the 2005 quarter includes \$34.6 million for credit losses due to the hurricanes, which reflects managements best current estimate of such losses. The decline in the year to date provision mirrors the lower charge-off trend and helped mitigate the previously discussed decline in net finance margin in relation to 2004. Charge-off trends are discussed further in "Credit Metrics".

Other Revenue

The components of other revenue are set forth in the following table (\$ in millions):

	Quarters Ended September 30,	
	2005	2004
	(Restated)	
Fees and other income	\$ 149.6	\$ 119.6
Factoring commissions	63.5	59.5
Gains on sales of leasing equipment	20.7	23.5
Gains on securitizations	11.3	9.9
Gain on sale of real estate investment	115.0	--
Charge related to aircraft held for sale	(86.6)	--
Gain on sale of business aircraft	--	--
Charge related to manufactured housing assets held for sale.....	(20.0)	--
(Loss) gain on derivatives	(14.3)	--
Gain on venture capital investments	0.3	4.2
Total other revenue	\$ 239.5	\$ 216.7
Other revenue as a percentage of AEA	1.96%	2.21%

o Fees and other income include securitization-related servicing fees

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and accretion, syndication fees, miscellaneous fees, gains from asset sales. The improvement from 2004 reflected gains from receivable sales in Specialty Finance - consumer, including the sale of student lending assets, as well as strong fees in Corporate Finance. This was in part offset by lower securitization related fees as those asset balances declined from last year.

- o Factoring commissions increased over last year on higher factoring asset balances, but reflected slightly lower factoring rates (as a percentage of factoring volume).

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The following table presents information regarding gains on securitizations (\$ in millions):

	Quarters Ended September 30,	
	2005	2004
Total volume securitized	\$1,396.5	\$783.8
Gains	\$ 11.3	\$ 9.9
Gains as a percentage of volume securitized	0.81%	1.26%
Gains as a percentage of pre-tax income (Restated).....	3.71%	3.28%
Securitized assets		
Retained interest in securitized assets		

The lower gain percentage of volume securitized during the quarter ended September 30, 2005 reflects a greater proportion of vendor program assets sold, which have lower yields.

- o During the quarter, we sold an interest in a real estate investment, Waterside Plaza, a residential complex in New York City, and recognized a pre-tax gain of approximately \$115 million.
- o During the quarter, certain aircraft with a net carrying value totaling approximately \$190 million were classified as assets held for sale based on management's decision to actively market these assets, and a mark-to-market charge of \$86.6 million was recorded in Capital Finance. These aircraft types included commercial, regional and business aircraft. Year to date results also reflect a \$22.0 million gain on the sale of a majority of the Equipment Finance business aircraft portfolio (approximately \$900 million). During the quarter ended September 30, 2005, the remaining business aircraft portfolio was transferred to Capital Finance. See "Concentration" and "Financing and Leasing Assets" sections for further detail.
- o During the quarter, we accelerated the liquidation of approximately \$125 million in manufactured housing assets. These assets were reclassified as held for sale on the financial statements and marked to estimated fair value resulting in a \$20.0 million charge.

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Reserve for Credit Losses

The changes to the reserve for credit losses, including related provisions, are presented in the following table (\$ in millions):

	Quarters Ended September 30,		
	2005	2004	
Balance beginning of period	\$622.3	\$621.0	\$6
Provision for credit losses -- finance receivables	35.3	60.2	1
Provision for credit losses -- hurricane losses	34.6	--	
Reserves relating to acquisitions, other	8.6	29.0	
Additions to reserve for credit losses, net	78.5	89.2	1
Net credit losses			
Specialty Finance - commercial	24.1	32.2	
Specialty Finance - consumer	15.1	10.3	
Commercial Services	6.3	7.2	
Corporate Finance	(3.2)	14.8	
Equipment Finance	3.4	7.8	
Capital Finance	2.3	--	
Total net credit losses	48.0	72.3	1
Balance end of period	\$652.8	\$637.9	\$6
Reserve for credit losses as a percentage of finance receivables			=
Reserve for credit losses as a percentage of past due receivables (60 days or more) (1)			=
Reserve for credit losses as a percentage of non-performing assets(1)			1 =

(1) The reserve for credit losses as a percentage of past due receivables and non-performing accounts, excluding telecommunications reserves and account balances, were 100.7% and 113.5% at September 30, 2004, respectively.

(2) At September 30, 2005, the reserve to non-performing asset percentage exceeded the reserve to delinquency percentage due to the fact that the student lending portfolio has no non-performing assets, as student lending past due receivables are not classified as non-performing assets to the extent such loans are subject to the U.S. government guarantee.

The reserve for credit losses was \$652.8 million (1.53% of finance receivables) at September 30, 2005, compared to \$617.2 million (1.76%) at December 31, 2004. The increase in reserve amount from December 31, 2004 was due to a \$34.6 million provision for estimated hurricane damage (see table below),

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portfolio growth, and increased risk related to U.S. commercial airline hub carriers, reflecting the continuation of high fuel costs and airline industry operating losses, as well as the potential for additional bankruptcies in this sector. The decline as a percentage of receivables represents credit quality improvements across portfolios and asset mix changes, including the addition of \$4.4 billion of U.S. government-guaranteed education lending loans. The reserve includes specific reserves, excluding telecommunication accounts, relating to impaired loans of \$68.3 million and \$42.4 million at September 30, 2005 and December 31, 2004. The increase from 2004 relating to impaired loans reflects amounts related to bankrupt U.S. hub carriers.

During the quarter, we established a \$34.6 million reserve for credit losses related to Hurricanes Katrina and Rita. This amount reflects management's best estimate of loss as of September 30, 2005 based on available, relevant information. Total business segment owned and securitized receivables in the three most impacted states (Louisiana, Alabama and Mississippi) as of September 30, 2005 were approximately \$925 million and \$200 million. Of these amounts, exposure to commercial and consumer customers located in the Federal Emergency Management Agency ("FEMA") designated disaster areas and other areas that management determined were significantly impacted were approximately \$600 million and \$50 million respectively, including approximately \$250 million in the FEMA designated disaster areas relating principally to equipment and vendor finance assets and home mortgages. For commercial loans management performed a loan-by-loan assessment of estimated loss. For equipment and vendor assets and home mortgages the FEMA designated disaster areas, management performed an analysis of exposure by zip code, including flood versus non-flood designated locations, supplemented with a range of corresponding estimated damage assessments. This estimate of loss involves considerable judgment and assumptions about uncertain matters, including the existence of insurance in force with respect to damages incurred, insurance claims and proceeds and the extent of property damage. Management will continue to assess the financial impact of the hurricanes as more information becomes available.

A summary of the estimated hurricane charges is as follows (\$ in millions):

	Reserve for Credit Losses
Specialty Finance - commercial.....	\$ 4.2
Specialty Finance - consumer.....	16.9

Total Specialty Finance Group.....	21.1

Commercial Services.....	3.0
Corporate Finance.....	6.5
Equipment Finance.....	4.0
Capital Finance.....	--

Total Commercial Finance Group.....	13.5

Total.....	\$34.6
	=====

The reserve for credit losses is determined based on three key components: (1) specific reserves for collateral and cash flow dependent loans that are impaired under SFAS 114; (2) reserves for estimated losses inherent in the portfolio based upon historical and projected credit trends; and (3) reserves for economic environment and other factors. The portion of the reserve related to inherent estimated loss and estimation risk reflects our evaluation of trends in our key credit metrics, as well as our assessment of risk in certain industry sectors, including commercial aerospace, and inherent uncertainty with respect

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to our estimate of hurricane losses.

The consolidated reserve for credit losses is intended to provide for losses inherent in the portfolio, which requires the application of estimates and significant judgment as to the ultimate outcome of collection efforts and realization of collateral values, among other things. Therefore, changes in economic conditions or credit metrics, including past due and non-performing accounts, or other events affecting specific obligors or industries may necessitate additions or reductions to the consolidated reserve for credit losses. Management continues to believe that the credit risk characteristics of the portfolio are well diversified by geography, industry, borrower and equipment type. Refer to "Concentrations" for more information.

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Based on currently available information, management believes that our total reserve for credit losses is adequate.

See "Concentrations" for additional information on the commercial aerospace portfolio.

Credit Metrics

Net Charge-offs

Net charge-offs, both in amount and as a percentage of average finance receivables, are shown in the following table (\$ in millions):

	Quarters Ended September 30,				Ni
	2005		2004		
Specialty Finance - commercial	\$24.1	1.10%	\$32.2	1.56%	\$ 69.6
Specialty Finance - consumer	15.1	0.55%	10.3	1.10%	39.6
Total Specialty Finance Group	39.2	0.79%	42.5	1.42%	109.2
Commercial Services	6.3	0.36%	7.2	0.46%	18.4
Corporate Finance	(3.2)	(0.15)%	14.8	0.90%	4.0
Equipment Finance	3.4	0.31%	7.8	0.49%	16.7
Capital Finance	2.3	0.39%	--	--	2.7
Total Commercial Finance Group	8.8	0.16%	29.8	0.57%	41.8
Total	\$48.0	0.46%	\$72.3	0.88%	\$151.0

Charge-offs for the quarter and nine months ended September 30, 2004, excluding amounts related to liquidating and specifically-reserved telecommunication accounts, were \$57.6 million (0.72%) and \$186.3 million (0.80%). The most notable improvements from the prior year were in Capital Finance, Equipment Finance and the Communications, Media & Entertainment, Capital Markets, and Global Sponsor Finance units within Corporate Finance. Additional analysis by segment follows:

- o Specialty Finance - commercial charge-offs for the quarter improved

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from 2004 primarily in the vendor program.

- o Specialty Finance - consumer charge-offs, while up in amount, were down as a percentage of average finance receivables from the prior year, reflecting portfolio growth, improved credit performance and the addition of the student lending assets.
- o Commercial Services charge-offs were modestly above the prior year.
- o Corporate Finance charge-off improvement was driven by recoveries from previously written-off accounts in the Communications, Media & Entertainment, Capital Markets, and Global Sponsor Finance units.
- o Equipment Finance charge-off improvement continued, as current quarter charge-offs remained very low, particularly in the construction business.
- o Capital Finance charge-offs were below 2004 due to a project finance write-off in the prior year.

Net charge-offs on a managed basis, including securitized receivables, both in amount and as a percentage of average managed receivables, are shown in the following table (\$ in millions):

	Quarters Ended September 30,				Nin
	2005		2004		2
Specialty Finance - commercial	\$33.8	1.09%	\$43.5	1.45%	\$ 99.1
Specialty Finance - consumer	23.3	0.78%	15.6	1.21%	59.9
Total Specialty Finance Group	57.1	0.93%	59.1	1.38%	159.0
Commercial Services	6.3	0.36%	7.2	0.46%	18.4
Corporate Finance	(3.1)	(0.14)%	14.8	0.90%	4.6
Equipment Finance	5.9	0.34%	17.5	0.77%	27.6
Capital Finance	2.3	0.39%	--	--	2.7
Total Commercial Finance Group	11.4	0.18%	39.5	0.66%	53.3
Total	\$68.5	0.56%	\$98.6	0.96%	\$212.3

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The changes in managed portfolio charge-offs are consistent with the previously discussed changes in charge-offs on an owned basis.

Past Due Loans and Non-performing Assets

The following table sets forth certain information concerning past due (sixty days or more) and non-performing assets, and the related percentages of finance receivables (\$ in millions):

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September 30, 2005

Past due accounts:		
Specialty Finance - commercial	\$303.0	3.52%
Specialty Finance - consumer	283.4	2.55%

Total Specialty Finance Group	586.4	2.97%

Commercial Services	36.6	0.50%
Corporate Finance(1)	58.0	0.65%
Equipment Finance(1)	48.0	1.08%
Capital Finance	21.6	1.02%

Total Commercial Finance Group	164.2	0.72%

Total	\$750.6	1.76%
	=====	
Non-performing accounts:		
Specialty Finance - commercial	\$162.8	1.89%
Specialty Finance - consumer	146.4	1.31%

Total Specialty Finance Group	309.2	1.57%

Commercial Services	6.4	0.09%
Corporate Finance(1)	67.3	0.75%
Equipment Finance(1)	67.0	1.50%
Capital Finance	96.7	4.56%

Total Commercial Finance Group	237.4	1.03%

Total	\$546.6	1.28%
	=====	
Non-accrual loans	\$487.6	
Repossessed assets	59.0	

Total non-performing accounts	\$546.6	
	=====	

(1) Corporate Finance and Equipment Finance non-performing assets include accounts that are less than sixty days past due.

Delinquency levels as of September 30, 2005 increased from December 31, 2004 primarily due to the student lending acquisition in Specialty Finance - consumer. Excluding these assets, delinquency was \$619.2 million (1.62%) at September 30, 2005. Although delinquency is higher in this portfolio, this metric is not indicative of ultimate loss, given the U.S. government guarantee of these loans. Additional analysis follows:

- o Specialty Finance - commercial delinquency level was higher than last quarter and the fourth quarter of 2004 in the vendor program.
- o Specialty Finance - consumer delinquency increased from December 31, 2004, due to the student lending acquisition. Excluding student lending receivables, delinquencies were \$152.0 million (2.26%), versus \$116.4 million (2.27%) last year-end, reflecting the home lending portfolio growth.
- o Commercial Services delinquency was down from 2004 due to the work-out of one significant account.

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- o Corporate Finance, Equipment Finance and Capital Finance delinquencies remained at the relatively low year end 2004 levels.
- o Capital Finance non-performing increase is due to two commercial airline carriers declaring bankruptcy during the current quarter (see "Concentrations" section)

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Non-performing assets increased from the prior quarter mainly in Capital Finance due to the bankruptcies and in Specialty Finance - consumer due to the home lending growth as mentioned above. The percentage trends were impacted by the student lending acquisition, which had no non-performing accounts at September 30, 2005.

Managed past due loans in dollar amount and as a percentage of managed financial assets are shown in the table below (\$ in millions):

	September 30, 2005		De
	-----	-----	-----
Managed past due accounts:			
Specialty Finance - commercial	\$399.4	2.94%	\$4
Specialty Finance - consumer	369.2	2.91%	2
	-----		-----
Total Specialty Finance Group	768.6	2.92%	6
	-----		-----
Commercial Services	36.6	0.50%	
Corporate Finance	58.7	0.65%	
Equipment Finance	66.8	0.93%	
Capital Finance	21.6	0.97%	
	-----		-----
Total Commercial Finance Group	183.7	0.71%	2
	-----		-----
Total	\$952.3	1.83%	\$8
	=====		=====

The trends in the table above largely reflect the previously discussed changes in the owned portfolios.

Salaries and General Operating Expenses

The efficiency ratio and the ratio of salaries and general operating expenses to average managed assets ("AMA") are summarized in the following table (\$ in millions):

Quarters Ended September 30,	
2005	2004
-----	-----
(Restated)	

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Salaries and employee benefits	\$ 177.7	\$ 148.2
Other general operating expenses	103.4	99.9
	-----	-----
Salaries and general operating expenses	281.1	248.1
Provision for restructuring	--	--
	-----	-----
Total	\$ 281.1	\$ 248.1
	=====	=====
Efficiency ratio(1)	42.9%	40.7%
Salaries and general operating expenses as a percentage of AMA(2)	2.01%	2.10%
Average Managed Assets	\$ 56,011.0	\$ 47,166.8

(1) Efficiency ratio is the ratio of salaries and general operating expenses to operating margin, excluding the provision for credit losses. Excluding the gain on sale of real estate investment, fair value mark-downs on aircraft and manufactured housing receivables, and hurricane related estimated losses in the quarter and the restructuring charge and the gain on sale of business aircraft year to date, as well as the gain/loss on derivatives for both periods, the efficiency ratios for the 2005 quarter and nine months were 43.5% and 41.4%.

(2) "AMA" means average managed assets, which is average earning assets plus the average of finance receivables previously securitized and still managed by us. Excluding the restructuring charge, the ratio of salaries and general operating expenses to managed assets was 1.99% for the nine months ended September 30, 2005.

Salaries and general operating expenses for the quarter ended September 30, 2005 increased from 2004 due to incremental salaries and other operating expenses related to recent acquisitions and additions to our sales and marketing functions, as well as higher incentive-based costs (driven primarily by higher sales incentive plans), consistent with the improved volume, fees and profitability. Operating expenses for student lending were \$18.8 million and \$42.5 million for the quarter and nine months ended September 30, 2005.

Personnel totaled approximately 6,165 at September 30, 2005, versus 6,110 last quarter and 5,700 last year. The increase from 2004 was largely due to the acquisitions and upfront investments made in our sales and marketing functions.

Improvement in the efficiency ratio remains one of management's goals, and several initiatives are underway to reduce costs, including system consolidations and process efficiency improvements. Accordingly, a \$25.2 million restructuring charge was established last quarter, reflecting the realignment of Commercial Finance and

back-office streamlining and consolidation activities in Specialty Finance. The charge consists largely of employee termination costs related to approximately 200 personnel. We anticipate reinvesting the savings from these initiatives in sales and growth initiatives, as well as the continuation of streamlining initiatives. We expect the streamlining initiatives to reduce costs by approximately \$25 million in 2006.

Income Taxes

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The effective tax rate differs from the U.S. federal tax rate of 35% primarily due to state and local income taxes, the domestic and international geographic distribution of taxable income and corresponding foreign income taxes, as well as differences between book and tax treatment of certain items.

The effective tax rate was 28.5% and 39.0% for the quarters ended September 30, 2005 and 2004 and 33.9% and 39.0% for the respective year to date periods. The reduction in the 2005 effective tax rate, which is based on our revised estimate of annual effective tax rate of approximately 35%, reflects the following: (1) improved profitability in our international operations; (2) the relocation of certain aerospace assets in Ireland with offshore funding, as provisions of the American Jobs Creation Act of 2004 provide favorable tax treatment for certain aircraft leasing operations conducted offshore and (3) the release of a tax liability of \$17.6 million relating to our international operations. The improved profitability in international operations resulted from our initiative to grow our international profitability via better platform efficiency coupled with asset growth. During the quarter ended September 30, 2005 we concluded our evaluation with respect to an international tax filing position based on a favorable opinion received from the local tax authorities, resulting in the release of a previously provided for tax liability of \$17.6 million. This reduced the effective tax rate by approximately 5% for the quarter ended September 30, 2005.

During the quarter, we filed our U.S. federal income tax return for the year ended December 31, 2004. The return reported taxable income of approximately \$400 million, which reduced the U.S. federal net operating losses ("NOL's") to approximately \$1.5 billion. These NOL's expire in various years beginning in 2011. In addition, we have various state NOL's that will expire in various years beginning in 2005. Federal and state operating losses may be subject to annual use limitations under section 382 of the Internal Revenue Code of 1986, as amended, and other limitations under certain state laws. Management believes that CIT will have sufficient taxable income in future years and can avail itself of tax planning strategies in order to utilize these federal losses fully. Accordingly, we do not believe a valuation allowance is required with respect to these federal NOL's. As of September 30, 2005, based on management's assessment as to realizability, the net deferred tax liability includes a valuation allowance of approximately \$10 million relating to state NOL's.

We have open tax years in the U.S., Canada and other jurisdictions that are currently under examination by the applicable taxing authorities, and certain tax years that may in the future be subject to examination. Management periodically evaluates the adequacy of our related tax reserves, taking into account our open tax return positions, tax assessments received, tax law changes and third party indemnifications. We believe that our tax reserves are appropriate. The final determination of tax audits could affect our tax reserves.

See Item 4. Controls and Procedures for a discussion of internal controls relating to income taxes.

Financing and Leasing Assets

The managed assets of our business segments and the corresponding strategic business units are presented in the following table (\$ in millions):

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	September 30, 2005
	----- (Restated)
Specialty Finance Group	
Specialty Finance - commercial	
Finance receivables	\$ 8,605.1
Operating lease equipment, net	1,116.7
Financing and leasing assets held for sale	994.0

Owned assets	10,715.8
Finance receivables securitized and managed by CIT	3,996.2

Managed assets	14,712.0

Specialty Finance - consumer	
Finance receivables -- home lending	6,447.5
Finance receivables -- education lending	4,396.1
Finance receivables -- other	289.9
Financing and leasing assets held for sale	643.2

Owned assets	11,776.7
Home lending finance receivables securitized and managed by CIT	911.4

Managed assets	12,688.1

Commercial Finance Group	
Commercial Services	
Finance receivables	7,388.9

Corporate Finance	
Finance receivables	8,978.0
Operating lease equipment, net	76.1
Financing and leasing assets held for sale	0.1

Owned assets	9,054.2
Finance receivables securitized and managed by CIT	46.1

Managed assets	9,100.3

Equipment Finance	
Finance receivables	4,461.2
Operating lease equipment, net	109.1
Financing and leasing assets held for sale	105.8

Owned assets	4,676.1
Finance receivables securitized and managed by CIT	2,585.7

Managed assets	7,261.8

Capital Finance	
Finance receivables	2,118.5
Operating lease equipment, net	7,882.5
Financing and leasing assets held for sale	105.3

Owned assets	10,106.3

Other -- Equity Investments	31.1

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Total		-----
Finance receivables	\$42,685.2	
Operating lease equipment, net	9,184.4	
Financing and leasing assets held for sale	1,848.4	-----
Financing and leasing assets excl. equity investments	53,718.0	
Equity investments (included in other assets)	31.1	-----
Owned assets	53,749.1	
Finance receivables securitized and managed by CIT	7,539.4	-----
Managed assets	\$61,288.5	=====

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The 2005 year to date activity reflects strong volumes and the acquisitions in the student lending and healthcare businesses, offset by asset sales and syndications done largely for risk management and capital allocation purposes, particularly in the third quarter. Additional trends by segment follow:

- o Specialty Finance - commercial declined despite strong volume, as runoff / liquidations were higher and the sale of over \$300 million of liquidating manufactured housing assets in the first quarter of 2005.
- o Specialty Finance - consumer increased, reflecting the \$4.6 billion student lending unit in addition to continued strength in the home equity lending market, where originations and purchases were partially offset by sales to balance certain portfolio demographics and risk characteristics.
- o Commercial Services increased due to seasonal growth, as retailers build inventories ahead of the back to school and holiday seasons and the first quarter 2005 acquisition.
- o The increase in Corporate Finance reflects strong volumes and the transfer of approximately \$850 million of sports and gaming portfolio assets and healthcare assets from Equipment Finance as well as approximately \$500 million from the HBCC acquisition in the third quarter of 2005.
- o Equipment Finance, essentially unchanged from the June 30 quarter, declined from year-end 2004 reflecting the sale of \$923 million in business aircraft assets, the transfer of the remaining portfolio (approximately \$600 million) to Capital Finance, and the transfer of approximately \$450 million in healthcare assets to Corporate Finance in the second quarter of 2005. In addition, the \$400 million sports and gaming portfolio was transferred to Corporate Finance in the first quarter of 2005.
- o Capital Finance's increase reflected the growth in our railcar portfolio as well as commercial aerospace deliveries and the transfer of the remaining business aircraft portfolio from Equipment Finance during the second quarter of 2005.

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Consistent with our capital optimization activities during the current period, we will consider other opportunities for more rapid liquidation of non-strategic and under-performing assets to the extent available.

Business Volumes

The following table presents new business origination volume by segment (\$ in millions):

	Quarters Ended September 30,	
	2005	2004
Specialty Finance - commercial	\$2,843.9	\$2,504.0
Specialty Finance - consumer	2,434.7	1,319.4
Commercial Services	108.2	107.6
Corporate Finance	1,196.8	621.8
Equipment Finance	729.9	1,115.1
Capital Finance	669.9	299.6
	-----	-----
Total new business volume	\$7,983.4	\$5,967.5
	=====	=====

- o Specialty Finance - commercial volume increase was broad-based across units, including strength in the vendor programs.
- o Specialty Finance - consumer volume increase included strong origination volume, including bulk receivable purchases in home lending as well as strong volume in student lending.
- o Commercial Services' current quarter volume was essentially flat with the prior year's.
- o Corporate Finance's Global Sponsor Finance and Communications and Media units posted strong volumes and drove the favorable trends.
- o Capital Finance year-over-year volume increases reflected additional aircraft fundings.

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Concentrations

Ten Largest Accounts

Our ten largest financing and leasing asset accounts in the aggregate represented 4.5% of our total financing and leasing assets at September 30, 2005 (the largest account being less than 1.0%), compared to 5.3% at December 31, 2004. The decline is due to asset growth, including the addition of the student lending receivables.

Operating Leases

The following table summarizes the total operating lease portfolio by segment (\$ in millions):

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	September 30, 2005	December 31, 2004
	-----	-----
Capital Finance -- Aerospace	\$4,894.4	\$4,461.0
Capital Finance -- Rail and Other	2,988.1	2,275.5
Specialty Finance	1,116.7	1,078.7
Equipment Finance	109.1	440.6
Corporate Finance	76.1	35.1
	-----	-----
Total	\$9,184.4	\$8,290.9
	=====	=====

The increases in the Capital Finance aerospace portfolio reflected deliveries of eleven new commercial aircraft, partially offset by the disposition of eight aircraft.

Management strives to maximize the profitability of the lease equipment portfolio by balancing equipment utilization levels with market rental rates and lease terms. Equipment not subject to lease agreements totaled \$227.2 million and \$118.3 million at September 30, 2005 and December 31, 2004, respectively. Weakness in the commercial airline industry could adversely impact prospective rental and utilization rates.

Leveraged Leases

The major components of net investments in leveraged leases include: (1) commercial aerospace transactions (including tax-optimized leveraged leases, which generally have increased risk of loss in default for lessors in contrast to conventional lease structures due to additional leverage and the third party lender priority recourse to the equipment in these transactions); (2) project finance transactions, primarily in the power and utility sectors and (3) rail transactions. The balances are as follows (\$ in millions):

	September 30, 2005	December 31, 2004
	-----	-----
Commercial aerospace -- non-tax optimized	\$ 342.6	\$ 336.6
Commercial aerospace -- tax optimized	182.5	221.0
Project finance	354.6	334.9
Rail	209.5	233.9
Other	87.4	115.4
	-----	-----
Total leveraged lease transactions	\$1,176.6	\$1,241.8
	=====	=====
As a percentage of finance receivables	2.8%	3.5%
	=====	=====

Joint Venture Relationships

Our strategic relationships with industry-leading equipment vendors are a significant origination channel for our financing and leasing activities. These vendor alliances include traditional vendor finance programs, joint ventures and profit sharing structures. Our vendor programs with Dell, Snap-on and Avaya are among our largest alliances. The agreements with Dell provide Dell with the option to purchase CIT's 30% interest in Dell Financial Services L.P. ("DFS") in February 2008 and extends CIT's right to purchase a percentage of DFS finance receivables through January 2010. The joint venture agreement with Snap-on was recently extended until January 2009, pursuant to an automatic renewal provision in the agreement. The Avaya agreement, which relates to profit sharing on a CIT direct origination program, extends through September 2006.

Our financing and leasing assets include amounts related to the Dell, Snap-on and Avaya joint venture programs. These amounts include receivables originated directly by CIT as well as receivables purchased from joint venture entities. The asset balances for these programs are as follows (\$ in millions):

	September 30, 2005	December 31, 2004
	-----	-----
Owned Financing and Leasing Assets		
Dell	\$3,551.8	\$3,389.4
Snap-on	1,052.1	1,114.7
Avaya Inc.	542.6	620.7
Securitized Financing and Leasing Assets		
Dell	\$2,519.8	\$2,489.2
Snap-on	55.8	64.8
Avaya Inc.	515.9	599.6
Dell International Financing and Leasing Assets included above		
Dell -- owned	\$1,437.3	\$1,403.6
Dell -- securitized	39.8	5.1

Returns relating to the joint venture relationships (i.e., net income as a percentage of average managed assets) for 2005 were somewhat in excess of CIT's consolidated returns. A significant reduction in origination volumes from any of these alliances could have a material impact on our asset and net income levels. For additional information regarding certain of our joint venture activities, see Note 8 -- Certain Relationships and Related Transactions.

Home Lending Portfolio

The Specialty Finance - consumer home lending business is largely originated through a broker network. As part of originating business through this core channel, we employ an active portfolio management approach, whereby we target desired portfolio mix / risk attributes in terms of product type, lien position, and geographic concentrations, among other factors. We supplement business with opportunistic purchases in the secondary market when market conditions are favorable from a credit and price perspective. The interest rate environment over the last 18 months, combined with substantial volume growth in the industry, have made these bulk asset purchases attractive.

The home lending portfolio totaled \$6.9 billion (owned) and \$7.8 billion (managed) at September 30, 2005, representing 12.8% and 12.7% of owned and managed assets, respectively. Selected statistics for our managed home lending portfolio are as follows:

- o 92% first mortgages.
- o Average loan size of approximately \$112.4 thousand.
- o Top 5 state concentrations (California, Texas, Florida, Ohio, and Pennsylvania) represented an aggregate 42% of the managed portfolio.
- o 47% fixed-rate.
- o Average loan-to-value of 81%.
- o Average FICO score of 631.
- o Delinquencies (sixty days or more) were 3.01% and 3.59% at September

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30, 2005 and December 31, 2004.

- o Charge-offs were 1.14% and 1.09% for the quarters ended September 30, and June 30, 2005.

During the quarter ended September 30, 2005, a reserve for credit losses of \$16.9 million and a securitization retained interest impairment charge of \$4.6 million pretax related to estimated hurricane losses in the home lending portfolio was recorded. See Reserve for Credit Losses and Note 3 for additional information.

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Student Lending Portfolio (Student Loan Xpress)

The Specialty Finance - consumer student lending portfolio, which is marketed as Student Loan Xpress, totaled \$4.6 billion at September 30, 2005, representing 8.5% of owned and 7.4% of managed assets. Loan origination volumes for the September 2005 quarter were \$945.1 million, and \$1.5 billion for the period of CIT ownership. Student Loan Xpress has arrangements with certain financial institutions to sell selected loans and works jointly with these financial institutions to promote this relationship.

Selected statistics for our student lending portfolio are as follows (\$ in millions):

	September 30, 2005	December 31, 2004
	-----	-----
Finance receivables by product type		
Consolidation loans.....	\$4,121.8	\$3,954.8
Other U.S. Government guaranteed loans.....	414.8	322.6
Private (non-guaranteed) loans and other.....	15.8	14.1
	-----	-----
Total.....	\$4,552.4	\$4,291.5
	=====	=====

- o Delinquencies (sixty days or more) were \$131.4 million, 2.89% of finance receivables at September 30, 2005 and \$114.3 million, 2.66% at June 30, 2005.
- o Top 5 state concentrations (California, New York, Pennsylvania, Texas, and Ohio) represented an aggregate 37.5% of the portfolio.

Geographic Composition

The following table summarizes significant state concentrations greater than 5.0% and foreign concentrations in excess of 1.0% of our owned financing and leasing portfolio assets. For each period presented, our managed asset geographic composition did not differ significantly from our owned asset geographic composition.

	September 30, 2005	December 31, 2004
	-----	-----
State		
California	10.0%	10.3%
Texas	7.6%	7.8%
New York	6.7%	6.8%
All other states	55.2%	52.8%

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Total U.S.	79.5%	77.7%
	=====	=====
Country		
Canada	5.5%	5.5%
England	3.5%	3.9%
Australia	1.1%	1.3%
China	1.1%	1.2%
France	1.0%	1.4%
Germany	1.0%	1.2%
All other countries	7.3%	7.8%
	-----	-----
Total Outside U.S.	20.5%	22.3%
	=====	=====

During August and September 2005, hurricanes damaged our customers' places of business and homes along the Gulf coast from Texas to the panhandle of Florida. Our owned and securitized asset exposure in the three most impacted states (Louisiana, Mississippi, and Alabama) was \$925 million and \$200 million at September 30, 2005. See Reserve for Credit Losses and Note 3 for additional information.

Industry Composition

The following discussions provide information with respect to selected industry compositions.

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Aerospace

Our commercial and regional aerospace portfolios reside in the Capital Finance segment.

The commercial aircraft all comply with Stage III noise regulations. The following table summarizes the composition of the commercial aerospace portfolio (\$ in millions):

	September 30, 2005	
	Net Investment	Number
	-----	-----
By Region:		
Europe	\$2,217.2	72
North America	1,061.4	59
Asia Pacific	1,467.6	50
Latin America	531.7	21
Africa / Middle East	255.6	6
	-----	---
Total	\$5,533.5	208
	=====	====
By Manufacturer:		
Boeing	\$2,603.7	124
Airbus	2,886.6	76
Other	43.2	8
	-----	---

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Total	\$5,533.5	208
	=====	===
By Body Type(1):		
Narrow body	\$4,091.6	163
Intermediate	1,101.8	21
Wide body	296.9	16
Other	43.2	8
	-----	---
Total	\$5,533.5	208
	=====	===
By Product:		
Operating lease	\$4,799.2	168
Leverage lease (other)	342.6	12
Leverage lease (tax optimized)	182.5	8
Capital lease	126.3	6
Loan	82.9	14
	-----	---
Total	\$5,533.5	208
	=====	===
Other Data:		
Off-lease aircraft	2	
Number of accounts	97	
Weighted average age of fleet (years)	6	
Largest customer net investment	\$ 279.3	

(1) Narrow body are single aisle design and consist primarily of Boeing 737 and 757 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, which consist primarily of Boeing 747 and 777 series and McDonnell Douglas DC10 series aircraft.

The top five commercial aerospace exposures, which totaled \$1,064.3 million at September 30, 2005, are to carriers outside of the U.S. The largest exposure to a U.S. carrier at September 30, 2005 was \$158.9 million. Future revenues and aircraft values could be impacted by the actions of the carriers, management's actions with respect to re-marketing the aircraft, airline industry performance and aircraft utilization levels.

The profitability of the commercial aerospace portfolio has improved over the past year reflecting a number of positive factors including: improving global demand for commercial aircraft, continued recovery in rental rates and lower tax rates. Additionally, the risk-based capital returns on new aircraft deliveries (from our existing order book) exceed our targeted hurdle rate.

The regional aircraft portfolio at September 30, 2005 consisted of 117 planes and a net investment of \$291.4 million. The carriers are primarily located in North America and Latin America. Operating leases account for about 32.7% of the portfolio, with the balance capital leases or loans. At December 31, 2004, the portfolio consisted of 121 planes with a net investment of \$302.6 million.

At September 30, 2005, two commercial aircraft were off-lease (book value of \$47.6 million). Generally, commercial aerospace leases are being written for terms between three and five years. There were two aircraft off-lease with a total book value of approximately \$2.8 million within the regional aircraft

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portfolio at September 30, 2005.

The following is a list of our exposure to aerospace carriers that have filed for bankruptcy protection and the current status of our related aircraft at September 30, 2005:

- o UAL Corp. -- United Airlines leases two CIT-owned narrow body aircraft (Boeing 757 aircraft) with a net investment of \$44.9 million. We hold Senior A tranche Enhanced Equipment Trust Certificates ("EETCs") issued by United Airlines, which are debt instruments collateralized by aircraft operated by the airline, with a fair value of \$32.3 million. Further, we have an outstanding balance of \$9.6 million (with a commitment of \$31.3 million) relating to a debtor-in-possession facility in connection with United Airlines' filing under Chapter 11.
- o US Airways -- US Airways exited its second Chapter 11 filing via a merger with America West. One CIT-owned 737-300 remains with the airline through 2007, for a total net investment of \$5.8 million.
- o Delta Air Lines -- On September 14, 2005, Delta Air Lines announced that it had filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We are currently in negotiations under Section 1110 of the Code. We have loans and leases secured by eight aircraft for a total net investment of \$88.5 million.
- o Northwest Airlines -- On September 14, 2005, Northwest Airlines announced that it had filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We are currently in negotiations under Section 1110 of the Code with respect to one aircraft and have been notified that two other aircraft will be returned. As of September 30, 2005, we had \$49.7 million in finance receivables from Northwest Airlines.

In total, we have exposures to U.S. commercial airline hub carriers of approximately \$389 million at September 30, 2005. See "Reserve for Credit Losses" for additional information regarding our reserves and the applicability to commercial aerospace.

Our aerospace assets include both operating leases and capital leases. Management considers current lease rentals as well as relevant and available market information (including third party sales for similar equipment, published appraisal data and other marketplace information) both in determining undiscounted future cash flows when testing for the existence of impairment and in determining estimated fair value in measuring impairment. We adjust the depreciation schedules of commercial aerospace equipment on operating leases or residual values underlying capital leases when required. Aerospace assets are reviewed for impairment annually, or more often should events or circumstances warrant. An aerospace asset is defined as impaired when the expected undiscounted cash flow over its expected remaining life is less than its book value. Both historical information and current economic trends are factored into the assumptions and analyses used when determining the expected undiscounted cash flow. Included among these assumptions are the following:

- o Lease terms
- o Remaining life of the asset
- o Lease rates
- o Remarketing prospects

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- o Maintenance costs

In conjunction with capital optimization and risk management activities, we are actively managing the composition of the commercial aerospace portfolio in terms of type and age of aircraft, among other factors. As a result, we may consider sales of certain aircraft and new aircraft deliveries in the future.

See table in "Risk Management" section and Note 10 -- Commitments and Contingencies for additional information regarding commitments to purchase additional aircraft. See Note 4 -- Concentrations for further discussion on concentrations.

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Risk Management

Our risk management process is described in more detail in our 2004 Annual Report on Form 10-K. Our processes remained substantially the same as outlined in our 2004 Form 10-K.

Interest Rate Risk Management -- We monitor our interest rate sensitivity on a regular basis by analyzing the impact of interest rate changes upon the financial performance of the business. We also consider factors such as the strength of the economy, customer prepayment behavior and re-pricing characteristics of our assets and liabilities.

We evaluate and monitor various risk metrics:

- o Margin at Risk, which measures the impact of changing interest rates upon interest income over the subsequent twelve months. See Net Finance Margin section for discussion and results of this simulation.
- o Value at Risk, which measures the net economic value of assets by assessing the duration of assets and liabilities.

The following table summarizes the composition of our interest rate sensitive assets and liabilities before and after swaps:

	Before Swaps		A
	Fixed rate	Floating rate	Fixed rat
September 30, 2005			
Assets.....	49%	51%	49%
Liabilities.....	49%	51%	43%
December 31, 2004			
Assets.....	55%	45%	55%
Liabilities.....	60%	40%	46%

Total interest sensitive assets were \$49.9 billion and \$41.7 billion at September 30, 2005 and December 31, 2004. Total interest sensitive liabilities were \$44.0 billion and \$35.9 billion at September 30, 2005 and December 31, 2004. The addition of the education lending receivables and related debt during

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first quarter increased the proportions of floating-rate assets and liabilities at September 30, 2005, as compared to December 31, 2004.

Foreign Exchange Risk Management -- CIT utilizes foreign currency exchange forward contracts to hedge or mitigate currency risk underlying foreign currency loans to subsidiaries and the net investments in foreign operations to the extent local foreign currency borrowings are not raised. These contracts are designated as foreign currency cash flow hedges or net investment hedges and changes in fair value of these contracts are recorded in accumulated other comprehensive loss along with the translation gains and losses on the underlying hedged items. Translation gains and losses of the underlying foreign net investment, as well as offsetting derivative gains and losses on designated hedges, are reflected in accumulated other comprehensive loss in the Consolidated Balance Sheets. CIT also utilizes cross currency swaps to hedge currency risk underlying foreign currency debt and selected foreign currency assets. These swaps are designated as foreign currency cash flow hedges or foreign currency fair value hedges and changes in fair value of these contracts are recorded in accumulated other comprehensive loss (for cash flow hedges), or effectively as a basis adjustment (including the impact of the offsetting adjustment to the carrying value of the hedged item) to the hedged item (for fair value hedges) along with the transaction gains and losses on the underlying hedged items. CIT also has certain cross-currency swaps which economically hedge exposures, but do not qualify for hedge accounting.

Liquidity Risk Management and Capital Resources -- Liquidity risk refers to the risk of being unable to meet potential cash outflows promptly and cost-effectively. Factors that could cause such a risk to arise might be a disruption of a securities market or other source of funds. We actively manage and mitigate liquidity risk by maintaining diversified sources of funding and committed alternate sources of funding, and we maintain and periodically review a contingency funding plan to be implemented in the event of any form of market disruption. Additionally, we target our debt issuance strategy to achieve a maturity profile designed to reduce refinancing risk. The primary funding sources are commercial paper (U.S., Canada and Australia), long-term debt (U.S. and International) and asset-backed securities (U.S. and Canada).

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Outstanding commercial paper totaled \$5.2 billion at September 30, 2005, compared with \$4.2 billion at December 31, 2004. Our targeted U.S. program size remains at \$5.0 billion with modest programs aggregating approximately \$500 million to be maintained in Canada and Australia. Our goal is to maintain committed bank lines in excess of aggregate outstanding commercial paper. We have aggregate bank facilities of \$6.3 billion in multi-year facilities. We also have a 5-year unsecured committed line of credit of \$750 million, of which \$306 million has been drawn as of September 30, 2005. In addition, we have a separate 364-day unsecured committed line of credit of \$152 million, which supports the Australian commercial paper program.

We maintain registration statements with the Securities and Exchange Commission ("SEC") covering debt securities that we may sell in the future. At September 30, 2005, our registration statements had \$4.5 billion of registered, but unissued, securities available, under which we may issue debt securities and other capital market securities. Term-debt issued during 2005 totaled \$9.4 billion: \$4.9 billion in variable-rate medium-term notes and \$4.5 billion in fixed-rate notes. Included with the fixed rate notes are issuances under a retail note program in which we offer fixed-rate senior, unsecured notes utilizing numerous broker-dealers for placement to retail accounts. During 2005, we issued \$0.3 billion under this program having maturities of between 2 and 10

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years.

To further strengthen our funding capabilities, we maintain committed asset backed facilities and shelf registration statements, which cover a range of assets from equipment to consumer home lending and student lending receivables and trade accounts receivable. While these are predominately in the U.S., we also maintain facilities for Canadian domiciled assets. As of September 30, 2005, we had approximately \$5.0 billion of availability in our committed asset-backed facilities and \$5.0 billion of registered, but unissued, securities available under public shelf registration statements relating to our asset-backed securitization program.

Our committed asset-backed commercial paper programs in the U.S. and Canada provide a substantial source of alternate liquidity. We also maintain committed bank lines of credit to provide backstop support of commercial paper borrowings and local bank lines to support our international operations. Additional sources of liquidity are loan and lease payments from customers, whole-loan asset sales and loan syndications.

We also target and monitor certain liquidity metrics to ensure both a balanced liability profile and adequate alternate liquidity availability as outlined in the following table:

Liquidity Measurement -----	Current Target -----	September 30, 2005 -----
Commercial paper to total debt.....	Maximum of 15%	12%
Short-term debt to total debt.....	Maximum of 45%	34%
Bank lines to commercial paper.....	Minimum of 100%	134%
Aggregate alternative liquidity* to short-term debt.....	Minimum of 75%	94%

* Aggregate alternative liquidity includes available bank facilities, asset-backed facilities and cash.

Our credit ratings are an important factor in meeting our earnings and margin targets as better ratings generally correlate to lower cost of funds (see Net Finance Margin, interest expense discussion). The following credit ratings have been in place since September 30, 2002:

	Short-Term -----	Long-Term -----	Outlook -----
Moody's.....	P-1	A2	Stable
Standard & Poor's.....	A-1	A	Stable
Fitch.....	F1	A	Stable
DBRS.....	R-1L	A	Stable

The credit ratings stated above are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

We have certain covenants contained in our legal documents that govern our funding sources. The most significant covenant in CIT's indentures and credit agreements is a minimum net worth requirement defined as total equity of \$4.0 billion.

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The following tables summarize significant contractual obligations and projected cash receipts, and contractual commitments at September 30, 2005 (\$ in millions):

	Payments and Collections(3) by Twelve M		
	Total ----- (Restated)	2006 ----- (Restated)	2007 -----
Commercial Paper	\$ 5,185.1	\$ 5,185.1	\$ --
Variable-rate senior unsecured notes	14,318.1	7,007.2	4,169.8
Fixed-rate senior unsecured notes	21,405.9	3,108.6	2,585.5
Non-recourse, secured borrowings	3,737.7	11.6	--
Preferred capital security	252.5	--	--
Lease rental expense	316.9	54.6	51.8
	-----	-----	-----
Total contractual obligations	45,216.2	15,367.1	6,807.1
	-----	-----	-----
Finance receivables(1)	42,685.2	13,328.2	4,580.4
Operating lease rental income	3,617.1	1,237.0	882.9
Finance receivables held for sale(2)	1,848.4	1,848.4	--
Cash -- current balance	1,935.4	1,935.4	--
Retained interest in securitizations and other investments	1,180.9	864.7	133.2
	-----	-----	-----
Total projected cash receipts	51,267.0	19,213.7	5,596.5
	-----	-----	-----
Net projected cash inflow (outflow)	\$ 6,050.8	\$ 3,846.6	\$ (1,210.6)
	=====	=====	=====

(1) Based upon contractual cash flows; actual amounts could differ due to prepayments, extensions of credit, charge-offs and other factors.

(2) Based upon management's intent to sell rather than the contractual maturities of underlying assets.

(3) Projected proceeds from the sale of operating lease equipment, interest revenue from finance receivables, debt interest expense and other items are excluded. Obligations relating to postretirement programs are also excluded.

	Commitment Expiration by			
	Total -----	2006 -----	2007 -----	2008 -----
Credit extensions(1)	\$ 9,523.1	\$ 1,674.0	\$ 723.8	\$ --
Aircraft purchases	3,091.0	716.0	819.0	--
Letters of credit	1,017.0	910.3	3.3	--
Sale-leaseback payments	464.7	31.0	31.0	--
Manufacturer purchase commitments	372.8	372.8	--	--

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Guarantees	213.0	200.9	--	
Acceptances	24.7	24.7	--	
	-----	-----	-----	-----
Total contractual commitments	\$14,706.3	\$ 3,929.7	\$ 1,577.1	\$ 1,-----
	=====	=====	=====	=====

(1) Excludes amounts related to a third-party vendor program that are cancelable at any time or for any reason by the Company. See Note 10 for additional explanation.

Off-Balance Sheet Arrangements

Securitization Program

We fund asset originations on our balance sheet by accessing various sectors of the capital markets, including the term debt and commercial paper markets. In an effort to broaden funding sources and provide an additional source of liquidity, we use an array of securitization programs, including both asset-backed commercial paper and term structures, to access both the public and private asset-backed securitization markets. Current products in these programs include receivables and leases secured by equipment as well as consumer loans secured by residential real estate. The following table summarizes data relating to our securitization balance and activity (\$ in millions):

	September 30, 2005	December 31, 2004
	-----	-----
Securitized Assets:		
Specialty Finance - commercial.....	\$3,996.2	\$4,165.5
Specialty Finance - home lending.....	911.4	1,228.7
Equipment Finance.....	2,585.7	2,915.5
Corporate Finance.....	46.1	--
	-----	-----
Total securitized assets.....	\$7,539.4	\$8,309.7
	=====	=====
Securitized assets as a % of managed assets.....	12.3%	15.5%
	=====	=====

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	Quarters Ended September 30,	
	2005	2004
	-----	-----
Volume Securitized:		
Specialty Finance - commercial	\$1,036.2	\$ 458.4
Equipment Finance	360.3	325.4
	-----	-----
Total volume securitized	\$1,396.5	\$ 783.8
	=====	=====

Under our typical asset-backed securitization, we sell a "pool" of secured loans or leases to a special-purpose entity ("SPE"), typically a trust. SPEs are used to achieve "true sale" requirements for these transactions in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets

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and Extinguishment of Liabilities." The special-purpose entity, in turn, issues certificates and/or notes that are collateralized by the pool and entitle the holders thereof to participate in certain pool cash flows. Accordingly, CIT has no legal obligations to repay the securities in the event of a default by the SPE. CIT retains the servicing rights of the securitized contracts, for which we earn a servicing fee. We also participate in certain "residual" cash flows (cash flows after payment of principal and interest to certificate and/or note holders, servicing fees and other credit-related disbursements). At the date of securitization, we estimate the "residual" cash flows to be received over the life of the securitization, record the present value of these cash flows as a retained interest in the securitization (retained interests can include bonds issued by the special-purpose entity, cash reserve accounts on deposit in the special-purpose entity or interest only receivables) and typically recognize a gain. Assets securitized are shown in our managed assets and our capitalization ratios on a managed basis.

In estimating residual cash flows and the value of the retained interests, we make a variety of financial assumptions, including pool credit losses, prepayment speeds and discount rates. These assumptions are supported by both our historical experience and anticipated trends relative to the particular products securitized. Subsequent to recording the retained interests, we review them quarterly for impairment based on estimated fair value. These reviews are performed on a disaggregated basis. Fair values of retained interests are estimated utilizing current pool demographics, actual note/certificate outstandings, current and anticipated credit losses, prepayment speeds and discount rates.

Our retained interests had a carrying value at September 30, 2005 of \$1.1 billion. Retained interests are subject to credit and prepayment risk. As of September 30, 2005, approximately 50% of our outstanding securitization pool balances are in conduit structures. Securitized assets are subject to the same credit granting and monitoring processes which are described in the "Credit Risk Management" section.

The key assumptions used in measuring the retained interests at the date of securitization for transactions completed during 2005 were as follows:

	Commercial Equipment	
	Specialty Finance	Equipment Finance
Weighted average prepayment speed.....	40.04%	12.48%
Weighted average expected credit losses.....	0.38%	0.73%
Weighted average discount rate.....	6.58%	9.00%
Weighted average life (in years).....	1.26	2.04

The key assumptions used in measuring the fair value of retained interests in securitized assets at September 30, 2005 were as follows:

	Commercial Equipment	
	Specialty Finance	Equipment Finance (1)

Home Lend
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Weighted average prepayment speed.....	21.8%	11.7%	25.7%
Weighted average expected credit losses.....	0.86%	1.22%	1.52%
Weighted average discount rate.....	7.74%	9.30%	13.10%
Weighted average life (in years).....	1.16	1.49	3.13

 (1) Includes retained interests transferred to Corporate Finance during 2005.

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The student lending business, which was acquired in February 2005, is funded largely with securitization structures that do not meet the accounting requirements for sales treatment, and are therefore accounted for as secured borrowings. Accordingly, the related receivables, restricted cash and debt are "on balance sheet," and there are no gains on sale or retained interests in securitizations related to these transactions. See disclosure in Item 1. Consolidated Financial Statements, Note 1 -- Summary of Significant Accounting Policies.

See Profitability and Other Revenue for additional information regarding estimated hurricane losses relating to securitized assets.

Joint Venture Activities

We utilize joint ventures organized through distinct legal entities to conduct financing activities with certain strategic vendor partners. Receivables are originated by the joint venture and purchased by CIT. The vendor partner and CIT jointly own these distinct legal entities, and there is no third-party debt involved. These arrangements are accounted for using the equity method, with profits and losses distributed according to the joint venture agreement. See disclosure in Item 1. Consolidated Financial Statements, Note 8 -- Certain Relationships and Related Transactions.

Capitalization

The following table presents information regarding our capital structure (\$ in millions):

	September 30, 2005	December 31, 2004
	-----	-----
	(Restated)	
Commercial paper and term debt	\$44,646.8	\$37,471.0
	-----	-----
Total common stockholders' equity(1)	6,075.8	6,073.7
Preferred stock	500.0	--
	-----	-----
Total stockholders' equity(1)	6,575.8	6,073.7
Preferred capital securities	252.5	253.8
	-----	-----
Total stockholders' equity(1) and preferred capital securities	6,828.3	6,327.5
Goodwill and other intangible assets	(1,003.8)	(596.5)
	-----	-----
Total tangible stockholders' equity(1) and preferred capital securities	5,824.5	5,731.0
	-----	-----
Total tangible capitalization	\$50,471.3	\$43,202.0

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	=====	=====
Tangible stockholders' equity(1) and preferred capital securities to managed assets	9.50%	10.72%
Tangible book value per common share(2)	\$ 25.33	\$ 26.03

-
- (1) Stockholders' equity excludes the impact of the changes in fair values of derivatives qualifying as cash flow hedges and certain unrealized gains or losses on retained interests and investments, as these amounts are not necessarily indicative of amounts that will be realized. See "Non-GAAP Financial Measurements."
- (2) Tangible book value per common share outstanding is the sum of total common stockholders' equity less goodwill and other intangible assets divided by outstanding common stock.

The student lending acquisition in Specialty Finance - consumer, a factoring purchase in Commercial Services and a healthcare acquisition in Corporate Finance drove the increase in goodwill and acquired intangibles from December 2004.

During the September 2005 quarter, CIT issued \$500 million aggregate amount of Series A and Series B preferred equity securities. Series A has a stated value of \$350 million, comprised of 14 million shares of 6.35% non-cumulative fixed rate preferred stock, with a liquidation value of \$25 per share. Series B has a stated value of \$150 million, comprised of 1.5 million shares of 5.189% non-cumulative adjustable rate preferred stock, with a liquidation value of \$100 per share. (See Note 6 -- Stockholders' Equity for further detail on preferred stock.)

The preferred capital securities are 7.7% Preferred Capital Securities issued in 1997 by CIT Capital Trust I, a wholly-owned subsidiary. CIT Capital Trust I invested the proceeds of that issue in Junior Subordinated Debentures of CIT having identical rates and payment dates. Both Preferred Stock and Preferred Capital Securities are included in tangible equity in our leverage ratios. See "Non-GAAP Financial Measurements" for additional information.

See "Liquidity Risk Management and Capital Resources" for discussion of risks impacting our liquidity and capitalization.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("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:

- o Investments
- o Charge-off of Finance Receivables
- o Impaired Loans

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- o Reserve for Credit Losses
- o Retained Interests in Securitizations
- o Lease Residual Values
- o Goodwill and Intangible Assets
- o Income Tax Reserves and Deferred Income Taxes

There have been no significant changes to the methodologies and processes used in developing estimates relating to these items from what is described in our 2004 Annual Report on Form 10-K.

Statistical Data

The following table presents components of net income as a percentage of AEA, along with other selected financial data (\$ in millions):

	Nine Months Ended September 30,	
	2005	2004
	-----	-----
	(Restated)	
Finance income	9.29%	9.67%
Interest expense	3.84%	3.20%
	-----	-----
Net finance income	5.45%	6.47%
Depreciation on operating lease equipment	2.04%	2.53%
	-----	-----
Net finance margin	3.41%	3.94%
Provision for credit losses	0.46%	0.74%
	-----	-----
Net finance margin after provision for credit losses	2.95%	3.20%
Other revenue	2.40%	2.39%
	-----	-----
Operating margin	5.35%	5.59%
Salaries and general operating expenses	2.30%	2.58%
Provision for restructuring	0.07%	--
Gain on redemption of debt	--	0.14%
	-----	-----
Income before provision for income taxes	2.98%	3.15%
Provision for income taxes	(1.01)%	(1.23)%
Minority interest, after tax	(0.01)%	--
	-----	-----
Net income	1.96%	1.92%
Preferred stock dividends	(0.01)%	--
	-----	-----
Net income available to common stockholders ...	1.95%	1.92%
	=====	=====
Average Earning Assets	\$ 47,091.0	\$ 38,119.0
	=====	=====

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The SEC adopted Regulation G, which applies 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. The SEC defines a non-GAAP financial measure as a numerical measure of a company's historical or future financial performance, financial position, or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Non-GAAP financial measures disclosed in this report are meant to provide additional information and insight relative to historical 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.

Selected non-GAAP disclosures are presented and reconciled in the table below (\$ in millions):

	September 30, 2005	December 31, 2004
	-----	-----
	(Restated)	
Managed assets(1):		
Finance receivables	\$42,685.2	\$35,048.2
Operating lease equipment, net	9,184.4	8,290.9
Financing and leasing assets held for sale	1,848.4	1,640.8
Equity and venture capital investments (included in other assets)	31.1	181.0
	-----	-----
Total financing and leasing portfolio assets	53,749.1	45,160.9
Securitized assets	7,539.4	8,309.7
	-----	-----
Managed assets	\$61,288.5	\$53,470.6
	=====	=====
Earning assets(2):		
Total financing and leasing portfolio assets	\$53,749.1	\$45,160.9
Credit balances of factoring clients	(4,267.1)	(3,847.3)
	-----	-----
Earning assets	\$49,482.0	\$41,313.6
	=====	=====
Total tangible stockholders' equity(3):		
Total common stockholders' equity	\$ 6,111.8	\$ 6,055.1
Other comprehensive (income) loss relating to derivative financial instruments	(15.5)	27.1
Unrealized gain on securitization investments	(20.5)	(8.5)
Goodwill and intangible assets	(1,003.8)	(596.5)
	-----	-----
Tangible common stockholders' equity	5,072.0	5,477.2
Preferred stock	500.0	--
Preferred capital securities	252.5	253.8
	-----	-----
Total tangible stockholders' equity	\$ 5,824.5	\$ 5,731.0
	=====	=====
Debt, net of overnight deposits(4):		

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Total debt	\$44,899.3	\$37,724.8
Overnight deposits	(962.0)	(1,507.3)
Preferred capital securities	(252.5)	(253.8)
	-----	-----
Debt, net of overnight deposits	\$43,684.8	\$35,963.7
	=====	=====

-
- (1) Managed assets are utilized in certain credit and expense ratios. Securitized assets are included in managed assets because CIT retains certain credit risk and the servicing related to such assets.

 - (2) Earning assets are utilized in certain revenue and earnings ratios. Earning assets are net of credit balances of factoring clients. This net amount, which corresponds to amounts funded, is a basis for revenues earned.

 - (3) Total tangible stockholders' equity is utilized in leverage ratios, and is consistent with certain rating agency measurements. Other comprehensive income/losses and unrealized gains on securitization investments (both included in the separate component of equity) are excluded from the calculation, as these amounts are not necessarily indicative of amounts which will be realized.

 - (4) Debt, net of overnight deposits is utilized in certain leverage ratios. Overnight deposits are excluded from these calculations, as these amounts are retained by the Company to repay debt. Overnight deposits are reflected in both debt and cash and cash equivalents.

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," "expect," "estimate," "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:

- o our liquidity risk management,

- o our credit risk management,

- o our asset/liability risk management,

- o our funding, borrowing costs and net finance margin,

- o our capital, leverage and credit ratings,

- o our operational and legal risks,

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- o our ability to remediate the material weakness in internal controls related to income taxes,
- o our growth rates,
- o our commitments to extend credit or purchase equipment, and
- o 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 that could cause such differences include, but are not limited to:

- o risks of economic slowdown, downturn or recession,
- o industry cycles and trends,
- o demographic trends,
- o risks inherent in changes in market interest rates and quality spreads,
- o funding opportunities and borrowing costs,
- o changes in funding markets, including commercial paper, term debt and the asset-backed securitization markets,
- o uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks,
- o adequacy of reserves for credit losses, including amounts related to hurricane losses and U.S. hub-carrier airlines,
- o risks associated with the value and recoverability of leased equipment and lease residual values,
- o changes in laws or regulations governing our business and operations,
- o changes in competitive factors, and
- o future acquisitions and dispositions of businesses or asset portfolios.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rule 13-a15(e) promulgated under the Securities Exchange Act of

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1934, as amended (the "Exchange Act"). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this interim quarterly report because of the material weaknesses discussed below.

Changes in Internal Control Over Financial Reporting

Income Tax Accounting

As previously disclosed, management has determined that the lack of a control capability to reconcile the difference between the tax basis and book basis of each component of the Company's balance sheet with the deferred tax asset and liability accounts constitutes a material weakness. Management has performed alternative analyses and reconciliations of the income tax balance sheet and income statement accounts and based thereon believes that the income tax provision is appropriate and that the remediation will not result in a material adjustment to the Company's reported balance sheet or net income.

In connection with the June 2001 acquisition by Tyco, our income tax compliance, reporting and planning function was transferred to Tyco. This caused a lapse in maintaining, developing and implementing changes to various income tax financial reporting processes that are currently required. Following our 2002 IPO, we classified our tax reporting as a "reportable condition", as defined by standards established by the American Institute of Certified Public Accountants. As previously reported, we have made substantial progress with respect to the reportable condition by hiring and training personnel, rebuilding tax reporting systems, preparing amendments to prior U.S. Federal income tax returns, and implementing processes and controls with respect to income tax reporting and compliance. We continued to develop the processes and controls to complete an analysis of our income tax asset and liability accounts, including the refinement of, and reconciliation to transactional-level detail of, book to tax differences. During the quarter ended September 30, 2005, we continued developing the transactional-level reconciliations of book to tax differences of our business units and legal entities, which in turn validated our current methodology in connection with remediating the material weakness.

These transactional-level reconciliations cover the balance sheet amounts at December 31, 2003 and 2004, and certain interim periods therein. In addition, we initiated the 2005 interim period transaction-level reconciliations of book to tax differences using the validated methodology. During the fourth quarter, we will: (1) continue completion of this reconciliation work, (2) continue completion of computations of other balance sheet tax assets and liabilities, including the net operating loss carry forward, (3) assess the results of this work with respect to the previously reported balances of our deferred tax assets and liabilities and other tax assets and liabilities, and (4) proceed with testing the internal controls over tax reporting in connection with our 2005 overall management assessment of internal controls.

Accordingly, as of the end of the period covered by this report, we have not fully remediated the material weakness in the Company's internal control over income tax deferred assets and liabilities but anticipate a resolution in connection with issuing our 2005 financial statements.

Derivative Hedge Accounting

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

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"compound derivatives") under SFAS 133.

We determined that certain compound swaps were not appropriately accounted for, even though these compound swaps were highly effective economic hedges of the interest rate and currency exchange risks associated with corresponding foreign denominated debt. We documented these swaps originally as "matched

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terms" hedges, which assumes no hedge ineffectiveness. The swaps would have qualified for "long-haul" hedge accounting with ineffectiveness reflected in current earnings. However, the swaps did not qualify for hedge accounting treatment from their inception, as SFAS 133 does not allow for subsequent documentation modifications.

The elimination of hedge accounting from inception of the compound swaps resulted in adjustments to originally reported earnings in each of the quarterly periods of 2005 to reflect a significant component of the mark-to-market on these swaps in earnings, which was previously reported as an adjustment to the basis of the corresponding debt. These adjustments to earnings will reduce future earnings by an equal amount through 2015.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

As of December 31, 2004, the Company did not maintain effective controls over the valuation and documentation of certain of its compound derivative transactions. Specifically, the Company recognized certain derivative financial instruments as hedges of interest rate risk without sufficient documentation as required by accounting principles generally accepted in the United States. Furthermore, the Company did not perform required periodic hedge effectiveness testing because it was inappropriately assumed that the hedges were effective. This control deficiency did not result in a material misstatement to the 2004 annual or interim consolidated financial statements. However, this control deficiency resulted in the restatement of the Company's 2005 first, second and third quarter interim consolidated financial statements. In addition, this control deficiency could result in the misstatement of derivative related accounts including other revenue, debt and other comprehensive income that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected. Accordingly, management has concluded that this control deficiency constitutes a material weakness as of September 30, 2005.

In connection with this restatement, under the direction of our principal executive officer and our principal financial officer, we determined that the above constituted a material weakness in internal control with respect to our accounting treatment and related hedge documentation for certain cross-currency swaps as of September 30, 2005.

Remediation of Derivative Hedge Accounting Material Weakness in Internal Control Over Financial Reporting

As of the date of this filing, we have fully remediated this material weakness relating to derivative documentation and hedge accounting treatment. Our remediation actions included the following:

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- o All of the subject compound swaps have been replaced with corresponding stand alone replacement swaps (a cross-currency basis swap and an interest rate swap, both with zero fair value at inception), which qualify for hedge accounting treatment under SFAS 133.
- o We do not intend to transact compound swaps prospectively and have communicated a formal prohibition against such transactions to the appropriate treasury, accounting, legal and internal audit personnel.
- o We have updated our derivative policy manual to specifically prohibit the use of compound swaps.
- o We have conducted training sessions with the appropriate treasury, accounting, legal and internal audit personnel with respect to the above to ensure that we evaluate and document derivative transactions in compliance with SFAS 133.

Other than the changes discussed above with respect to income tax accounting and derivative hedge accounting, there have been no changes to the Company's internal controls over financial reporting that occurred since the beginning of the Company's first quarter of 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

NorVergence Related Litigation

On September 9, 2004, Exquisite Caterers Inc., et al. v. Popular Leasing Inc., et al. ("Exquisite Caterers"), a putative national class action, was filed in the Superior Court of New Jersey against 13 financial institutions, including CIT, which had acquired equipment leases ("NorVergence Leases") from NorVergence, Inc., a reseller of telecommunications and Internet services to businesses. The complaint alleged that NorVergence misrepresented the capabilities of, and overcharged for, the equipment leased to its customers and that the NorVergence Leases are unenforceable. Plaintiffs seek rescission, punitive damages, treble damages and attorneys' fees. In addition, putative class action suits in Illinois and Texas, all based upon the same core allegations and seeking the same relief, were filed by NorVergence customers against CIT and other financial institutions and remain pending. The Court in Exquisite Caterers certified a New Jersey-only class, and a motion for decertification is pending.

On July 14, 2004, the U.S. Bankruptcy Court ordered the liquidation of NorVergence under Chapter 7 of the Bankruptcy Code. Thereafter, the Attorneys General of several states commenced investigations of NorVergence and the financial institutions, including CIT, that purchased NorVergence Leases. CIT has entered into settlement agreements with the Attorneys General in each of these states, except for Texas. Under those settlements, lessees have had an opportunity to resolve all claims by and against CIT by paying a percentage of the remaining balance on their leases. CIT has also produced documents related to NorVergence at the request of the Federal Trade Commission ("FTC") and pursuant to a subpoena in a grand jury proceeding being conducted by the U.S. Attorney for the Southern District of New York in connection with an investigation of transactions related to NorVergence.

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Other Litigation

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

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

The following table details the repurchase activity of CIT common stock during the September 30, 2005 quarter:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Shares as Part of Announ or P
	-----	-----	-----
Balance at June 30, 2005	2,208,805		

July 1 - 31 2005	510,800	\$44.05	
August 1 - 31, 2005	374,503	\$45.16	
September 1 - 30, 2005	594,600	\$45.79	
Accelerated stock buyback	10,063,467	\$44.48	10,

Total Purchases	11,543,370		

Reissuances(2)	(1,736,931)		

Balance at September 30, 2005	12,015,244		
	=====		

(1) On July 28, 2005, the Company paid \$500 million and received an initial delivery of 8,232,655 shares. On August 12, 2005, the Company received an additional 1,830,812 shares under the program. CIT retains the right to receive up to a maximum of 1,232,261 additional shares at the conclusion of the program in the fourth quarter of 2005. The actual amount received will depend on CIT's common stock price during the remaining term of the repurchase agreement.

(2) Includes the issuance of common stock held in treasury upon exercise of stock options, payment of employee stock purchase plan obligations and the vesting of restricted stock.

In connection with a share repurchase program authorized by the Company's Board of Directors, on July 19, 2005, the Company entered into an agreement to purchase shares of the Company's common stock for an aggregate purchase price of \$500 million under an accelerated stock buyback program, which provided for the upfront delivery of \$500 million and the initial receipt of 8,232,655 shares by CIT. The agreement also provides for two subsequent share deliveries, the first

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of which occurred on August 12, 2005 when the Company received an additional 1,830,812 shares. The final delivery to CIT at the conclusion of the program during the fourth quarter of 2005, which could be a maximum of 1,232,261 additional shares, will depend on the price of CIT common stock during the remaining term of the agreement. The shares received are held in treasury.

Item 3. Default Upon Senior Securities

None

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

None

Item 5. Other Information

None

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Item 6. Exhibits

(a) Exhibits

- 3.1 Second Restated Certificate of Incorporation of the Company (incorporated by reference to Form 10-Q filed by CIT on August 12, 2003).
- 3.2 Amended and Restated By-laws of the Company (incorporated by reference to Form 10-Q filed by CIT on August 12, 2003).
- 3.3 Certificate of Designations relating to the Company's 6.350% Non-Cumulative Preferred Stock, Series A (incorporated by reference to Exhibit 3 to Form 8-A filed by CIT on July 29, 2005).
- 3.4 Certificate of Designations relating to the Company's Non-Cumulative Preferred Stock, Series B (incorporated by reference to Exhibit 3 to Form 8-A filed by CIT on July 29, 2005).
- 4.1 Indenture dated as of August 26, 2002 by and among CIT Group Inc., Bank One Trust Company, N.A., as Trustee and Bank One NA, London Branch, as London Paying Agent and London Calculation Agent, for the issuance of unsecured and unsubordinated debt securities (incorporated by reference to Exhibit 4.18 to Form 10-K filed by CIT on February 26, 2003).
- 4.2 Indenture dated as of October 29, 2004 between CIT Group Inc. and J.P. Morgan Trust Company, National Association for the issuance of senior debt securities (incorporated by reference to Exhibit 4.4 to Form S-3/A filed by CIT on October 28, 2004).
- 4.3 Certain instruments defining the rights of holders of CIT's long-term debt, none of which authorize a total amount of indebtedness in excess of 10% of the total amounts outstanding of CIT and its subsidiaries on a consolidated basis have not been filed as exhibits. CIT agrees to furnish a copy of these agreements to the Commission upon request.

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- 10.1* Master Confirmation Agreement and the related Supplemental Confirmation dated as of July 19, 2005 between Goldman, Sachs and Co. and CIT Group Inc. relating to CIT's accelerated stock repurchase program (incorporated by reference to Exhibit 10.1 to Form 10-Q filed by CIT on August 5, 2005).
- 12.1 CIT Group Inc. and Subsidiaries Computation of Earnings to Fixed Charges.
- 31.1 Certification of Jeffrey M. Peek pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Joseph M. Leone pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Jeffrey M. Peek 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 Joseph M. Leone pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities and Exchange Act of 1934, as amended.

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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.

CIT GROUP INC.

By: /s/ JOSEPH M. LEONE
.....
Joseph M. Leone
Vice Chairman and Chief Financial Officer

By: /s/ WILLIAM J. TAYLOR
.....
William J. Taylor
Executive Vice President, Controller
and Principal Accounting Officer

December 13, 2005

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