CIT GROUP INC
Form 10-Q
November 10, 2008

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

FORM 10-Q

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2008

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)

505 Fifth Avenue, New York, New York
(Address of Registrant s principal executive offices)

10017
(Zip Code)

(212) 771-0505
(Registrant s telephone number)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_| Smaller reporting company |_|.

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

As of October 31, 2008, there were 285,538,849 shares of the registrant s common stock outstanding.

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Part One Financial Information

ITEM 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited) **Assets** (dollars in millions except share data)

	September 30, 2008	December 31, 2007
Financing and leasing assets held for investment:		
Finance receivables, including receivables pledged of $21,616.1 and $16,425.6	$ 54,534.0	$ 53,760.9
Reserve for credit losses	(855.7)	(574.3)
Net finance receivables	53,678.3	53,186.6
Operating lease equipment, net	12,359.5	12,610.5
Financing and leasing assets held for sale	607.0	1,260.2
Cash and cash equivalents, including $904.7 and $479.2 restricted	7,426.1	6,752.5
Retained interests in securitizations	1,212.4	1,170.0
Goodwill and intangible assets, net	688.7	1,152.5
Other assets	4,829.1	5,172.5
Assets of discontinued operation	44.2	9,308.6
Total Assets	**$ 80,845.3**	**$ 90,613.4**

CONSOLIDATED BALANCE SHEETS Liabilities and Stockholders Equity

Debt:		
Commercial paper	$	$ 2,822.3
Bank credit facilities	5,200.0	
Secured borrowings	16,827.2	12,644.4
Senior unsecured notes	42,197.1	49,365.8
Junior subordinated notes	1,440.0	1,440.0
Total debt	65,664.3	66,272.5
Deposits	2,248.3	2,745.8
Credit balances of factoring clients	3,551.7	4,542.2
Accrued liabilities and payables	3,611.7	5,196.6
Liabilities of discontinued operation		4,838.2
Total Liabilities	**75,076.0**	**83,595.3**
Commitments and Contingencies (Notes 1, 7, 13 and 14)		
Minority interest	**53.3**	**57.5**
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	350.0
Series B 1,500,000 with a liquidation preference of $100 per share	150.0	150.0
Series C 11,500,000 with a liquidation preference of $50 per share	575.0	
Common stock: $0.01 par value, 600,000,000 authorized		
Issued: 308,727,806 and 214,390,177	3.1	2.1
Outstanding: 285,499,225 and 189,925,903		
Paid-in capital, net of deferred compensation of $44.5 and $34.4	11,272.8	10,453.9

Accumulated deficit	(5,608.7)	(2,949.8)
Accumulated other comprehensive income	139.9	194.8
Less: treasury stock, 23,228,581 and 24,464,574 shares, at cost	(1,166.1)	(1,240.4)
Total Common Stockholders Equity	4,641.0	6,460.6
Total Stockholders Equity	**5,716.0**	**6,960.6**
Total Liabilities and Stockholders Equity	**$ 80,845.3**	**$ 90,613.4**

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited) (dollars in millions except per share data)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Finance revenue	**$ 1,399.9**	**$ 1,601.7**	**$ 4,305.3**	**$ 4,599.3**
Interest expense	(765.3)	(878.6)	(2,344.5)	(2,516.3)
Depreciation on operating lease equipment	(284.7)	(304.7)	(859.4)	(860.6)
Net finance revenue	349.9	418.4	1,101.4	1,222.4
Provision for credit losses	(210.3)	(63.9)	(609.2)	(112.4)
Net finance revenue, after credit provision	139.6	354.5	492.2	1,110.0
Valuation allowance for receivables held for sale			(103.9)	(22.5)
Net finance revenue, after credit provision and valuation allowance	**139.6**	**354.5**	**388.3**	**1,087.5**
Other income	142.7	276.9	476.5	1,094.8
Total net revenue, after valuation allowance	**282.3**	**631.4**	**864.8**	**2,182.3**
Salaries and general operating expenses	(306.2)	(343.4)	(928.0)	(1,026.4)
Goodwill and intangible asset impairment charges	(455.1)		(455.1)	
Provision for severance and facilities exiting activities	(28.4)	(2.3)	(114.5)	(37.2)
Gain (loss) on debt and debt-related derivative extinguishments			(142.6)	(139.3)
	(507.4)	285.7	(775.4)	979.4

(Loss) income from continuing operations before provision for income taxes and minority interest				
Benefit (provision) for income taxes	206.3	(76.1)	281.5	(248.4)
Minority interest, after tax	(0.5)	(1.1)	(11.3)	(1.4)
Net (loss) income from continuing operations, before preferred stock dividends	(301.6)	208.5	(505.2)	729.6
Income (loss) from discontinued operation before income taxes	42.1	(419.0)	(2,704.8)	(1,111.9)
(Provision) benefit for income taxes	(37.7)	171.7	595.4	424.5
Income (loss) from discontinued operation	4.4	(247.3)	(2,109.4)	(687.4)
Net (loss) income before preferred stock dividends	(297.2)	(38.8)	(2,614.6)	42.2
Preferred stock dividends	(20.1)	(7.5)	(44.3)	(22.5)
Net (loss) income (attributable) available to common stockholders	**$ (317.3)**	**$ (46.3)**	**$ (2,658.9)**	**$ 19.7**
Basic Earnings Per Common Share data				
Income(loss) from continuing operations	$ (1.13)	$ 1.06	$ (2.22)	$ 3.68
(Loss) income from discontinued operation	0.02	(1.30)	(8.54)	(3.58)
Net (loss) income	$ (1.11)	$ (0.24)	$ (10.76)	$ 0.10
Diluted Earnings Per Common Share data				
Income(loss) from continuing operations	$ (1.13)	$ 1.05	$ (2.22)	$ 3.63
(Loss) income from discontinued operation	0.02	(1.29)	(8.54)	(3.53)
Net (loss) income	$ (1.11)	$ (0.24)	$ (10.76)	$ 0.10
Average number of shares basic (thousands)	285,509	189,930	247,191	191,946
Average number of shares diluted (thousands)	285,509	191,527	247,191	194,933
Dividends per common share	$ 0.10	$ 0.25	$ 0.45	$ 0.75

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity (Unaudited) (dollars in millions)

	Preferred Stock	Common Stock	Paid-in Capital	Accumulated (Deficit) / Earnings	Accumulated Other Comprehensive	Treasury Stock	Total Stockholders Equity

					Income / (Loss)		
December 31, 2007	**$ 500.0**	**$ 2.1**	**$ 10,453.9**	**$ (2,949.8)**	**$ 194.8**	**$ (1,240.4)**	**$ 6,960.6**
Net loss before preferred stock dividends				(2,614.6)			(2,614.6)
Foreign currency translation adjustments					(89.3)		(89.3)
Change in fair values of derivatives qualifying as cash flow hedges					38.9		38.9
Unrealized loss on available for sale equity and securitization investments, net					(1.0)		(1.0)
Changes in benefit plan net gain (loss) and prior service (cost) credit, net of tax					(3.5)		(3.5)
Total comprehensive loss							**(2,669.5)**
Cash dividends common			(105.9)				(105.9)
Cash dividends preferred				(44.3)			(44.3)
Restricted stock expense			(3.4)			(4.7)	(8.1)
Stock option expense			15.7				15.7
Issuance of stock	575.0	1.0	958.9				1,534.9
Stock issuance pursuant to repurchase agreement			(33.8)			65.0	31.2
Employee stock purchase plan participation, other			(12.6)			14.0	1.4
September 30, 2008	**$ 1,075.0**	**$ 3.1**	**$ 11,272.8**	**$ (5,608.7)**	**$ 139.9**	**$ (1,166.1)**	**$ 5,716.0**

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended September 30, (dollars in million)

	2008	2007
Cash Flows From Operations		
Net (loss)/income before preferred stock dividends	$ (2,614.6)	$ 42.2
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation, amortization and accretion	977.1	908.8
Provision for credit losses	609.2	112.3
Goodwill and intangible asset impairment charges	455.1	
Loss on debt and debt-related derivative extinguishments	142.6	139.3

Valuation allowance for receivables held for sale	126.9	1,253.4
Gains on equipment, receivable and investment sales	(119.2)	(479.1)
(Benefit) for deferred income taxes	(932.0)	(252.8)
Loss on disposition of discontinued operation net of tax	1,859.2	
Provision for credit losses discontinued operation	608.6	96.0
Decrease (increase) in finance receivables held for sale	159.1	(130.7)
(Increase) decrease in other assets	404.5	(1,035.3)
(Decrease) increase in accrued liabilities and payables	(1,174.7)	453.9
Share-based compensation amortization		42.6
Net cash flows provided by operations	501.8	1,150.6
Cash Flows From Investing Activities		
Finance receivables extended and purchased	(46,212.3)	(56,470.8)
Principal collections of finance receivables and investments	41,641.4	45,283.8
Proceeds from asset and receivable sales	4,685.6	6,560.4
Purchases of assets to be leased and other equipment	(1,897.4)	(1,990.0)
Net (increase) decrease in short-term factoring receivables	(740.9)	(508.6)
Net proceeds from sale of discontinued operation	1,555.6	
Acquisitions, net of cash acquired		(3,965.6)
Net cash flows (used for) investing activities	(968.0)	(11,090.8)
Cash Flows From Financing Activities		
Net (decrease) in commercial paper	(2,822.3)	(1,805.6)
Proceeds from the issuance of term debt	14,857.8	19,851.3
Repayments of term debt	(12,333.1)	(7,796.0)
Net (decrease) increase in deposits	(497.5)	624.1
Net repayments of non-recourse leveraged lease debt	(20.1)	(27.3)
Collection of security deposits and maintenance funds	1,653.3	1,216.7
Repayment of security deposits and maintenance funds	(1,563.5)	(1,010.3)
Proceeds from the sale of stock	1,535.4	
Treasury stock repurchases		(718.3)
Treasury stock issuances	31.2	183.4
Cash dividends paid	(150.2)	(171.3)
Excess tax benefit related to share-based compensation		25.2
Other	(16.5)	(42.2)
Net cash flows provided by financing activities	674.5	10,329.7
Net increase in cash and cash equivalents	208.3	389.5
Unrestricted cash and cash equivalents, beginning of period	6,313.1	4,279.4
Unrestricted cash and cash equivalents, end of period	**$ 6,521.4**	**$ 4,668.9**
Supplementary Cash Flow Disclosure		
Interest paid	$ 2,371.2	$ 2,083.0
Federal, foreign, state and local income taxes paid, net	$ 3.0	$ 191.9

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation, Basis of Presentation and Liquidity

The accompanying consolidated financial statements include the accounts of CIT Group Inc. and its majority owned subsidiaries (CIT or the Company), and those variable interest entities (VIEs) where the Company is the primary beneficiary. All significant inter-company accounts and transactions have been eliminated. Results of operations of companies purchased are included from the dates of acquisition and for VIEs, from the dates that the Company became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the consolidated financial statements. The Company accounts for investments in companies for which it owns a voting interest of 20 percent to 50 percent and for which it has the ability to exercise significant influence over operations and financial decisions using the equity method of accounting. These investments are included in other assets and the Company s proportionate share of net income or loss is included in other income.

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, 2007, as updated on Form 8-K for the classification of the Company s former home lending business as a discontinued operation. The financial statements in this Form 10-Q have not been audited by an 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 presentation of CIT s financial position, results of operations and cash flows.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

The Company s business is dependent upon access to the debt capital markets for liquidity and efficient funding, including the ability to issue unsecured term debt. For several quarters, these markets have exhibited significantly heightened volatility and reduced liquidity. Company-specific events, including recent results of operations and the March 2008 downgrades in the Company s short and long-term credit ratings that have had the practical effect of leaving the Company without access to the A-1/P-1 prime commercial paper and unsecured term debt markets, have further impeded the Company s access to liquidity and efficient funding. During the third quarter 2008 and through the date of filing this Form 10-Q, liquidity in the debt capital markets has become increasingly constrained and the cost of capital available to the Company has continued to increase relative to prior periods.

Since drawing on all of its available bank lines ($7.3 billion) in March 2008, the Company has principally generated liquidity through balance sheet management, including reduced reinvestment of loan principal collections, asset sales and syndications, asset-backed financing, bank deposits and common and preferred equity offerings. The Company is continuing to pursue additional asset sales, execute asset-backed financing arrangements, and manage the size of its balance sheet. Additionally, management is exploring a variety of options that would allow the Company to expand deposit-taking capabilities and potentially benefit from the recently-announced U.S. government programs.

The liquidity and capital enhancement measures described above are designed to maintain the Company s access to liquidity and restore competitively-priced funding to support its long-term business model. These measures are subject to a number of uncertainties, however, and there can be no assurance that they will be successfully completed. Further, if completed these measures may not achieve their anticipated benefits. The Company is highly leveraged relative to its annual cash flow. There exists a risk that the Company will not be able to meet all of its debt service obligations. Management s failure to successfully implement its liquidity and capital enhancement measures could have a material adverse effect on the Company s financial position, results of operations and cash flows.

Goodwill

The Company tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment. Goodwill impairment testing is performed at the segment (or reporting unit) level. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or internally generated, are available to support the value of the goodwill.

The goodwill impairment analysis is a two-step test. The first step (Step1), used to identify potential impairment, involves comparing each reporting unit s estimated fair value to its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment.

The second step (Step 2) involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated impairment. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit, as determined in the first step, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of

goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

Historically, the Company has estimated fair values of reporting units based on market earnings and tangible book value multiples of peer companies for each reporting unit. Beginning in the second quarter of 2008, management enhanced the valuation methodology with discounted cash flow analysis to estimate segment fair values and also considered estimated segment fair values developed using price to earnings and tangible book value multiples.

The Company s third quarter evaluation of goodwill and intangible assets resulted in impairment charges ($455.1 million pretax, $363.6 million after tax) almost entirely in the Vendor Finance segment based upon diminished earnings expectations for the segment, coupled with applying a higher discount rate to reflect higher execution risk related to this business. The Step 1 evaluation of goodwill in the Corporate Finance segment indicated potential impairment of goodwill, however, an impairment was not indicated based upon the results of the Step 2 analysis. The third quarter evaluation of goodwill in the Trade Finance segment did not indicate any Step 1 potential impairment.

See Note 7 Goodwill and Intangible Assets, Net for additional information regarding the third quarter impairment charge.

Income Taxes

The Company records income tax expense during interim periods based on its best estimate of the full year s effective tax rate. Certain items, however, are excluded from the effective tax rate and given discrete period treatment. In addition, certain items must be attributed to either continuing or discontinued operation. The tax effects of such items are reported separately net of their tax effect in the relevant interim period.

CIT s effective tax rate for continuing operations for the quarter and the nine months ended September 30, 2008 is approximately 40% and 36%, respectively, compared to approximately 27% and 25% for the same periods in 2007. Both years are impacted by significant, non-recurring items that have been given discrete period tax treatment. In 2008, the effective tax rate for the nine month period was favorably impacted by significant pre-tax losses (a lower of cost or market valuation allowance and a loss on swaps formerly hedging the commercial paper program) which were tax-effected separately applying the US federal statutory rate and applicable state tax rates, partially offset by increases to state valuation allowances. In 2007, the effective tax rate for continuing operations for the nine months ended September 30 was increased by the gain on the sale of the U.S. construction portfolio partially offset by the separately-stated loss on the extinguishment of debt.

Excluding the discrete tax items, the effective tax rate for continuing operations for the quarter and nine months ended September 30, 2008 is 45.5% and 43.3% respectively, in contrast to approximately 28%, for the quarter and nine months ended September 30, 2007. The higher tax rate in 2008 is due to a greater proportion of pre-tax losses subject to higher U.S. statutory tax rates compared to foreign earnings taxed at lower rates in 2008, partially offset by the impact of non-deductible goodwill impairment charges. The goodwill impairment affected goodwill attributable to previous stock and asset acquisitions. To the extent that the goodwill was associated with an asset acquisition, it is tax deductible. The full year 2008 effective tax rate can be impacted by variances among the estimates and amounts of full year sources of taxable income (e.g., domestic or international), adjustments which may arise from the resolution of tax matters under review, and the Company s assessment of its liability for unrecognized tax benefits.

The tax provision in discontinued operation for the nine months ended September 30, 2008 reflects a tax benefit of $595.4 million, net of a deferred tax asset valuation allowance of approximately $485 million. For the quarter, the tax provision of $37.7 million in discontinued operation includes an $18.6 million adjustment to increase the valuation allowance for federal and state net operating losses. In the corresponding quarter in 2007, the results for discontinued operation included a tax benefit of $171.7 million, reduced by a valuation allowance of approximately $19 million. The recent cumulative U.S. losses required consideration of a valuation allowance. It was concluded that a portion of the U.S. net operating losses were not greater than 50 percent likely to be realized. The Company intends to maintain a valuation allowance until sufficient positive evidence were to exist to support its reversal.

The tax provision for the quarter ended September 30, 2008 included a $24.2 million net increase in liabilities related to uncertain tax positions in accordance with Financial Accounting Standards Board Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes . The Company anticipates that it is reasonably possible that the total unrecognized tax benefits will decrease due to the settlement of primarily international audits and the expiration of statute of limitations prior to September 30, 2009 in the range of $40 to $100 million, of which approximately $27 million may not impact the effective tax rate.

Discontinued Operation

In June 2008, management contractually agreed to sell the Company s home lending business, including the home mortgage and manufactured housing portfolios and the related servicing operations. The sale of assets and the assignment of liabilities were completed in early July with the receipt of $1.7 billion of the total $1.8 billion in cash consideration. The final consideration is expected to be received upon transfer of servicing, projected to occur by February 2009. In conjunction with the sales, transition services will be provided to the purchaser on a revenue neutral basis. CIT is not required to repurchase any of the home lending or manufactured housing

receivables contemplated in these sales. Expected costs related to the sale have been estimated by management based on currently available information and included in the loss on disposal.

The operating results and the assets and liabilities of the discontinued operation, which formerly comprised the Home Lending segment, are presented separately in the Company s Consolidated Financial Statements. Summarized financial information for the discontinued home lending business is shown below. Prior period balances have been restated to present the operations of the home lending business as a discontinued operation.

In connection with the classification of the home lending business as a discontinued operation, certain interest expense and indirect operating expenses that previously had been allocated to the Home Lending segment, have instead been allocated to Corporate & Other as part of continuing operations and are not included in the summary of discontinued operation as presented in the table below. The total incremental pretax amounts of interest and indirect overhead expense that were not transferred to the purchaser of Home Lending and remain in continuing operations are $43.5 million and $50.2 million for the quarters ended September 30, 2008 and 2007, and $141.5 million and $150.5 million for the nine months ended September 30, 2008 and 2007.

Interest expense allocated to discontinued operation corresponds to debt of $6.1 billion, representing the secured financing assumed by the buyer of $4.4 billion and bank facility debt that was repaid on July 30, 2008. Salaries and general operating expenses included in discontinued operation consists of direct expenses of the home lending business that are separate from ongoing CIT operations and will not continue post disposal. The income tax provision for the quarter ended September 30, 2008, of $37.7 million reflects an adjustment to the valuation allowance (charge) to a total of approximately $485 million related to net operating losses resulting from the loss on disposal. Results for the quarter include the reversal of $43 million of excess accrued transaction costs, which are reflected as an adjustment to the sale of discontinued operation.

See preceding discussion in *Income Taxes* for additional information.

Discontinued Operation Income Statement (dollars in millions)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Net finance revenue	$	$ 111.6	$ 101.1	$ 310.7
Other income	13.5	(4.0)	14.5	15.9
Valuation allowance for receivables held for sale		(462.1)	(23.0)	(1,227.5)
Provision for credit losses		(0.4)	(608.6)	(96.0)
Salaries and general operating expenses	(14.6)	(64.1)	(36.4)	(115.0)

Pretax (loss) from discontinued operation	(1.1)	(419.0)	(552.4)	(1,111.9)
Income (loss) from discontinued operation before income taxes	43.2		(2,152.4)	
Income tax (provision) benefit	(37.7)	171.7	595.4	424.5
Net income (loss) from discontinued operation	$ 4.4	$ (247.3)	$ (2,109.4)	$ (687.4)

The individual assets and liabilities of the discontinued home lending operation are combined in the captions Assets of discontinued operation and Liabilities of discontinued operation in the consolidated Balance Sheet. The carrying amounts of the major classes of assets and liabilities included as part of the discontinued business are presented in the following table:

Discontinued Operation Balance Sheet (dollars in millions)

	September 30, 2008	December 31, 2007
Assets:		
Cash and cash equivalents*(1)*	$	$ 39.8
Finance receivables		9,114.3
Reserve for credit losses		(250.0)
Net finance receivables		8,904.1
Other assets*(2)*	44.2	404.5
Total assets	$ 44.2	$ 9,308.6
Liabilities:		
Variable-rate non-recourse secured borrowings	$	$ 4,785.9
Other liabilities		52.3
Total liabilities	$	$ 4,838.2

(1) *Restricted in conjunction with securitization transactions.*

(2) *Current balance primarily relates to receivable for consideration to be received in connection with the transfer of servicing, expected in February 2009.*

Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements , which defines fair value, establishes a framework for measuring fair value of financial assets and liabilities under GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between two market participants on the measurement date. The impact of adopting SFAS No. 157 on accumulated deficit at January 1, 2008 was not material. Subsequent changes in the fair value of financial assets and liabilities are recognized in earnings as they occur.

The Company determines the fair value of its assets and liabilities based on the fair value hierarchy established in SFAS 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain other securities that are highly liquid and are actively traded in over-the-counter markets;

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes derivative contracts and certain loans held-for-sale;

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using valuation models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes retained residual interests in securitizations, highly structured or long-term derivative contracts and collateralized loan obligations (CLO) where independent pricing information cannot be obtained for a significant portion of the underlying assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest priority ranking of any input that is significant to the fair value measurement.

The Company did not elect to measure any financial instruments at fair value under SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities.

Effective January 1, 2008, the Company adopted FASB Staff Position FIN 39-1 (FSP FIN 39-1), an amendment to FASB Interpretation No. 39, which allows companies to elect in their accounting policy to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. In conjunction with this adoption, the Company has elected to present assets and liabilities on a gross-by-counterparty basis. Assets and liabilities, as previously reported at December 31, 2007, were reflected on a net-by-counterparty basis for transactions settled in the same currency. Accordingly, other assets and accrued liabilities and payables as of December 31, 2007 were each increased by $365.4 million from amounts previously reported in order to conform to the current presentation.

New Accounting Pronouncements

In October, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies the application of FASB Statement No. 157, *Fair Value Measurements*, and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with Statement 157. The adoption of FSP No. FAS 157-3 effective September 30, 2008 did not have a material impact on the Company s financial condition and results of operations.

In September 2008, the Financial Accounting Standards Board (FASB) issued FSP No. FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*, which provides that a seller of credit derivatives shall disclose certain information about its credit derivatives and hybrid instruments that have embedded credit derivatives. The provisions of this FSP that amend Statement 133 and Interpretation 45 shall be effective for reporting periods ending after November 15, 2008. The adoption of FSP No. FAS 133-1 and FIN 45-4 will not impact the Company s financial condition and results of operations.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the computation of earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. FSP EITF 03-6-1 is effective retrospectively for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. CIT is currently evaluating the impact of FSP EITF 03-6-1 on the Company s Financial Statements.

In May 2008, the FASB issued Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, which clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, and that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of FSP No. APB 14-1 is not expected to impact the Company s Financial Statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment to FASB No. 133 (SFAS 161). SFAS 161 requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Company s financial position, financial performance and cash flows. SFAS 161 also clarifies that derivatives are subject to credit risk disclosures as required by SFAS 107, Disclosures about Fair Value of Financial Instruments. SFAS 161 is effective for the year beginning January 1, 2009. The adoption of SFAS 161 will not impact the Company s financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquiring entity in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date fair value. In addition, SFAS 141R limits the recognition of acquisition-related restructuring liabilities, requires the expensing of acquisition-related and restructuring costs and the acquirer to record contingent consideration measured at the acquisition date fair value. SFAS 141R is effective for new acquisitions consummated on or after January 1, 2009. Early adoption of SFAS 141R is not permitted. The adoption of this standard is not expected to have a material impact on the Company s financial condition and results of operations.

In December 2007, the FASB also issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires all entities to report non-controlling (i.e. minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and non-controlling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of a parent s owners and the interests of non-controlling owners of a subsidiary. SFAS 160 is effective for the Company s financial statements for the year beginning on January 1, 2009 and early adoption is not permitted. The adoption of SFAS 160 is not expected to have a material impact on the Company s financial condition and results of operations.

NOTE 2 FINANCING AND LEASING ASSETS

The following table summarizes the financing and leasing assets in continuing operations that have been pledged/encumbered. With the exception of the Transportation Finance assets, which are assets on lease, pledged assets consist of finance receivables. These amounts exclude non-recourse borrowings related to leveraged lease transactions. Unencumbered financing and leasing assets totaled $44,213.2 million (66% of total owned financing and leasing assets) and $51,206.0 million (76%) at September 30, 2008 and December 31, 2007.

Pledged or Encumbered Finance Receivables (dollars in millions)

	September 30, 2008	December 31, 2007
Consumer (student lending)	$ 9,726.1	$ 9,079.4
Trade Finance (factoring)	4,889.3	5,222.8
Vendor Finance	2,541.8	1,491.3
Corporate Finance	4,204.7	370.0
Corporate Finance (energy project finance)	254.2	262.1
Subtotal Finance Receivables	21,616.1	16,425.6
Transportation Finance Aircraft*(1)*	426.2	
Transportation Finance Rail*(1)*	1,245.0	
Total	$ 23,287.3	$ 16,425.6

(1) Equipment under operating lease

See *Note 8 Debt* for non-recourse secured borrowing balances.

NOTE 3 RESERVE FOR CREDIT LOSSES

The following table presents changes in the reserve for credit losses for continuing operations.

Reserve for Credit Losses (dollars in millions)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Balance, beginning of period	$ 780.8	$ 500.4	$ 574.3	$ 577.1
Provision for credit losses	210.3	63.9	609.2	112.4
Reserve changes relating to foreign currency translation, acquisitions, other	(7.9)	10.7	(15.4)	(51.6)
Net additions to the reserve for credit losses	202.4	74.6	593.8	60.8
Charged-off finance receivables	(147.6)	(60.8)	(361.5)	(175.3)
Recoveries of amounts previously charged-off	20.1	13.6	49.1	65.2
Net charge-offs	(127.5)	(47.2)	(312.4)	(110.1)
Balance, end of period	$ 855.7	$ 527.8	$ 855.7	$ 527.8

NOTE 4 CONCENTRATIONS

The following table summarizes the geographic and industry compositions (by obligor) of owned financing and leasing assets and other equity investments for continuing operations.

Concentrations (dollars in millions)

	September 30, 2008		December 31, 2007	
Geographic	Amount	Percent	Amount	Percent
Northeast	$ 12,475.8	18.4%	$ 12,572.5	18.5%
Midwest	11,310.9	16.7%	11,116.3	16.4%
West	10,076.9	14.9%	10,189.5	15.0%
Southeast	8,056.8	11.9%	8,211.9	12.1%
Southwest	6,475.7	9.5%	5,849.2	8.6%
Total U.S.	48,396.1	71.4%	47,939.4	70.6%

Canada	4,920.5	7.3%	4,841.1	7.2%
Other international	14,445.4	21.3%	15,016.9	22.2%
Total	$ 67,762.0	100.0%	$ 67,797.4	100.0%
Industry				
Student lending*(1)*	$ 12,347.9	18.2%	$ 11,585.0	17.1%
Manufacturing*(2)*	9,756.5	14.4%	9,923.5	14.6%
Commercial airlines (including regional airlines)	8,564.2	12.6%	8,625.8	12.7%
Retail*(3)*	6,745.1	10.0%	7,225.6	10.7%
Service industries	4,962.9	7.3%	5,282.7	7.8%
Healthcare	4,360.0	6.4%	4,223.1	6.2%
Transportation*(4)*	3,075.0	4.5%	3,138.8	4.6%
Communications	1,702.1	2.5%	1,625.3	2.4%
Energy and utilities	1,699.1	2.5%	1,595.2	2.4%
Finance and insurance	1,652.5	2.4%	1,583.8	2.3%
Wholesaling	1,542.7	2.3%	1,889.9	2.8%
Other (no industry greater than 2%)	11,354.0	16.9%	11,098.7	16.4%
Total	$ 67,762.0	100.0%	$ 67,797.4	100.0%

(1) *Includes Private (non-government guaranteed) loans of $765.7 million and $599.3 million at September 30, 2008 and December 31, 2007. Loans to students at the top 5 institutions, based on outstanding exposure, represent approximately 50% of the private loan portfolio on an unpaid principal balance basis.*

(2) *Includes manufacturers of apparel (2.1%), followed by chemical and allied products, food and kindred products, steel and metal products and industrial machinery and equipment.*

(3) *Includes retailers of apparel (4.0%) and general merchandise (3.7%).*

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

NOTE 5 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Assets and liabilities measured at estimated fair value on a recurring basis are summarized below. Such assets and liabilities are classified in their entirety based on the lowest priority ranking of input that is significant to the fair value measurement. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and the determination of fair value requires significant judgment or estimation. Financial assets at estimated fair value classified within level 3 totaled $1.2 billion, or 1.5% of total assets as of September 30, 2008.

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

	Total		Fair Value Measurements Using:				
			Level 1		Level 2		Level 3
Assets							
Retained interests in securitizations	$	1,212.4	$		$		$ 1,212.4
Derivatives counterparty receivable		981.6				975.5	6.1
Equity Investments (in Other Assets)		112.3		112.3			
Total Assets	$	2,306.3	$	112.3	$	975.5	$ 1,218.5
Liabilities							
Derivatives counterparty liability	$	556.5	$		$	551.7	$ 4.8
Total Liabilities	$	556.5	$		$	551.7	$ 4.8

Retained Interest in Securitizations

Retained interests from securitization activities do not trade in an active, open market with readily observable prices. Accordingly, the fair value of retained interests is estimated using discounted cash flow (DCF) models. Significant assumptions, including estimated loan pool credit losses, prepayment speeds and discount rates, are utilized to estimate the fair values of retained interests, both at the date of the securitization and in subsequent quarterly valuations. The assumptions reflect the Company s recent historical experience and anticipated trends with respect to portfolio performances rather than observable inputs from similar transactions in the marketplace. Changes in assumptions may have a significant impact on the valuation of retained interests. See Note 6 for additional information.

Derivatives

The Company s derivative contracts are not generally listed on an exchange. Thus the derivative positions are valued using models in which the inputs are predominately determined using readily observable market data. The models utilized reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit quality of both the counterparty and CIT. Credit risk is factored into the fair value of derivative positions via a credit adjustment based upon observable market data such as the counterparty s credit default swap (CDS) spreads, in the case of net asset positions, and CIT s CDS spreads, in the case of net liabilities. The application of netting by counterparty is consistent with the ISDA master agreements that govern the terms and conditions of the Company s derivative transactions.

The majority of the Company s derivatives including interest rate swaps and option contracts fall within Level 2 of the fair value hierarchy because the significant inputs to the models are readily observable in actively quoted markets. Selected foreign currency interest rate swaps, two CPI index-based swaps, and a securities-based borrowing facility with Goldman Sachs structured and documented as a total return swap (TRS), where inputs are not readily observable market parameters, fall within Level 3 of the fair value hierarchy. Receivables and payables are reported on a gross-by-counterparty basis.

Equity Investments (in Other Assets)

Quoted prices available in the active equity markets were used to determine the estimated fair value of equity investment securities.

Level 3 Gains and Losses

The table below sets forth a summary of changes in the estimated fair value of the Company s Level 3 financial assets and liabilities for the quarter ended September 30, 2008 as well as the gains and losses for all financial assets and liabilities categorized as level 3 as of the quarter and nine months ended September 30, 2008.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) (dollars in millions)

	Total	Retained Interests in Securitizations	Derivatives
Assets and Liabilities			
June 30, 2008	$ 1,191.1	$ 1,216.3	$ (25.2)
Gains or losses realized/unrealized			
Included in other income	39.6	13.2	26.4
Included in other comprehensive income	6.5	6.5	
Other net	(23.6)	(23.6)	
Quarter ended September 30, 2008	$ 1,213.6	$ 1,212.4	$ 1.2
December 31, 2007	$ 1,165.8	$ 1,170.0	$ (4.2)
Gains or losses realized/unrealized			
Included in other income	7.9	(7.3)	15.2
Included in other comprehensive income	(7.9)	1.9	(9.8)
Other net	47.8	47.8	
Nine months ended September 30, 2008	$ 1,213.6	$ 1,212.4	$ 1.2

The gain on Level 3 derivatives in the table above, related to certain cross-currency swaps that economically hedge currency exposures, but do not qualify for hedge accounting, was essentially offset by losses on corresponding currency transactional exposures.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain assets and liabilities are measured at estimated fair value on a non-recurring basis. These instruments are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The following table presents the financial instruments on the Consolidated Balance Sheet by caption and by level within the SFAS 157 valuation hierarchy (as described above) as of September 30, 2008, for which a non-recurring change in fair value has been recorded during the quarter ended September 30, 2008.

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

	Fair Value Measurements at Reporting Date Using:				
	Total	Level 1	Level 2	Level 3	Total Gains and (Losses)
Assets					
Loans Held for Sale	$ 44.2	$	$ 44.2	$	$ (0.5)
Impaired loans (SFAS 114)	425.2			425.2	(46.5)
Total	$ 469.4	$	$ 44.2	$ 425.2	$ (47.0)

During 2008, the charge taken on loans held for sale was $130.4 million and the reduction in estimated fair value of impaired loans was $112.4 million.

Loans Held for Sale

The estimated fair value of loans classified as held for sale is calculated using observable market information, including bids from prospective purchasers and pricing from similar market transactions where available. Where bid information is not available for a specific loan, the valuation is principally based upon recent transaction prices for similar loans that have been sold. These comparable loans share characteristics that typically include industry, rating, capital structure, seniority, and consideration of counterparty credit risk. In addition, general market conditions, including prevailing market spreads for credit and liquidity risk, are also considered in the valuation process. Loans held for sale are generally classified within Level 2 of the valuation hierarchy. Aerospace assets, which are primarily aircraft subject to operating leases that are classified for accounting purposes as non-financial assets, are excluded due to the delayed SFAS 157 effective date for one year for non-financial assets.

Impaired Loans

Impairment of a loan within the scope of SFAS 114 is measured based on the present value of expected future cash flows discounted at the loan s effective interest rate, or the fair value of the collateral if the loan is collateral dependent. Impaired loans for which the carrying amount is based on fair value of the underlying collateral are included in assets and reported at estimated fair value on a non-recurring basis, both at initial recognition of impairment and on an on-going basis until recovery or charge-off of the loan amount. The determination of impairment involves management s judgment in the use of market data and third party estimates regarding collateral values. Valuations in the level of impaired loans and corresponding impairment as defined under SFAS 114 affect the level of the reserve for credit losses.

NOTE 6 RETAINED INTERESTS IN SECURITIZATIONS

The following table details the components of retained interests in securitizations for continuing operations.

Retained Interests in Securitizations (dollars in millions)

	September 30, 2008	December 31, 2007
Retained interests in loans:		
Retained subordinated securities[1]	$ 493.9	$ 493.0
Interest-only strips	334.9	426.0
Cash reserve accounts	383.6	251.0
Total retained interests in securitizations	$ 1,212.4	$ 1,170.0

[1] *Includes $6.8 million in a collateralized loan obligation for both periods.*

Retained subordinated securities, which create over-collateralization for more senior securities, represent the discounted cash flows expected to be realized by CIT from the principal balance of the finance receivables in the trusts/conduits in excess of the principal balance of the debt issued by such trusts/conduits, after taking into account expected losses.

Interest-only strips represent the discounted cash flows expected to be realized by CIT from the interest on the finance receivables in the trusts/conduits in excess of the interest expense on the debt issued by such trusts/conduits, to the extent the excess spread is not utilized to cover expected losses in the portfolios and servicing fees and expenses.

Cash reserve accounts represent the discounted cash flows expected to be realized by CIT from cash reserves placed with the trusts/conduits by CIT to the extent the reserves are not utilized to cover expected losses in the portfolios. The increase in the balance is due to a restructuring of one conduit facility that included a required higher cash balance.

During 2008, the Company recorded $67.9 million, including approximately $11 million in the third quarter, in pretax impairment charges, largely reflecting the repricing of debt underlying various securitization conduit vehicles in the Vendor Finance segment. Approximately $41 million relates to the conduit vehicle associated with the Dell Financial Services joint venture interest (DFS) and resulted from a repricing of the debt underlying the conduit that was triggered by CIT s sale of its interest in DFS. Of the $41 million charge, $33 million was recorded in the first quarter of 2008 but should have been recorded concurrently with the 2007 fourth quarter sale of the DFS interest. Management determined, with the agreement of its Audit Committee, that the error and subsequent correction was not material to the Company s financial statements.

NOTE 7 GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and intangible assets are presented by segment in the table below:

Goodwill and Intangible Assets (dollars in millions)

	Corporate Finance	Trade Finance	Vendor Finance	Total
Goodwill				
Balance at December 31, 2007	$ 296.9	$ 271.1	$ 406.0	$ 974.0
Acquisitions, other	(7.2)	(6.7)	20.4	6.5
Impairment charge			(426.4)	(426.4)
Balance at September 30, 2008	$ 289.7	$ 264.4	$	$ 554.1
Intangible Assets				
Balance at December 31, 2007	$ 26.6	$ 102.8	$ 49.1	$ 178.5
Acquisitions, other		0.2	0.7	0.9
Impairment charge	(0.4)		(28.7)	(29.1)
Amortization	(2.5)	(5.4)	(7.9)	(15.8)
Balance at September 30, 2008	$ 23.7	$ 97.6	$ 13.2	$ 134.5

The Company performed goodwill impairment testing at September 30, 2008 because of sharply diminished future earnings expectations in the Vendor Finance segment, coupled with the fact that the Company s common stock had been trading below book value per share for four consecutive quarters and peer market valuations are low.

In performing the first step (Step 1) of the goodwill impairment testing and measurement process to identify potential impairment, in accordance with SFAS 142, the estimated fair values of the three reporting units with goodwill (Corporate Finance, Trade Finance and Vendor Finance) were developed using discounted cash flow analyses (DCFA) utilizing observable market data to the extent available. The discount rates utilized in these DCFA ranged from approximately 15% to approximately 20%, reflecting market based estimates of capital costs and discount rates adjusted for management s assessment of a market participant s view with respect to execution, concentration and other risks associated with the projected cash flows of individual segments. The results of the DCFA were corroborated with market price to earnings multiples and tangible book value multiples of relevant, comparable peer companies. The results of this Step 1 process indicated potential impairment in the Vendor Finance and Corporate Finance segments, as the book values of each segment exceeded their respective estimated fair values. There was no indicated impairment for Trade Finance, as the estimated fair value for this segment exceeded its corresponding book value.

As a result, management performed the second step (Step 2) to quantify the goodwill impairment, if any, for the Corporate Finance and Vendor Finance segments in accordance with SFAS 142. In this step, the estimated fair values for each of the two segments were allocated to their respective assets and liabilities in order to determine an implied value of goodwill, in a manner similar to the calculations performed in accounting for a business combination. The results of this second step indicated that the entire Vendor Finance goodwill balance was impaired, resulting in the $426.4 million charge in the third quarter reflected in the prior table. For the Corporate Finance segment, the second step analysis indicated that the fair value shortfall was attributable to the estimated market value of the tangible assets (primarily finance receivables), rather than the goodwill (franchise value) of the segment. Therefore, no impairment charge was required for the Corporate Finance segment goodwill at September 30, 2008. SFAS 142 requires that this allocation process is to be performed only for purposes of measuring goodwill impairment, and not to adjust the book value of recognized tangible assets or liabilities. Accordingly, the Company did not record any impairment charges related to or adjust the book basis of any finance receivables, other tangible assets, or liabilities of the Corporate Finance segment as a result of this process.

The Company s stock price has been trading below its book value and tangible book value for four consecutive quarters. Management attributes its low stock price to both financial services industry-wide and Company specific factors. In the event that the Company s stock price continues trading at such levels in relation to book value and tangible book value, the Company would expect to continue performing quarterly evaluations of the carrying value of goodwill.

Should the future earnings and cash flows of the Trade Finance and Corporate Finance segments decline and/or discount rates increase, an impairment charge to goodwill and other intangible assets may be required if book equity value exceeds the estimated fair value of the enterprise or of an individual reporting unit.

Management also performed an impairment review of other intangible assets in the third quarter in accordance with SFAS 144. As a result of the diminished estimated cash flows associated with certain acquired other intangibles primarily in the Vendor Finance segment, management determined that the carrying values of certain acquired customer relationships in both European and domestic Vendor Finance operations (and a minor portion of similar assets in the Corporate Finance healthcare business) were not recoverable.

Other intangible assets, net, are comprised primarily of acquired customer relationships, and are amortized over their corresponding lives ranging from five to twenty years in relation to the related cash flows, where applicable. Amortization expense totaled $5.5 million and $5.0 million for the quarters ended September 30, 2008 and 2007, and $15.8 million and $15.2 million for the nine months ended September 30, 2008 and 2007. Accumulated amortization totaled $85.8 million at September 30, 2008 and $71.2 million at December 31, 2007. Projected amortization for the years ended December 31, 2008 through December 31, 2012 is approximately $14.8 million, $12.6 million, $12.4 million, $12.2 million and $12.1 million.

The increase to goodwill and intangible assets in the prior tables reflects refinements to fair value adjustments, including tax liabilities, related to the 2007 acquisitions of vendor finance businesses, coupled with foreign currency translation adjustments.

NOTE 8 DEBT

All commercial paper matured by September 30, 2008. Downgrades in the Company s short and long-term credit ratings have had the practical effect of leaving the Company without current access to the A-1/P-1 rated commercial paper market, a historical source of liquidity, and necessitated the Company s first quarter action to fully draw down its bank credit facilities. The following table includes information relating to these bank line facilities.

Bank Lines Drawn (dollars in millions)

Maturity Date	Original Term	# of Banks	Total Facility Amount
April 14, 2009	5 Year	33	$ 2,100

April 13, 2010	5 Year	30	2,100
December 6, 2011	5 Year	37	1,000
			$ 5,200

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Interest on each of these facilities is based on a credit ratings grid, with the interest rate measured as a spread in basis points over LIBOR, increasing if the Company s credit ratings decrease. At the Company s current ratings, the total weighted average interest rate approximates LIBOR plus 50 basis points. At the lowest credit rating, the weighted average rate would not exceed LIBOR plus 100 bps. The individual low and high rates, depending on the Company s credit ratings, are LIBOR plus 32.5 bps and LIBOR plus 70 bps. The maturities of these facilities reflect the date upon which the Company must repay the outstanding balance, with no option to extend the term for repayment.

On June 6, 2008, a wholly owned subsidiary of CIT executed a long-term, committed financing facility with Goldman Sachs International (GSI) that is structured and documented as a total return swap (TRS). The maximum notional amount of the facility is $3 billion during the first ten years of the contract, and thereafter the maximum notional amount declines by $300 million per year for ten years. The arrangement obligates CIT to pay GSI an annual facility fee equal to 2.85% of the maximum notional amount for that year, subject to an initial six month ramp-up adjustment. CIT has the right to terminate the facility before maturity; however, doing so would require CIT to pay GSI a make whole amount equal to the discounted present value of the annual facility fee for its remaining term. There are no other commitment, underwriting or structuring fees payable to GSI or any of its affiliates for the facility. CIT is also required to pay GSI an amount equal to USD LIBOR on proceeds (less a discount) from asset-backed securitization transactions to CIT. The specific LIBOR index used can vary by asset-backed security and will typically correspond to the length of time between successive payment dates on the asset-backed security. Facility advances are collateralized by asset-backed securities created using certain eligible assets of CIT. GSI is required to reimburse CIT for all cash flows paid to the purchasers of the asset-backed securities. Consequently, the fully drawn borrowing cost is USD LIBOR plus 2.85%. The asset-backed securities may be backed by commercial loans, equipment contracts, FFELP student loans, aircraft or rail leases, private student loans or other assets and are subject to concentration limits.

The Company s ability to utilize this structure for funding is dependent on the availability of eligible unencumbered assets, while net proceeds received by the Company under the structure are dependent on the current market value of the asset-backed securities. GSI determines the market value of the asset-backed securities daily. As a result, the amount of available funding in relation to assets encumbered can vary daily based on market conditions. If the market value of an asset-backed security increases or decreases, CIT either receives or posts additional collateral with GSI in the form of treasury securities or cash, or CIT can elect to repay or draw additional amounts under the facility. If the parties do not agree on the market value of the asset-backed securities, the agreement contains market-based dispute resolution mechanisms. From the end of the third quarter through November 7, 2008, CIT returned approximately $289 million in proceeds from the $1,458 million borrowed at September 30, 2008 (as shown in the table below) due to declines in the market value of the asset-backed securities.

The following table summarizes all secured borrowings by type of collateral for continuing operations. See *Note 2 Financing and Leasing Assets* for encumbered financing and leasing asset balances.

Secured Borrowings Summary (dollars in millions)

	September 30, 2008	December 31, 2007
Consumer (student lending)	$ 9,346.2	$ 9,437.5
Trade Finance (factoring receivable)*(1)*	1,300.0	1,262.5
Corporate Finance*(2)(3)*	2,799.1	370.0
Vendor Finance*(4)*	1,930.7	1,312.3
Transportation Finance Rail*(5)*	850.0	
Transportation Finance aircraft*(6)*	347.0	
Corporate Finance (energy project finance)	254.2	262.1
Total	$ 16,827.2	$ 12,644.4

(1) *Excludes credit balances of factoring clients.*

(2) *Includes financing executed via total return swaps, under which CIT retains control of and the risk associated with the pledged assets.*

(3) *Reflects advances of $1,458 million associated with the GSI facility.*

(4) *Reflects the repurchase of assets previously securitized off-balance sheet and the associated secured debt.*

(5) *Equipment under operating lease.*

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

The assets related to the above secured borrowings are owned by special purpose entities that are consolidated in the CIT financial statements, and the creditors of these special purpose entities have received ownership and, or, security interests in the assets. These special purpose entities are intended to be bankruptcy remote so that such assets are not available to the creditors of CIT (or any affiliates of CIT) that sold assets to the respective special purpose entities. The transactions do not meet the SFAS 140 requirements for sales treatment and are, therefore, recorded as secured borrowings in the Company s financial statements.

Senior Unsecured Borrowings Summary (dollars in millions)

	September 30, 2008	December 31, 2007
Variable-rate senior unsecured notes	$ 13,513.1	$ 19,888.2
Fixed-rate senior unsecured notes	28,684.0	29,477.6
Total	$ 42,197.1	$ 49,365.8

NOTE 9 DERIVATIVE FINANCIAL INSTRUMENTS

The Company executes derivative transactions to hedge economic exposures.

The fair value of the Company s derivative contracts is reported in Other assets and Accrued liabilities and payables on a gross-by-counterparty basis in the Company s consolidated statements of financial condition at September 30, 2008. The amounts as of December 31, 2007 have been conformed to the current presentation. The fair value of derivative financial instruments is set forth below:

Fair Value of Derivative Financial Instruments (dollars in millions)

	September 30, 2008		December 31, 2007	
	Assets*(1)*	**Liabilities**	**Assets**	**Liabilities**
Cross currency swaps	$ 591.6	$ (93.8)	$ 856.0	$ (0.5)
Interest rate swaps	194.5	(283.1)	312.4	(407.9)
Foreign currency forward exchange contracts	137.8	(76.1)	194.9	(493.0)
Derivatives qualifying as SFAS 133 hedges	923.9	(453.0)	1,363.3	(901.4)
Non-qualifying derivatives	57.7	(103.5)	99.1	(129.8)
Total	$ 981.6	$ (556.5)	$ 1,462.4	$ (1,031.2)

(1) *Amounts exclude approximately $33 million related to a claim in the Lehman Brothers bankruptcy for amounts owed to CIT under derivative contracts. See Note 14 for additional information.*

The following table presents additional information regarding qualifying SFAS 133 hedges, specifically the notional principal value of interest rate swaps by class and the corresponding hedged positions.

Interest Rate Swaps (notional dollars in millions)

September 30, 2008	December 31, 2007	Hedged Item	Classification
Variable rate to fixed rate swaps*(1)*			
$ 6,249.3	$ 9,744.8	Cash flow variability associated with specific variable-rate debt	Cash flow
	1,796.9	Cash flow variability related to forecasted commercial paper issuances	Cash flow
$ 6,249.3	$ 11,541.7		
Fixed rate to variable rate swaps*(2)*			
$ 10,469.7	$ 12,920.9	Specific fixed rate debt	Fair value

(1) *CIT pays a fixed rate of interest and receives a variable rate of interest. These swaps hedge the cash flow variability associated with forecasted commercial paper and specific variable rate debt.*

(2) *CIT pays a variable rate of interest and receives a fixed rate of interest. These swaps hedge specific fixed rate debt instruments.*

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the first quarter of 2008, hedge accounting was discontinued with respect to the commercial paper program and the related variable to fixed rate swaps. In addition, to maintain the Company s overall interest sensitivity position, hedge accounting was also discontinued on a similar notional amount of fixed rate to variable rate swaps, with essentially offsetting economics, which previously hedged specific fixed rate debt. The majority of these swaps were terminated in the second quarter of 2008.

The Company also has $1.3 billion in notional amount of interest rate caps at September 30, 2008 that hedge the cash flow variability associated with specific variable rate debt.

The following table presents the notional principal amounts of cross-currency swaps by class and the corresponding hedged positions.

Cross-currency Swaps (notional dollars in millions)

	September 30, 2008	December 31, 2007	Hedged Item	Hedge Classification
(1)	$ 4,280.1	$ 4,026.5	Foreign denominated variable-rate debt	Foreign currency fair value
(2)	249.5	249.5	Foreign denominated fixed-rate debt	Foreign currency cash flow
(3)	3.9	27.6	Foreign currency loans to subsidiaries	Foreign currency cash flow
	$ 4,533.5	$ 4,303.6		

(1) *CIT pays a U.S. variable rate of interest and receives a variable foreign rate of interest. These swaps hedge the fair value changes in foreign currency associated with specific foreign denominated debt and are designated as foreign currency fair value hedges.*

(2) *CIT pays a U.S. dollar fixed rate of interest and receives a foreign currency fixed rate of interest. These swaps hedge the currency and interest rate cash flow variability associated with payments on specific foreign denominated fixed rate debt and are designated as foreign currency cash flow hedges.*

(3) *CIT receives a U.S. dollar fixed rate of interest and pays a foreign currency fixed rate of interest. These swaps hedge the currency cash flow variability associated with payments on specific fixed-rate foreign denominated inter-company receivables and are designated as foreign currency cash flow hedges.*

CIT sells various foreign currencies forward. These contracts are designated as either cash flow hedges of specific foreign denominated intercompany receivables or as net investment hedges of foreign denominated investments in subsidiaries. The following table presents the notional principal amounts of foreign currency forward exchange contracts and the corresponding hedged positions.

Foreign Currency Forward Exchange Contracts (notional dollars in millions)

September 30, 2008	December 31, 2007	Hedged Item	Hedge Classification
$ 4,072.1	$ 3,853.8		Foreign currency net investment

		Foreign currency equity investments in subsidiaries
869.0	829.6	Foreign currency loans to subsidiaries Foreign currency cash flow
$ 4,941.1	$ 4,683.4	

The table that follows summarizes the nature and notional amount of economic hedges that do not qualify for hedge accounting under SFAS 133.

Non-hedge Accounting Derivatives (notional dollars in millions)

September 30, 2008	December 31, 2007	Type of Swaps/Caps	
$ 8,694.5	$ 6,876.1	US dollar interest rate swaps	
4,316.9	3,184.1	Interest rate caps	
485.1	349.6	Cross-currency swaps	
267.5	254.4	Foreign currency interest rate swaps	
88.0	168.0	Credit default swaps	
668.9	564.8	Foreign exchange forward contracts	
$ 14,520.9	$ 11,397.0	Non-Hedge Accounting Derivatives	Continuing operations
$	$ 10,688.0	Non-Hedge Accounting Derivatives	Discontinued operation

Non-hedge Accounting Derivatives Continuing Operations: U.S. interest rate swap contracts in the table above relate to the following: (1) $2.5 billion at September 30, 2008 and $2.5 billion at December 31, 2007 in notional amount of interest rate swaps related to customer derivative programs, (2) $4.1 billion in basis swaps executed in December 2007 in conjunction with secured borrowings collateralized by student loans, (3) $1.5 billion in U.S. Dollar interest rate swaps (approximately $750 million each in offsetting float to fixed and fixed to float) related to an on-balance sheet Vendor Finance securitization transaction and (4) $0.5 billion of U.S. dollar interest rate swaps formerly hedging the commercial paper program and certain fixed rate debt, for which hedge accounting was discontinued in the first quarter of 2008. CIT has also extended $4.3 billion at September 30, 2008 and $3.2 billion at December 31, 2007 in interest rate caps in connection with its customer derivative program. The notional amounts of derivatives related to the customer program include both derivative transactions with CIT customers, as well as offsetting transactions with third parties with like notional amounts and terms.

CIT also has certain cross-currency swaps, certain U.S. and Canadian dollar interest rate swaps, and interest rate caps that are economic hedges of certain interest rate and foreign currency exposures. In addition, CIT has entered into credit default swaps, with original terms of 5 years, to economically hedge certain CIT credit exposures. Further, as discussed in Note 8 *Debt*, the securities based borrowing facility with GSI is structured and documented as a total return swap (TRS). The amount available for advances under the TRS is accounted for as a derivative financial instrument; to the extent amounts have been advanced to the Company, the TRS notional is not accounted for as a derivative financial instrument because to do so would double count the risks and rewards of owning the encumbered assets. At September 30, 2008, the estimated fair value of the contract in a hypothetical transfer is not significant.

Non-hedge Accounting Derivatives Discontinued Operation: Contracts in the table above reflect $10.7 billion at December 31, 2007 in amortizing notional amount of interest rate swaps executed in conjunction with the 2007 third quarter on balance sheet securitization of home lending receivables. In the third quarter of 2007, CIT and the bankruptcy remote securitization trust formed for the transaction each entered into offsetting swap transactions with a third party commercial bank. During the third quarter of 2008 the debt associated with the discontinued operation was assumed by the purchaser.

In addition to the amounts in the preceding table, CIT had $515.7 million and $2.0 billion in notional amount of interest rate swaps outstanding with securitization trusts at September 30, 2008 and December 31, 2007 to insulate the trusts against interest rate risk. CIT entered into offsetting swap transactions with third parties totaling $515.7 million and $2.0 billion in notional amount at September 30, 2008 and December 31, 2007 to insulate the Company from the related interest rate risk.

Hedge ineffectiveness occurs in certain cash flow hedges. Hedge ineffectiveness related to interest rate swaps hedging the commercial paper program resulted in a $0.1 million decrease for the quarter and nine months ended September 30, 2007. There was no ineffectiveness recorded during 2008 as downgrades in the Company s short and long-term credit ratings had the practical effect of leaving CIT without current access to the A-1/P-1 prime commercial paper market and the entire commercial paper balance has been paid down.

NOTE 10 ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table details the components of accumulated other comprehensive income, net of tax.

Accumulated Other Comprehensive Income (dollars in millions)

	September 30, 2008	December 31, 2007
Foreign currency translation adjustments	$ 229.8	$ 319.1
Unrealized gain on available for sale equity and securitization investments	7.0	7.9
Benefit plan net (loss) and prior service (cost), net of tax	(39.1)	(35.6)
Changes in fair values of derivatives qualifying as cash flow hedges	(57.8)	(96.6)
Total accumulated other comprehensive income	$ 139.9	$ 194.8

The change in fair values of derivatives qualifying as cash flow hedges related to variations in market interest rates, as these derivatives hedge the interest rate variability associated with an equivalent amount of variable-rate debt. See Note 9 for additional information. The foreign currency translation adjustment, at both September 30, 2008 and December 31, 2007, reflects the weakened U.S. dollar in relation to various foreign currencies, including the Euro and the Canadian Dollar, partially offset by corresponding hedging activity, on an after tax basis; however, the dollar strengthened against these currencies during the 2008 third quarter.

The total comprehensive loss before preferred dividends for the quarters ended September 30, 2008 and 2007 was $398.2 million and $55.5 million. Total comprehensive loss for the nine months ended September 30, 2008 and 2007 was $2.7 billion versus comprehensive income of $113 million, respectively. See *Consolidated Statement of Stockholders Equity*.

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.

Accumulated Other Comprehensive Loss Derivatives (dollars in millions)

	Fair Value Adjustments of Derivatives	Income Tax Effects	Total Unrealized Loss
Balance at December 31, 2007 unrealized loss	$ (170.8)	$ 74.2	$ (96.6)
Discontinuation hedge accounting related to commercial paper program	148.1	(58.6)	89.5
Changes in values of derivatives qualifying as cash flow hedges	(78.1)	27.4	(50.7)
Balance at September 30, 2008 unrealized loss	$ (100.8)	$ 43.0	$ (57.8)

The unrealized loss as of September 30, 2008 reflects lower 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 lives of the swaps. Assuming no change in interest rates, approximately $44.4 million, net of tax, of the Accumulated Other Comprehensive Loss relating to derivatives qualifying as cash flow hedges as of September 30, 2008 is expected to be reclassified to earnings over the next twelve months as contractual cash payments are made.

The discontinuation of hedge accounting for interest rate swaps hedging the Company s commercial paper program in the first quarter of 2008 resulted in a $148.1 million earnings charge, which was previously reflected in other comprehensive loss. The swaps converted commercial paper, essentially a floating rate liability, to fixed rate for the funding of fixed rate assets with terms similar to the swaps. The loss resulted from declines in market interest rates since inception of the swaps.

NOTE 11 EARNINGS (LOSS) PER COMMON SHARE

The following table displays the computation of basic and diluted (loss) earnings per common share:

Earnings Per Share (dollars in millions, except per share amount; shares in thousands)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Earnings / (Loss)				
Net (loss) income from continuing operations, before preferred stock dividends	$ (301.6)	$ 208.5	$ (505.2)	$ 729.6
(Loss) income from discontinued operation	4.4	(247.3)	(2,109.4)	(687.4)
Net (loss) income before preferred stock dividends	(297.2)	(38.8)	(2,614.6)	42.2
Preferred stock dividends	(20.1)	(7.5)	(44.3)	(22.5)
Net (loss) income (attributable) available to common stockholders basic	(317.3)	(46.3)	(2,658.9)	19.7
Add back: convertible preferred dividends[(1)]				
Net (loss) income (attributable) available to common stockholders diluted	$ (317.3)	$ (46.3)	$ (2,658.9)	$ 19.7
Weighted Average Common Shares Outstanding				
Basic shares outstanding	285,509	189,930	247,191	191,946
Stock-based awards[(2)]		1,597		2,987
Convertible preferred stock[(3)]				
Diluted shares outstanding	285,509	191,527	247,191	194,933
Basic Earnings Per Common Share Data				
Income (loss) from continuing operations[(4)]	$ (1.13)	$ 1.06	$ (2.22)	$ 3.68
(Loss) income from discontinued operation	0.02	(1.30)	(8.54)	(3.58)
Net (loss) income	$ (1.11)	$ (0.24)	$ (10.76)	$ 0.10
Diluted Earnings Per Common Share Data				
Income (loss) from continuing operations[(4)]	$ (1.13)	$ 1.05	$ (2.22)	$ 3.63
(Loss) income from discontinued operation	0.02	(1.29)	(8.54)	(3.53)
Net (loss) income	$ (1.11)	$ (0.24)	$ (10.76)	$ 0.10

(1) *In the computation of diluted per share, convertible preferred stock dividends are added back to net income (loss) when the assumed conversion of the preferred shares is dilutive and is assumed to be converted from the beginning of the period (or issuance date, if later). For the 2008 periods, the assumed conversion of the preferred shares into approximately 45 million shares had an anti-dilutive effect and is therefore excluded from the calculation. The assumed conversion is not applicable for the 2007 periods as the convertible issuance occurred during 2008.*

(2) *Represents the incremental shares from in the money non-qualified stock options and restricted stock awards. Weighted average options and restricted shares that were excluded from diluted per share totaled 17.1 million and 15.3 million for the quarter and nine months ended September 30, 2008 and 12.7 million and 12.1 million for the 2007 periods.*

(3) *Represents the incremental shares from the assumed conversion of outstanding convertible preferred stock when the assumed conversion is dilutive.*

(4) *Amount is net of preferred stock dividends.*

NOTE 12 RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

The following table discloses various components of pension and postretirement expense.

Retirement and Postretirement Benefit Plans (dollars in millions)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Retirement Plans				
Service cost	$ 5.4	$ 6.2	$ 16.8	$ 18.5
Interest cost	6.2	5.6	18.6	16.3
Expected return on plan assets	(5.0)	(5.5)	(15.3)	(16.6)
Amortization of net loss	0.5	0.2	1.2	0.8
Amortization of prior service cost	0.6	0.7	1.8	2.0
Loss due to settlements & curtailments	0.1	0.2	5.2	(0.1)
Termination benefits	0.1		0.8	0.7
Net periodic benefit cost	$ 7.9	$ 7.4	$ 29.1	$ 21.6
Postretirement Plans				
Service cost	$ 0.3	$ 0.5	$ 0.9	$ 1.6
Interest cost	0.8	0.8	2.4	2.5
Amortization of net (gain) loss		0.2	(0.1)	0.5
Amortization of prior service cost			(0.1)	(0.1)
Loss due to settlements & curtailments			0.5	
Remeasurement/plan establishment			0.9	
Net periodic benefit cost	$ 1.1	$ 1.5	$ 4.5	$ 4.5

For the nine months ended September 30, 2008, CIT contributed $19.1 million to the retirement plans, and currently expects to contribute an additional $2.2 million in 2008, for a total of $21.3 million. CIT contributed $2.1 million to postretirement plans, and currently expects to contribute an additional $1.0 million in 2008, for a total of $3.1 million. The decline in value of plan assets during 2008 will result in increased retirement plan expense and contributions in 2009.

NOTE 13 COMMITMENTS

The accompanying table summarizes credit-related commitments, as well as purchase and funding commitments related to continuing operations. Descriptions of these items follow the table.

Commitments (dollars in millions)

	September 30, 2008

	Due to Expire			December 31, 2007
	Within One Year	After One Year	Total Outstanding	Total Outstanding
Financing Commitments				
Financing and leasing assets	$ 1,139.0	$ 5,701.4	$ 6,840.4	$ 12,109.5
Letters of credit and acceptances				
Standby letters of credit	527.3	125.1	652.4	743.6
Other letters of credit	332.2	0.1	332.3	365.9
Guarantees, acceptances and other recourse obligations	357.1	1.2	358.3	232.3
Purchase and Funding Commitments				
Aerospace purchase commitments	703.8	6,442.1	7,145.9	6,078.4
Other manufacturer purchase commitments	428.5	11.4	439.9	735.5
Sale-leaseback payments	140.8	1,641.6	1,782.4	1,925.9
Unrecognized tax obligations	40.0	179.6	219.6	223.1

Financing commitments, referred to as loan commitments, or lines of credit, are agreements to lend to customers, subject to the customers compliance with contractual obligations. Given that these commitments are not typically fully drawn, may expire unused or be reduced or cancelled at the customer s request, the total commitment amount does not necessarily reflect the actual future cash flow requirements.

Financing commitments, declined from $12.1 billion at year end 2007 to $6.8 billion at September 30, 2008, as approximately $2 billion of available undrawn asset based loan commitments were sold in conjunction with liquidity initiatives, while others were utilized or expired. Financing commitments shown above include roughly $1.3 billion of consumer commitments issued in connection with third-party vendor programs and exclude roughly $2 billion of commitments that were not available for draw due to requirements for asset / collateral availability or covenant conditions at September 30, 2008.

In addition to the amounts shown in the table above, the Company has extended unused, cancelable lines of credit to customers in connection with third-party vendor programs, which may be used solely to finance additional product purchases. These uncommitted lines of credit can be reduced or canceled by CIT at any time without notice. Management s experience indicates that customers typically do not seek to 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 forms of credit support from the customer.

Guarantees are issued primarily in conjunction with CIT s factoring product in Trade Finance, 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 client s customer is unable to pay according to the contractual terms, then CIT purchases the receivables from the client. As of September 30, 2008 and December 31, 2007, CIT had 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. 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 on average appraisal values (and higher than the actual purchase price) less payments to date for pre-delivery payments and excluding buyer furnished equipment to be selected by the initial lessee. For purposes of the commitment table, the values assumed do not reflect price discounts to the manufacturer price. Pursuant to existing contractual commitments, 121 aircraft remain to be purchased (19 within the next 12 months). Lease commitments are in place for all but two of the aircraft to be delivered over the next twelve months. The two were previously committed but the purchaser filed for bankruptcy, and the Company now has memorandum of intent agreements with another carrier. The commitment amount excludes unexercised CIT options to purchase aircraft. The aircraft deliveries to CIT are scheduled periodically through 2016.

Outstanding commitments to purchase equipment to be leased to customers, other than aircraft, relate 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 $1,782.4 million, or approximately $143 million per year for 2009 through 2013, with remaining payments due through 2030. These lease payments are expected to be more than offset by rental income associated with re-leasing the assets, subject to actual railcar utilization and rentals. In conjunction with sale-leaseback transactions, CIT has guaranteed all obligations of the related consolidated lessee entities.

CIT has guaranteed the public and private debt securities of a number of its wholly-owned, consolidated subsidiaries, including those disclosed in *Note 18 Summarized Financial Information of Subsidiaries*. In the normal course of business, various consolidated CIT subsidiaries have entered into other credit agreements and certain derivative transactions with financial institutions that are guaranteed by CIT. These transactions are generally used by CIT s subsidiaries outside of the U.S. to allow the local subsidiary to borrow funds in local currencies.

NOTE 14 CONTINGENCIES

SECURITIES CLASS ACTION

On July 25, 2008 and August 22, 2008, putative class action lawsuits were filed in the United States District Court for the Southern District of New York against CIT, its Chief Executive Officer and its Chief Financial Officer. The lawsuits allege violations of the Securities Exchange Act of 1934 (1934 Act) and Rule 10b-5 promulgated thereunder during the period from April 18, 2007 to March 5, 2008.

On August 15, 2008, a putative class action lawsuit was filed in the United States District Court for the Southern District of New York by the holder of CIT PrZ equity units against CIT, its Chief Executive Officer, its Chief Financial Officer and members of its Board of Directors. The lawsuit alleges violations of Sections 11 and 12 of the Securities Act of 1933 with respect to the Company s registration statement and prospectus filed with the SEC on October 17, 2007 through March 5, 2008.

On September 5, 2008, a shareholder derivative lawsuit was filed in the United States District Court for the Southern District of New York against CIT, its Chief Executive Officer, its Controller and members of its Board of Directors, alleging defendants breached their fiduciary duties to the plaintiff and abused the trust placed in them by wasting, diverting and misappropriating CIT s corporate assets. On September 10, 2008, a similar shareholder derivative action was filed in New York County Supreme Court against CIT, its Chief Executive Officer, its Chief Financial Officer and members of its Board of Directors.

Each of the above lawsuits is premised upon allegations that the Company made false and misleading statements and or omissions about its financial condition by failing to account in its financial statements or, in the case of the preferred stockholder, its registration statement and prospectus, for private student loans related to a pilot training school, which, plaintiffs allege were highly unlikely to be repaid and should have been written off. Plaintiffs seek, among other relief, unspecified damages and interest. CIT believes the allegations in these actions are without merit and intends to vigorously defend these actions.

PILOT TRAINING SCHOOL BANKRUPTCY

In February 2008, a helicopter pilot training school filed for bankruptcy and ceased operating. Student Loan Xpress, Inc. (SLX), a subsidiary of CIT engaged in the student lending business, had originated private (non-government guaranteed) loans to students of the school, which totaled approximately $196.8 million in principal and accrued interest as of December 31, 2007. SLX ceased originating new loans to students of this school in mid-May 2007, but a majority of our student borrowers had not completed their training when the school ceased operations. Collectability of the outstanding principal and interest on the balance of the loans will depend on a number of factors, including the student s current ability to repay the loan, whether a student has completed the pilot licensing requirements, whether a student can complete any remaining education requirements at another institution (including making further tuition payments and accessing previous education records) and satisfy any remaining licensing requirements.

After the school filed for bankruptcy, and ceased operations, CIT voluntarily placed those students who were in school at the time of the closure in grace such that no payments under their loans are required to be made and no interest on their loans is accruing, pending further notice. Lawsuits, including four putative class action lawsuits, have been filed against SLX and other lenders alleging, among other things, violations of state consumer protection laws. In addition, several other attorneys who purport to represent student borrowers have threatened litigation if their clients do not receive relief with respect to their debts to SLX. CIT participated in a mediation with several class counsels and the parties have made substantial progress towards a resolution of the student claims against SLX. The Attorneys General of several states are reviewing the impact of the helicopter pilot training school s bankruptcy on the student borrowers and any possible role of SLX. CIT is cooperating in each of the Attorney General inquiries. Management believes the Company has good defenses in each of these pending and threatened matters and with respect to the Attorneys General inquiries. However, since the loans are unsecured and uncertainties exist regarding collection, management continues to attempt to resolve these matters as expeditiously as possible.

STUDENT LOAN INVESTIGATIONS

In connection with investigations into (i) the relationships between student lenders and the colleges and universities that recommend such lenders to their students, and (ii) the business practices of student lenders, CIT and/or SLX received requests for information from several state Attorneys General and several federal governmental agencies. In May, 2007, CIT entered into an Assurance of Discontinuance (AOD) with the New York Attorney General (NYAG), pursuant to which CIT contributed $3.0 million into a fund established to educate students and their parents concerning student loans and agreed to cooperate with the NYAG s investigation, in exchange for which, the NYAG agreed to discontinue its investigation concerning certain alleged conduct by SLX. CIT is fully cooperating with the remaining investigations.

VENDOR FINANCE BILLING AND INVOICING INVESTIGATION

In the second quarter of 2007, the office of the United States Attorney for the Central District of California requested that CIT produce the billing and invoicing histories for a portfolio of customer accounts that CIT purchased from a third-party vendor. The request was made in connection with an ongoing investigation being conducted by federal authorities into billing practices involving that portfolio. State authorities in California have been conducting a parallel investigation. It appears the investigations are being conducted under the Federal False Claims Act and its California equivalent. CIT is cooperating with these investigations, and substantial progress has been made towards a resolution of the investigations. Based on the facts known to date, CIT believes its exposure will not be material.

OTHER LITIGATION

In addition, there are various legal proceedings and government investigations against or including CIT, which have arisen in the ordinary course of business. While the outcomes of 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 CIT.

LEHMAN BROTHERS BANKRUPTCY

In conjunction with certain interest rate and foreign currency hedging activities, the Company had counterparty receivables from Lehman Specialty Financing Inc (LSF), a subsidiary of Lehman Brothers Holding Inc. (Lehman) totaling $33 million related to derivative transactions. On September 15, 2008, Lehman filed a petition under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. In October 2008, LSF filed a Chapter 11 petition in the same court. The Company terminated the swaps prior to the bankruptcy, but has not received payment for the amounts owed, resulting in a bankruptcy claim against LSF. Given the complexity of the bankruptcies and the uncertainties with regard to the liquidation of Lehman and LSF assets, management currently is unable to estimate a probable loss relating to this claim, and has not accrued any related contingency charge as of September 30, 2008.

RESERVE FUND INVESTMENT

At September 30, 2008, the Company had $600 million invested in the Reserve Primary Fund (the Reserve Fund), a money market fund. The Reserve Fund currently is in orderly liquidation under the supervision of the SEC and its net asset value has fallen below its stated value of $1.00. In September 2008, the Company requested redemption, and received confirmation with respect to a 97% payout on a portion of the investment. As a result, the Company accrued a pretax charge of $18 million in the quarter representing the Company s estimate of loss based on the 97% partial payout confirmation. This amount is subject to the total distribution available to all investors of this fund and potential recovery may vary from the recorded investment.

As discussed further in *Note 19 Subsequent Events*, the Company received approximately $305 million on October 31, 2008 in conjunction with a partial fund distribution.

NOTE 15 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Until December 31, 2007, CIT was a partner with Dell Inc. (Dell) in Dell Financial Services L.P. (DFS), a joint venture that offered financing to Dell s customers. The joint venture provided Dell with financing and leasing capabilities that were complementary to its product offerings and provided CIT with a source of new financings. In December 2007, Dell exercised its right to buy CIT s interest and the Company sold its 30% ownership interest in the DFS joint venture. CIT has the right to purchase a minimum percentage of DFS finance receivables on a declining scale through January 2010. CIT has certain recourse to DFS on defaulted contracts. 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 $0.7 billion at September 30, 2008 and $0.6 billion at December 31, 2007. Securitized assets included in managed assets were approximately $1.6 billion at September 30, 2008 and $2.3 billion at December 31, 2007.

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 extends until January 2009. CIT and Snap-on have 50% ownership interests, 50% board of directors representation, and share income and losses equally. The Snap-on joint venture is accounted for under the equity method and is not consolidated in CIT s financial statements. At both September 30, 2008 and December 31, 2007, financing and leasing assets were approximately $1.0 billion and securitized assets included in managed assets were approximately $12 million and $24 million, respectively.

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 $500 million at September 30, 2008 and $440 million at December 31, 2007.

In the first quarter of 2007, the Company formed Care Investment Trust Inc. (Care), an externally managed real estate investment trust (REIT), formed principally to invest in healthcare-related commercial real estate. In conjunction with a June 2007 IPO, CIT contributed approximately $280 million of loans to Care in return for cash and a 36% equity investment, worth approximately $79 million in Care at the initial public offering price. A subsidiary of CIT provides services to Care pursuant to a management agreement. The investment in Care is accounted for under the equity method, as CIT does not have a majority of the economics (expected losses and residual returns) in the entity.

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 $8 million at September 30, 2008 and $11 million at December 31, 2007 of investments in non-consolidated entities relating to such transactions that are accounted for under the equity or cost methods.

The combination of investments in and loans to non-consolidated entities represents the Company s maximum exposure to loss, as the Company does not provide guarantees or other forms of indemnification to non-consolidated entities.

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

NOTE 16 BUSINESS SEGMENT INFORMATION

The following table presents our business segment financial information for continuing operations:

Business Segments (dollars in millions)

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Commercial Segments	Consumer	Total Segments	Corporate and Other	Continuing Operations
Quarter Ended September 30, 2008									
Net finance revenue, before depreciation	$ 155.5	$ 241.8	$ 31.6	$ 252.7	$ 681.6	$ 38.8	$ 720.4	$ (85.8)	$ 634.6
Other income	47.7	15.1	63.6	18.6	145.0	1.1	146.1	(3.4)	142.7
Depreciation on operating lease equipment	(8.1)	(148.1)		(128.6)	(284.8)		(284.8)	0.1	(284.7)
Provision for credit losses	(44.2)	0.7	(15.3)	(49.9)	(108.7)	(65.9)	(174.6)	(35.7)	(210.3)
Salaries and general operating expenses	(98.5)	(31.8)	(34.2)	(101.0)	(265.5)	(16.8)	(282.3)	(23.9)	(306.2)
Other pre-tax items[1]				(455.1)	(455.1)		(455.1)	(28.4)	(483.5)
Income (Loss) from continuing operations before provision for income taxes and minority interest	52.4	77.7	45.7	(463.3)	(287.5)	(42.8)	(330.3)	(177.1)	(507.4)
(Provision) benefit for income taxes and minority interest after tax	(15.5)	(8.5)	(17.2)	108.5	67.3	19.1	86.4	119.4	205.8
Net income (loss) from continuing operations, before preferred dividends	36.9	69.2	28.5	(354.8)	(220.2)	(23.7)	(243.9)	(57.7)	(301.6)
Quarter Ended September 30, 2007									
Net finance revenue, before depreciation	$ 170.1	$ 229.8	$ 45.1	$ 306.4	$ 751.4	$ 36.5	$ 787.9	$ (64.8)	$ 723.1
Other income	99.3	20.4	72.4	76.8	268.9	7.3	276.2	0.7	276.9
Depreciation on operating lease equipment	(7.5)	(136.7)		(160.8)	(305.0)		(305.0)	0.3	(304.7)
Provision for credit losses	(13.0)	3.0	(7.8)	(7.5)	(25.3)	(13.3)	(38.6)	(25.3)	(63.9)
Salaries and general operating expenses	(116.9)	(35.5)	(39.5)	(124.3)	(316.2)	(18.4)	(334.6)	(8.8)	(343.4)
Other pre-tax items[1]								(2.3)	(2.3)
	132.0	81.0	70.2	90.6	373.8	12.1	385.9	(100.2)	285.7

Income (Loss) from continuing operations before provision for income taxes and minority interest									
(Provision) benefit for income taxes and minority interest after tax	(48.7)	(10.7)	(26.7)	(32.4)	(118.5)	(2.7)	(121.2)	44.0	(77.2)
Net income (loss) from continuing operations, before preferred dividends	83.3	70.3	43.5	58.2	255.3	9.4	264.7	(56.2)	208.5
Nine Months Ended September 30, 2008									
Net finance revenue, before depreciation	$ 497.2	$ 732.0	$ 98.7	$ 771.1	$ 2,099.0	$ 105.0	$ 2,204.0	$ (243.2)	$ 1,960.8
Other income	161.8	89.2	183.6	46.5	481.1	(6.4)	474.7	1.8	476.5
Depreciation on operating lease equipment	(25.5)	(439.8)		(394.4)	(859.7)		(859.7)	0.3	(859.4)
Provision for credit losses	(105.3)	1.2	(35.8)	(100.6)	(240.5)	(248.6)	(489.1)	(120.1)	(609.2)
Salaries and general operating expenses	(309.4)	(106.6)	(106.7)	(306.6)	(829.3)	(53.7)	(883.0)	(45.0)	(928.0)
Other pre-tax items(1)	(103.9)			(455.1)	(559.0)		(559.0)	(257.1)	(816.1)
Income (Loss) from continuing operations before provision for income taxes and minority interest	114.9	276.0	139.8	(439.1)	91.6	(203.7)	(112.1)	(663.3)	(775.4)
(Provision) benefit for income taxes and minority interest after tax	(39.5)	(30.8)	(52.0)	102.0	(20.3)	85.0	64.7	205.5	270.2
Net income (loss) from continuing operations, before preferred dividends	75.4	245.2	87.8	(337.1)	71.3	(118.7)	(47.4)	(457.8)	(505.2)
Total financing and leasing assets	22,075.9	13,931.7	6,980.9	11,959.7	54,948.2	12,813.8	67,762.0		67,762.0
Total managed assets	23,030.4	13,931.7	6,980.9	14,400.3	58,343.3	12,813.8	71,157.1		71,157.1

(Table continues on following page)

Nine Months Ended September 30, 2007									
Net finance revenue, before depreciation	$ 523.4	$ 667.6	$ 128.5	$ 849.8	$ 2,169.3	$ 103.9	$ 2,273.2	$ (190.2)	$ 2,083.0
Other income	530.3	57.5	206.5	267.4	1,061.7	42.5	1,104.2	(9.4)	1,094.8

Depreciation on operating lease equipment	(27.9)	(407.3)		(426.0)	(861.2)		(861.2)	0.6	(860.6)
Provision for credit losses	(44.8)	25.1	(26.0)	(23.7)	(69.4)	(29.0)	(98.4)	(14.0)	(112.4)
Salaries and general operating expenses	(348.7)	(104.2)	(121.1)	(359.7)	(933.7)	(71.0)	(1,004.7)	(21.7)	(1,026.4)
Other pre-tax items(1)	(22.5)				(22.5)		(22.5)	(176.5)	(199.0)
Income (Loss) from continuing operations before provision for income taxes and minority interest	609.8	238.7	187.9	307.8	1,344.2	46.4	1,390.6	(411.2)	979.4
(Provision) benefit for income taxes and minority interest after tax	(227.1)	(29.2)	(71.7)	(103.2)	(431.2)	(10.5)	(441.7)	191.9	(249.8)
Net income (loss) from continuing operations, before preferred dividends	382.7	209.5	116.2	204.6	913.0	35.9	948.9	(219.3)	729.6
Total financing and leasing assets	21,509.0	13,102.9	7,945.9	12,686.7	55,244.5	12,420.1	67,664.6		67,664.6
Total managed assets	23,145.9	13,102.9	7,945.9	16,898.1	61,092.8	12,420.1	73,512.9		73,512.9

(1) *Includes valuation allowances, debt and debt related derivative extinguishment charges, severance and real estate exit provisions and the Vendor Finance goodwill and intangible asset impairment charge of $455.1 million in the third quarter 2008.*

NOTE 17 SEVERANCE AND FACILITIES EXIT RESERVES

The following table summarizes activities during 2008:

Severance and Facilities Exit Reserves (dollars in millions)

	Severance		Facilities		
	Number of Employees	Reserve	Number of Facilities	Reserve	Total Reserves
Balance at December 31, 2007	59	$ 16.7	36	$ 8.6	$ 25.3
Additions and adjustments	905	91.1	4	5.9	97.0
Utilization	(779)	(74.1)	(16)	(3.3)	(77.4)
Balance at September 30, 2008	185	$ 33.7	24	$ 11.2	$ 44.9

The severance additions during 2008 primarily relate to employee termination benefits incurred in conjunction with various organization efficiency and cost reduction initiatives to reduce CIT to a smaller Company with lower operating expenses, as well as the cessation of student lending originations in the first quarter. These additions, along with charges related to accelerated vesting of equity and other benefits, were recorded as part of the $114.5 million provision. Outstanding severance liabilities at September 30, 2008 will largely be paid to employees in the fourth quarter of 2008.

The ending facilities reserves relate primarily to shortfalls in sublease transactions and will be utilized over the remaining terms which range up to approximately 7 years.

NOTE 18 SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES

The following presents condensed consolidating financial information for CIT Holdings LLC. CIT has guaranteed on a full and unconditional and a joint and several 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. No subsidiaries within Other Subsidiaries in the following tables have unconditionally guaranteed debt securities for any other CIT subsidiary. 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.

CONDENSED CONSOLIDATING BALANCE SHEETS (dollars in millions)

CONSOLIDATING BALANCE SHEETS	CIT Group Inc.	CIT Holdings LLC	Other Subsidiaries	Eliminations	Total
September 30, 2008					
ASSETS					
Net finance receivables	$ 670.3	$ 3,596.2	$ 49,411.8	$	$ 53,678.3
Operating lease equipment, net	8.0	298.3	12,053.2		12,359.5
Finance receivables held for sale			607.0		607.0
Cash and cash equivalents	4,441.3	114.2	2,870.6		7,426.1
Other assets	8,413.8	281.9	3,750.5	(5,716.0)	6,730.2
Assets of discontinued operation			44.2		44.2
Total Assets	$ 13,533.4	$ 4,290.6	$ 68,737.3	$ (5,716.0)	$ 80,845.3
LIABILITIES AND STOCKHOLDERS EQUITY					
Debt, including deposits	$ 45,045.3	$ 2,429.3	$ 20,438.0	$	$ 67,912.6
Credit balances of factoring clients			3,551.7		3,551.7
Accrued liabilities and payables	(37,227.9)	1,158.0	39,681.6		3,611.7
Liabilities of discontinued operation					
Total Liabilities	7,817.4	3,587.3	63,671.3		75,076.0
Minority interest			53.3		53.3
Total Stockholders Equity	5,716.0	703.3	5,012.7	(5,716.0)	5,716.0
Total Liabilities and Stockholders Equity	$ 13,533.4	$ 4,290.6	$ 68,737.3	$ (5,716.0)	$ 80,845.3
December 31, 2007					
ASSETS					
Net finance receivables	$ 2,022.5	$ 3,358.4	$ 47,805.7	$ -	$ 53,186.6
Operating lease equipment, net	8.6	292.0	12,309.9		12,610.5
Finance receivables held for sale		253.3	1,006.9		1,260.2

Cash and cash equivalents	3,196.0	30.5	3,526.0		6,752.5
Other assets	9,262.3	261.0	4,932.3	(6,960.6)	7,495.0
Assets of discontinued operation			9,308.6		9,308.6
Total Assets	$ 14,489.4	$ 4,195.2	$ 78,889.4	$ (6,960.6)	$ 90,613.4
LIABILITIES AND STOCKHOLDERS EQUITY					
Debt, including deposits	$ 49,525.6	$ 2,346.7	$ 17,146.0	$	$ 69,018.3
Credit balances of factoring clients			4,542.2		4,542.2
Accrued liabilities and payables	(41,996.8)	1,164.9	46,028.5		5,196.6
Liabilities of discontinued operation			4,838.2		4,838.2
Total Liabilities	7,528.8	3,511.6	72,554.9		83,595.3
Minority interest			57.5		57.5
Total Stockholders Equity	6,960.6	683.6	6,277.0	(6,960.6)	6,960.6
Total Liabilities and Stockholders Equity	$ 14,489.4	$ 4,195.2	$ 78,889.4	$ (6,960.6)	$ 90,613.4

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENT OF INCOME (dollars in millions)

CONSOLIDATING STATEMENTS OF INCOME	CIT Group Inc.	CIT Holdings LLC	Other Subsidiaries	Eliminations	Total
Nine Months Ended September 30, 2008					
Finance revenue	$ 100.9	$ 218.6	$ 3,985.8	$	$ 4,305.3
Interest expense	(375.9)	(15.9)	(1,952.7)		(2,344.5)
Depreciation on operating lease equipment	(0.6)	(62.2)	(796.6)		(859.4)
Net finance revenue	(275.6)	140.5	1,236.5		1,101.4
Provision for credit losses	(15.0)	(24.7)	(569.5)		(609.2)
Net finance revenue after credit provision	(290.6)	115.8	667.0		492.2
Equity in net income of subsidiaries	(83.2)			83.2	
Valuation allowance for receivables held for sale			(103.9)		(103.9)
Net finance revenue, after credit provision and valuation allowance	(373.8)	115.8	563.1	83.2	388.3
Other income	29.7	10.1	436.7		476.5
Total net revenue after valuation allowance	(344.1)	125.9	999.8	83.2	864.8

	CIT Group Inc.	CIT Holdings LLC	Other Subsidiaries	Eliminations	Total
Salaries and general operating expenses	(299.8)	(62.7)	(565.5)		(928.0)
Provision for severance and real estate exiting activities			(114.5)		(114.5)
Loss on debt and debt-related derivative extinguishments	(142.6)				(142.6)
Impairment of goodwill and intangible assets			(455.1)		(455.1)
(Loss) Income from continuing operations before income taxes	(786.5)	63.2	(135.3)	83.2	(775.4)
Benefit (provision) for income taxes	281.3	(24.0)	24.2		281.5
Minority interest, after tax			(11.3)		(11.3)
Net (loss) income from continuing operations, before preferred stock dividends	(505.2)	39.2	(122.4)	83.2	(505.2)
(Loss) from discontinued operation	(2,109.4)				(2,109.4)
Net (loss) income before preferred stock dividends	(2,614.6)	39.2	(122.4)	83.2	(2,614.6)
Preferred stock dividends	(44.3)				(44.3)
Net (loss) income (attributable) available to common stockholders	$ (2,658.9)	$ 39.2	$ (122.4)	$ 83.2	$ (2,658.9)

CONSOLIDATING STATEMENTS OF INCOME	**CIT Group Inc.**	**CIT Holdings LLC**	**Other Subsidiaries**	**Eliminations**	**Total**
Nine Months Ended September 30, 2007					
Finance revenue	$ 90.9	$ 295.3	$ 4,213.1	$	$ 4,599.3
Interest expense	(33.2)	(86.0)	(2,397.1)		(2,516.3)
Depreciation on operating lease equipment	(0.6)	(57.2)	(802.8)		(860.6)
Net finance revenue	57.1	152.1	1,013.2		1,222.4
Provision for credit losses	(45.6)	(12.7)	(54.1)		(112.4)
Net finance revenue after credit provision	11.5	139.4	959.1		1,110.0
Equity in net income of subsidiaries	942.7			(942.7)	
Valuation allowance for receivables held for sale			(22.5)		(22.5)
Net finance revenue, after credit provision and valuation allowance	954.2	139.4	936.6	(942.7)	1,087.5
Other income	(98.2)	55.6	1,137.4		1,094.8
Total net revenue after valuation allowance	856.0	195.0	2,074.0	(942.7)	2,182.3
Salaries and general operating expenses	(101.8)	(75.2)	(849.4)		(1,026.4)
Provision for severance and real estate exiting activities			(37.2)		(37.2)
Loss on debt and debt-related derivative extinguishments	(139.3)				(139.3)
(Loss) Income from continuing operations before income taxes	614.9	119.8	1,187.4	(942.7)	979.4

Benefit (provision) for income taxes	114.7	(44.1)	(319.0)		(248.4)
Minority interest, after tax			(1.4)		(1.4)
Net (loss) income from continuing operations, before preferred stock dividends	729.6	75.7	867.0	(942.7)	729.6
(Loss) from discontinued operation	(687.4)				(687.4)
Net (loss) income before preferred stock dividends	42.2	75.7	867.0	(942.7)	42.2
Preferred stock dividends	(22.5)				(22.5)
Net income available to common stockholders	$ 19.7	$ 75.7	$ 867.0	$ (942.7)	$ 19.7

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (dollars in millions)

	CIT Group Inc.	CIT Holdings LLC	Other Subsidiaries	Eliminations	Total
Nine Months Ended September 30, 2008					
Cash Flows From Operating Activities:					
Net cash flows provided by (used for) operations	$ 968.6	$ 138.9	$ (605.7)	$	$ 501.8
Cash Flows From Investing Activities:					
Net increase (decrease) in financing and leasing assets	1,232.7	(75.2)	(2,125.5)		(968.0)
Decrease in inter-company loans and investments	3,817.1			(3,817.1)	
Net cash flows (used for) provided by investing activities	5,049.8	(75.2)	(2,125.5)	(3,817.1)	(968.0)
Cash Flows From Financing Activities:					
Net increase (decrease) in debt	(4,622.9)	82.6	5,365.0		824.7
Inter-company financing		(62.6)	(3,754.5)	3,817.1	
Cash dividends paid	(150.2)				(150.2)
Net cash flows provided by (used for) financing activities	(4,773.1)	20.0	1,610.5	3,817.1	674.5
Net (decrease) increase in cash and cash equivalents	1,245.3	83.7	(1,120.7)		208.3
Cash and cash equivalents, beginning of period	3,171.0	30.5	3,111.6		6,313.1
Cash and cash equivalents, end of period	$ 4,416.3	$ 114.2	$ 1,990.9	$	$ 6,521.4
Nine Months Ended September 30, 2007					
Cash Flows From Operating Activities:					
Net cash flows provided by (used for) operations	$ (1,739.5)	$ 3,106.5	(216.4)	$	$ 1,150.6

Cash Flows From Investing Activities:					
Net increase (decrease) in financing and leasing assets	(724.1)	(843.5)	(9,523.2)		(11,090.8)
Decrease in inter-company loans and investments	2,550.9			(2,550.9)	
Net cash flows (used for) provided by investing activities	1,826.8	(843.5)	(9,523.2)	(2,550.9)	(11,090.8)
Cash Flows From Financing Activities:					
Net increase (decrease) in debt	(1,523.3)	(267.2)	12,291.5		10,501.0
Inter-company financing		(2,170.9)	(380.0)	2,550.9	
Cash dividends paid	(171.3)				(171.3)
Net cash flows provided by (used for) financing activities	(1,694.6)	(2,438.1)	11,911.5	2,550.9	10,329.7
Net (decrease) increase in cash and cash equivalents	(1,607.3)	(175.1)	2,171.9		389.5
Cash and cash equivalents, beginning of period	3,040.3	227.8	1,011.3		4,279.4
Cash and cash equivalents, end of period	$ 1,433.0	$ 52.7	$ 3,183.2	$	$ 4,668.9

NOTE 19 SUBSEQUENT EVENTS

On October 31, 2008, the Company received $304.8 million related to the Company s $600 million investment ($300 million each at CIT Group Inc. and CIT Bank) in The Reserve Fund money market fund. The distribution, which was part of a $26 billion distribution to investors, was represented to the Company as 50.7% of the fund balance as of September 12, 2008 and accrued interest through September 14, 2008.

The fund is in orderly liquidation under the supervision of the SEC, as the net asset value fell below its stated value of $1.00. On September 17, 2008, the Company requested redemption, and received confirmation of a 97% payout related to a portion of the investment. As a result, the Company accrued a pretax charge of $18 million in the third quarter representing the Company s estimate of loss based on the 97% partial payout confirmation. The actual payout will depend on the fund s success in liquidating its assets in an orderly process.

On November 3, 2008, certain subsidiaries of CIT Group Inc. (CIT), as borrower and as collateral manager, entered into a Loan and Security Agreement with Wells Fargo Bank, National Association (Wells). Under the facility, Wells agreed to provide a 5 year, $500 million revolving financing to CIT. Wells has agreed to make advances against collateral comprised of middle market commercial term and revolving loans, subject to eligibility criteria and approval of Wells. The cost of borrowing under this facility is consistent with CIT s other recent commercial secured financing transactions, and will consist of a rate of 1-month LIBOR plus a pre-determined spread on the amount drawn and a non-usage fee on the unfunded portion. If the Facility is terminated early, either voluntarily by CIT or involuntarily under the terms of the Facility, CIT will pay Wells a make-whole amount equal to the discounted present value of the pre-determined spread for the remaining term of the Facility. The amount financed under the Facility will generally equal the outstanding principal balance of the loans included in the Facility reduced by an agreed upon discount percentage. Upon the occurrence of certain events tied to the performance of the loans, Wells will have the right to adjust the value of the loans, and if the adjusted value (less the relevant discount percentage) differs from the amount then financed under the Facility, CIT will be required to post additional collateral.

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

and

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

In the following discussion we use financial terms that are relevant to our business. You can find a glossary of key terms used in our business in Item 1. Business in our Form 10-K for the year ended December 31, 2007 as updated on Form 8-K for the classification of our former home lending business as a discontinued operation.

In light of the July 2008 sale of our home lending business, which is classified as a discontinued operation in our financial statements, the analysis that follows is focused primarily on our continuing operations.

This *Management s Discussion and Analysis of Financial Condition and Results of Operations* and *Quantitative and Qualitative Disclosures about Market Risk* contain certain non-GAAP financial measures. See Non-GAAP Financial Measurements for reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures.

STRATEGY AND FUNDING

In response to the credit markets disruption that began in 2007, that resulted in our inability to access the commercial paper and unsecured term debt markets we commenced a strategic initiative to re-focus the business and to transition our funding model, while emphasizing the maintenance of adequate liquidity given the constrained credit markets. This included a strategic review of our businesses, culminating in the decision to create a smaller enterprise focused exclusively on commercial finance. One element of our strategy is the liquidation of our consumer businesses, principally home lending and student lending. The Company substantially completed its exit from the residential mortgage business during the third quarter of 2008 by selling all of our home lending and manufactured housing receivables to third parties and expects to close on the sale of the remaining mortgage servicing operations in early 2009.

We are liquidating remaining consumer sales finance businesses by ceasing all originations and intensifying collection efforts. Greater focus on our core commercial finance franchises is intended to result in more consistent financial performance in terms of profitability, returns and credit performance.

The other element of our strategy relates to a transition of our funding model as we seek to develop funding options capable of consistently providing diverse and economically efficient sources of capital to our commercial franchise businesses. Bank deposits, secured borrowings and other funding structures will play a greater role in our prospective liability structure as we intend to significantly reduce our use of unsecured debt. Our strategy is to migrate our historic funding composition to the following more balanced model:

Funding Composition	**Historic**	**Planned**
Unsecured debt capital markets*	70-75%	25-50%
Secured asset-backed markets	20-30%	25-50%
Deposits	0-5%	10-25%
Other funding structures		10-25%

* *The unsecured debt markets are currently not accessible.*

As the Company transitions its long-term funding model and operates in stressed financial markets, it maintains a funding plan emphasizing the ability to satisfy funding requirements for a twelve month forward horizon, without accessing the unsecured debt markets. While it is our intention to seek additional secured financings and eventually return to the unsecured term debt markets, we believe we are able to meet our estimated $13 billion in funding needs for the next twelve months through a combination of cash on hand, existing borrowing facilities and balance sheet reduction strategies, including portfolio run-off, volume reductions and asset sales as detailed in the following table. (dollars in billions)

Estimated 12-month funding requirement:		$12.9
Unsecured debt maturities*(1)*	$9.7	
Bank borrowings due April 2009	$2.1	
Purchase commitments (largely aircraft)	$1.1	
Existing Cash*(1)*		$4.4
Funding structures with Goldman Sachs & Wells Fargo		$2.2
Secured aircraft financings supported by the ECA*(2)*		$0.8-1.1
Other committed and available asset-backed financings*(3)*		$1.5
Non-bank portfolio reduction strategies*(4)*		$5.0

(1) *Cash excludes $0.8 billion of CIT Bank cash, $0.9 billion of restricted cash and $1.3 billion of other cash balances and short-term investment balances which are not immediately available. Unsecured debt maturities exclude $0.6 billion of corresponding expiring international debt and maturing asset-backed facilities.*

(2) *The Company expects to finance all new aircraft deliveries over the next 12-months via ECA provided facilities as the 12-month order book is comprised exclusively of Airbus aircraft.*

(3) *Other asset-backed issuance is comprised of committed and available conduit capacity, principally in facilities collateralized by equipment.*

(4) *Non-bank portfolio reduction strategies include: Liquidating portfolio run-off (including student loans), reduced non-bank origination volume and further asset sales.*

Concurrent with CIT s plan to shrink its non-bank owned portfolio by over $5 billion in the next 12 months, CIT Bank, the Company s Utah ILC, is planning growth in 2009, which it expects to fund via a combination of cash-on-hand and deposit growth. CIT Bank grew commercial assets by over $1.5 billion through the third quarter and has approximately $1.0 billion of cash including $150 million at the Reserve fund. The Bank has generated over $800 million in new deposits in the third quarter of 2008. Funds held and raised by CIT Bank are used to fund assets originated directly by the Bank, primarily commercial loans sourced through our Corporate Finance segment.

We believe our current funding plan, which includes both established and contemplated funding sources, is sufficient to meet our funding and liquidity requirements for the next twelve months. We also acknowledge that our liquidity plan is dynamic and management expects to be monitoring markets and adjusting the plan as conditions change.

Principal risks to the Company s base funding plan outlined above include commitment draws by our customers in excess of plan, inability to do new secured borrowings, reduced asset sales and lower collections from our borrowers. The Company is targeting to maintain a minimum liquid cash balance of $3 billion to protect against these risks. The funding plan may also be supplemented by further retention of the cash flow on portfolio payments, which are expected to approximate $13 billion over the next 12 months. Additionally, roughly 76% ($42 billion) of the Company s commercial portfolio assets remained unencumbered at September 30, 2008, offering additional financing capability.

With respect to our liquidity plan beyond the twelve month horizon, the Company will continue to take additional steps as market conditions change and potential market opportunities arise. Among the actions that we could potentially execute are: additional secured lending facilities; further curtailment of new business volume; a more rapid liquidation of assets; or the repurchase of debt at a discount. Further, we recognize that our Utah bank as currently chartered is not sufficient to achieve our long-term goals. As a result, we are exploring a variety of options that would allow us to expand our deposit-taking capabilities and potentially benefit from the recently-announced U.S. government programs.

The Company believes that a more balanced funding model is fundamental to its long-term business model and that reducing bank borrowings and maintaining ample capital and strong credit ratings are essential to achieving that objective.

The liquidity and capital enhancement measures described above are designed to maintain the Company s access to liquidity and restore competitively-priced funding. If successful, management believes that these measures will also support its long-term business model. These measures are subject to a number of uncertainties, however, and there can be no assurance that they will be successfully completed. Further, if completed, these measures may not achieve their anticipated benefits. The Company is highly leveraged relative to its annual cash flow. There exists a risk that the Company will not be able to meet all of its debt service obligations. Management s failure to successfully implement its liquidity and capital enhancement measures could have a material adverse effect on the Company s financial position, results of operations and cash flows.

See *Liquidity Risk Management* for additional information.

FINANCIAL RESULTS AND KEY BUSINESS TRENDS

We reported a loss from continuing operations of $301.6 million ($321.7 million after preferred dividends), or $1.13 per share, for the third quarter of 2008, compared to income of $208.5 million ($201.0 million after preferred dividends), or $1.05 per share for the comparable 2007 quarter. The loss included a $455.1 million pre-tax ($363.6 million after-tax) non-cash write-down of goodwill and other intangible assets (virtually entirely related to the Vendor Finance business segment) as discussed below. For the nine months ended September 30, 2008, we recorded a loss from continuing operations of $505.2 million ($549.5 million after preferred dividends), or $2.22 per share, compared to income of $729.6 million ($707.1 million after preferred dividends), or $3.63 per share for the comparable 2007 period. Items that affected our earnings are included in a table below.

Our third quarter results reflect the liquidity actions described earlier, as well as a focus on efficiency and credit risk management. During the quarter we increased the reserve for credit losses by approximately $75 million, due to weakening economic conditions and higher non-performing asset balances. We reduced expenses by approximately $12 million from last quarter and initiated further cost savings actions. As a result of the market illiquidity, we have been carrying excess liquidity, which has had a dampening effect on our margins which declined from last year. However, the Corporate Finance segment was able to increase its margins through better pricing on a sequential quarterly basis. The ratio of total tangible equity to managed assets at September 30, 2008 improved to 9.16% from 9.02% at June 30, 2008 and 7.69% last September. This ratio was not impacted by the goodwill and intangible impairment charges because goodwill and intangibles are deducted from capital in computing this ratio.

The quarter included the following noteworthy items:

- Goodwill and intangible asset impairment charges ($455.1 million pretax) related virtually entirely to the Vendor Finance segment reflecting diminished earnings expectations for the segment. We are in the process of restructuring and refocusing this unit in order to return the business to acceptable profitability. The charges represent the entire goodwill and the majority of the intangible assets attributable to the segment.

- A work force reduction and facility closing charge ($28.4 million pretax), reflecting the elimination of approximately 165 employees in conjunction with streamlining operations across the Company. Employee headcount for continuing operations totaled approximately 5,245 at September 30, 2008, down from 5,425 at June 30, 2008, and 6,545 a year ago.

- A loss ($18.0 million pretax) on a $600 million money market fund investment at September 30, 2008 (The Reserve Fund) that is currently in orderly liquidation under supervision of the SEC and the net asset value of which has fallen below its stated value of $1.00. In September 2008, the Company requested redemption, and received confirmation of a 97% payout on a portion of the investment. As a result, the Company accrued a pretax charge of $18 million pretax in the quarter. The actual payout will depend on the fund s success in liquidating its assets in an orderly process. See *Note 19 Subsequent Events* for information regarding a partial fund distribution in October 2008.

- The income tax benefit ($50.3 million) for the third quarter reflected the volatility in earnings in the computation of the annual effective tax rate. The higher proportion of losses in U.S. tax jurisdictions in relation to income amounts in low international tax jurisdictions generated the increased benefit.

The following table summarizes these and other noteworthy charges and benefits for the quarters and nine months ended September 30, 2008 and 2007.

Noteworthy (Charges) / Benefit Items (dollars in millions)

	Quarters Ended September 30,				Nine Months Ended September 30,			
	2008		2007		2008		2007	
	Pre-tax Amount	After-tax Amount	Pre-tax Amount	After-tax Amount	Pre-tax Amount	After-tax Amount	Pre-tax Amount	After-tax Amount
	$ (455.1)	$ (363.6)	$	$	$ (455.1)	$ (363.6)	$	$

Goodwill and intangible asset impairment charges								
Work force reductions and facility closings	(28.4)	(18.4)	(2.3)	(1.5)	(114.5)	(71.0)	(37.2)	(22.6)
Money market fund investment	(18.0)	(10.4)			(18.0)	(10.4)		
Valuation adjustments					(103.9)	(64.3)	(22.5)	(13.6)
Asset sales					(22.8)	(13.9)	228.7	136.9
Securitization impairments					(52.7)	(32.0)		
Debt / derivative transactions					(142.6)	(86.4)	(139.3)	(79.2)
Tax benefits		50.3				106.3		20.6

- Income from continuing operations for 2008 reflect lower of cost or market valuation allowances and losses on asset sales completed for liquidity purposes, while the 2007 quarter included a significant gain on the construction portfolio sale and a valuation adjustment on an energy asset.

- The securitization retained interest impairment charges include approximately $33 million pretax impairment charge that should have been recorded concurrently with the 2007 fourth quarter sale of our Dell Financial Services joint venture equity interest. This charge reflected the repricing of debt underlying a securitization conduit vehicle in the Vendor Finance segment and was triggered by the sale of CIT s joint venture equity interest in DFS. Management determined, with the agreement of its Audit Committee, that the error and subsequent correction was not material to the Company s financial statements. The remaining balance includes a 2008-related impairment $8 million charge to the same conduit vehicle, as well as impairment charges to other conduit vehicles triggered by liquidity considerations.

- The 2008 debt and derivative amount includes charges relating to the discontinuation of our commercial paper hedging program, net of a $5.5 million gain on early debt extinguishments, while 2007 included a charge related to extinguishments of high cost debt.

- The year to date 2008 income tax benefit reflects the same factors as discussed on the preceding page for the third quarter. The 2007 balance primarily reflected the release of certain international tax reserves and deferred tax liabilities.

In conjunction with certain interest rate and foreign currency hedging activities, the Company had counterparty receivables totaling $33 million from Lehman Specialty Financing Inc, (LSF) a subsidiary of Lehman Brothers Holding Inc. (Lehman) related to derivative transactions as of September 30, 2008. On September 15, 2008, Lehman Brothers Holdings Inc. filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. In October 2008, LSF also filed under Chapter 11 bankruptcy. The Company terminated the swaps prior to the bankruptcy filing by LSF, but has not received payment for the amounts owed, resulting in a bankruptcy claim against LSF. Given the complexity of the bankruptcies and the uncertainties, including length of time, with regard to the liquidation of Lehman and LBH assets, management is currently unable to estimate a probable loss relating to this claim, and has not accrued any related contingency charge as of September 30, 2008.

REVENUE

Total net revenue, comprised of net finance revenue and other income, was down from the 2007 third quarter, due to higher non-accruals and lower other income, impacted by the illiquid markets and lower demand for syndications and receivable sales and higher funding costs. Total net revenue before valuations and credit provisions was $492.6 million for the current quarter, down from $695.3 million during the 2007 third quarter.

Similar trends drove the decline in total net revenue before valuations and credit provisions for the nine months to $1,577.9 million in 2008 from $2,317.2 million in the prior year, which included gains totaling $240.1 million on the sale of the construction portfolio in the 2007 second quarter.

NET FINANCE REVENUE

Net finance revenue of $349.9 million decreased 8.4% from the prior quarter and 16% from the corresponding 2007 quarter. As a percentage of average earning assets, net finance revenue decreased to 2.20% from 2.34% last quarter and 2.74% a year ago. The decline from the prior quarter reflected lower operating lease margins, higher levels of non-performing assets, and increased cost of liquidity. The decline from the prior year, which was comparable for both the third quarter and the nine months, reflected the cost of increased liquidity and the widening of the Company s borrowing spreads over benchmark rates. Average earning assets increased 4% over the prior year quarter and decreased 2% from the prior quarter. Asset growth for the quarter was strategically controlled to balance liquidity.

Though market interest rates (e.g., LIBOR) have declined over the past year, our funding costs have not benefitted from the lower market interest rates, as the Company has not been able to access the unsecured debt markets and the Company s borrowing spreads over benchmark rates have increased significantly. As described in *Capitalization* and in the *Liquidity* section of *Risk Management*, beginning in the second half of 2007, we reduced our commercial paper balances significantly due to market volatility and relied more heavily on our bank credit facilities and secured financing sources with longer terms and higher rates.

Net finance revenue for our commercial segments and corporate and other (including the cost of increased liquidity and other unallocated treasury costs) as a percentage of average earning assets declined to 2.45% in the current quarter from 2.63% in the prior quarter and 3.10% in the prior year quarter. Net finance revenue for just the commercial segments was 3.12% for the quarter and the prior quarter versus 3.63% for the third quarter of 2007, as shown in the preceding table.

We expect this downward pressure on net finance income to continue through 2008.

Net Finance Revenue (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2008	June 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Finance income loans and capital leases	$ 907.7	$ 916.9	$ 1,090.6	$ 2,814.0	$ 3,138.1
Rental income on operating leases	492.2	492.3	511.1	1,491.3	1,461.2
Finance revenue	1,399.9	1,409.2	1,601.7	4,305.3	4,599.3
Less: interest expense	(765.3)	(747.1)	(878.6)	(2,344.5)	(2,516.3)
Depreciation on operating lease equipment	(284.7)	(280.1)	(304.7)	(859.4)	(860.6)
Net finance revenue	$ 349.9	$ 382.0	$ 418.4	$ 1,101.4	$ 1,222.4

Average Earnings Assets (AEA)	$ 63,742.6	$ 65,184.2	$ 61,036.8	$ 64,594.6	$ 59,619.5
As a % of AEA:					
Finance income loans and capital leases	5.70%	5.63%	7.15%	5.81%	7.02%
Rental income on operating leases	3.09%	3.02%	3.35%	3.07%	3.26%
Finance revenue	8.79%	8.65%	10.50%	8.88%	10.28%
Less: interest expense	(4.80%)	(4.59%)	(5.76%)	(4.84%)	(5.63%)
Depreciation on operating lease equipment	(1.79%)	(1.72%)	(2.00%)	(1.77%)	(1.92%)
Net finance revenue	2.20%	2.34%	2.74%	2.27%	2.73%
As a % of AEA by Segment:					
Corporate Finance	2.72%	2.60%	3.17%	2.79%	3.13%
Transportation Finance	2.70%	3.01%	2.88%	2.81%	2.76%
Trade Finance	3.78%	3.68%	5.74%	4.06%	5.77%
Vendor Finance	4.15%	4.11%	4.63%	4.19%	4.76%
Commercial Segments	3.12%	3.12%	3.63%	3.20%	3.59%
Consumer	1.20%	1.19%	1.24%	1.08%	1.26%
Consolidated net finance revenue	2.20%	2.34%	2.74%	2.27%	2.73%

The following table presents the causes of the reduced year-over-year net finance revenue percentage for the nine month periods.

Change in Net Finance Revenue as a % of Average Earning Assets (AEA) **Nine Month Periods**

	Net Finance Revenue as a % of AEA
Net finance revenue nine months ended September 30, 2007	2.73%
Funding related	(0.24)
Higher cash balances	(0.06)
Increased non-accrual accounts	(0.07)
Lower yield-related fees	(0.02)
Increase in proportion of government guaranteed student loans	(0.03)
Lower operating lease margins	(0.04)
Net finance revenue nine months ended September 30, 2008	2.27%

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

	Quarters Ended			Nine Months Ended	
	September 30, 2008	June 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Rental income on operating leases	15.65%	15.61%	17.09%	15.82%	16.76%
	(9.05)%	(8.88)%	(10.19)%	(9.11)%	(9.87)%

Depreciation on operating lease equipment					
Net operating lease revenue	6.60%	6.73%	6.90%	6.71%	6.89%
Average Operating Lease Equipment (AOL)	$ 12,576.5	$ 12,610.6	$ 11,963.3	$ 12,571.9	$ 11,626.3

Net operating lease revenue of $207.5 million decreased 2% from the prior quarter mostly in the rail business and was slightly higher than the prior year quarter. Rail utilization at 96% including customer commitments to lease was flat with prior quarters. For the nine month period, net operating lease revenue increased in dollar terms by 5%, driven by aerospace rentals, somewhat offset by lower utilization of center beam rail cars in our rail business, reflecting the weaker economy and, in particular, significantly lower residential construction activity. Net operating lease revenue as a percentage of operating lease equipment declined from the prior year due to lower market rates.

All but one commercial aircraft are under lease contracts, with a memorandum of understanding pending final lease negotiations on the off-lease plane. Additionally, 19 of the 21 aircraft in our order book remaining to be delivered in 2008 and 2009 are placed with customers; two of the planes previously placed with a carrier that recently filed for bankruptcy are in the process of being redeployed. See *Concentrations Operating Leases* for additional information regarding operating lease assets.

As explained in Strategy and Funding section, management is in process of changing the Company s funding composition.

CREDIT METRICS

Overall credit metrics continued to reflect the overall weakening economy in the form of higher past due and non-accrual loans and higher overall charge-offs. Our commercial businesses, particularly Corporate Finance and Trade Finance, weakened from prior year levels.

The charge-off comparison to the prior year also reflects higher charge-offs on private (non-U.S. government guaranteed) student loans, as well as unsecured consumer loans.

Net Charge-offs (charge-offs net of recoveries)
(dollars in millions, % as a percentage of average owned or managed finance receivables)

	Quarters Ended						Nine Months Ended			
	September 30, 2008		June 30, 2008		September 30, 2007		September 30, 2008		September 30, 2007	
Owned										
Corporate Finance	$ 40.8	0.77%	$ 25.2	0.47%	$ 16.5	0.33%	$ 105.5	0.65%	$ 47.0	0.31%
Transportation Finance	(0.7)	(0.11)%			(3.3)	(0.56)%	(1.3)	(0.07)%	(25.4)	(1.49)%
Trade Finance	17.7	1.08%	12.1	0.74%	7.2	0.39%	38.8	0.77%	24.1	0.47%
Vendor Finance	39.8	1.46%	21.2	0.79%	13.3	0.51%	80.5	1.00%	35.7	0.47%

Commercial Segments	97.6	0.95%	58.5	0.56%	33.7	0.34%	223.5	0.71%	81.4	0.27%
Consumer	29.9	0.93%	28.2	0.87%	13.5	0.49%	88.9	0.92%	28.7	0.37%
Total	$ 127.5	0.94%	$ 86.7	0.64%	$ 47.2	0.37%	$ 312.4	0.76%	$ 110.1	0.29%
Managed										
Corporate Finance	$ 42.2	0.76%	$ 28.8	0.50%	$ 18.0	0.34%	$ 113.3	0.66%	$ 53.6	0.33%
Transportation Finance	(0.7)	(0.11)%			(3.3)	(0.56)%	(1.3)	(0.07)%	(25.4)	(1.49)%
Trade Finance	17.7	1.08%	12.1	0.74%	7.2	0.39%	38.8	0.77%	24.2	0.47%
Vendor Finance	48.2	1.38%	33.3	0.97%	19.1	0.52%	110.8	1.02%	51.0	0.48%
Commercial Segments	107.4	0.95%	74.2	0.65%	41.0	0.36%	261.6	0.75%	103.4	0.31%
Consumer	29.9	0.93%	28.2	0.87%	13.5	0.49%	88.9	0.92%	28.7	0.37%
Total	$ 137.3	0.94%	$ 102.4	0.70%	$ 54.5	0.39%	$ 350.5	0.78%	$ 132.1	0.32%

Net charge-offs as a percentage of average finance receivables were 0.95% for the commercial businesses, up from 0.56% last quarter as charge-offs in all segments, with the exception of Transportation Finance, increased. The sequential quarter increase primarily reflects a $12 million charge-off of a commercial real estate loan on which we foreclosed, and $13 million of charge-offs related to previously-acquired receivables in Vendor Finance.

Corporate Finance net charge-offs increased in 2008 due to a deterioration across most business lines, reflecting the overall economic conditions, coupled with lower recoveries. Transportation Finance had lower recoveries in 2008, as there was a large aerospace recovery in the first quarter of 2007. Net charge-offs in Trade Finance increased from favorable prior year levels. Vendor Finance increased in the third quarter principally due to certain previously acquired portfolios for which management revised its approach and outlook with respect to collectability. For the nine month period, U.S., Europe and Asia / Pacific all recorded higher charge-offs over prior year levels.

Charge-offs in the Consumer segment increased due to higher charge-offs on private (non-U.S. government guaranteed) student loans, as well as unsecured consumer loans ($44.2 million for the nine months, up from $28.7 million in 2007).

Considering the current economic outlook and the impact of the economy on portfolio trends and asset quality, we currently expect commercial net charge-offs to continue to increase, driven in part by lower recoveries; and to continue to increase reserves related to the Consumer segment as the private student portfolio continues to season and more loans move into repayment status.

Non-performing Assets (dollars in millions, % as a percentage of finance receivables)

	September 30, 2008	June 30, 2008	December 31, 2007

Corporate Finance	$ 603.2	2.83%	$ 540.2	2.59%	$ 242.2	1.14%
Transportation Finance	5.5	0.20%			3.3	0.13%
Trade Finance	83.9	1.20%	83.3	1.34%	41.6	0.57%
Vendor Finance	178.9	1.64%	195.7	1.83%	190.6	1.84%
Commercial Segments	871.5	2.08%	819.2	2.03%	477.7	1.15%
Consumer	190.5	1.50%	166.7	1.29%	8.5	0.07%
Total	$ 1,062.0	1.95%	$ 985.9	1.85%	$ 486.2	0.90%
Non accrual loans	$ 997.8	1.83%	$ 975.0	1.83%	$ 477.5	0.89%
Repossessed assets	64.2	0.12%	10.9	0.02%	8.7	0.02%
Total non-performing assets	$ 1,062.0	1.95%	$ 985.9	1.85%	$ 486.2	0.90%

Non-performing assets for the commercial businesses were 2.08% of finance receivables at September 30, 2008, up from 2.03% from last quarter. Trade Finance non-performing assets were flat in amount in relation to prior quarter, and remained above the prior year, reflecting the continuing challenging retail environment. Vendor Finance decreased 9% sequentially, principally due to higher charge-offs in the international operations. Commercial non-performing assets are specifically reserved to estimated realizable value based on underlying collateral and cash flows.

Corporate Finance metrics trended up during the nine months primarily due to the addition of accounts in communications, media & entertainment, commercial real estate, syndicated loan group, commercial & industrial and small business lending. We may classify certain loans as non-accrual based on their credit profile even though they may not be contractually past due. Commercial leases are reserved and/or charged-off to net realizable value when placed on non-performing status.

The increase in the Consumer segment reflected higher non-accrual loans in the private student lending portfolio, primarily loans to students of a bankrupt pilot training school.

Past Due Loans (60 days or more) (dollars in millions, % as a percentage of finance receivables)

	September 30, 2008		June 30, 2008		December 31, 2007	
Owned						
Corporate Finance	$ 386.5	1.81%	$ 535.2	2.57%	$ 194.8	0.91%
Transportation Finance	6.1	0.23%	6.2	0.24%	9.8	0.39%
Trade Finance	131.3	1.88%	125.9	2.02%	71.1	0.97%
Vendor Finance	296.9	2.73%	311.7	2.91%	336.0	3.24%
Commercial Segments	820.8	1.96%	979.0	2.43%	611.7	1.47%
Consumer	649.0	5.10%	642.5	4.98%	600.8	4.93%
Total	$ 1,469.8	2.70%	$ 1,621.5	3.05%	$ 1,212.5	2.26%
Managed						
Corporate Finance	$ 415.8	1.85%	$ 561.2	2.05%	$ 201.8	0.86%

Transportation Finance	6.1	0.21%	6.2	0.21%	9.8	0.39%
Trade Finance	131.3	1.88%	125.9	1.99%	71.1	0.97%
Vendor Finance	441.6	3.31%	470.1	3.28%	520.7	3.49%
Commercial Segments	994.8	2.17%	1,163.4	2.52%	803.4	1.68%
Consumer	649.0	5.07%	642.5	4.95%	600.8	4.88%
Total	$ 1,643.8	2.81%	$ 1,805.9	3.06%	$ 1,404.2	2.32%

60+ day owned delinquencies for the commercial businesses were 1.96% of finance receivables, down from 2.43% last quarter, primarily due to an energy loan that was brought current in the third quarter and foreclosure of a property underlying a previously-delinquent commercial real estate loan that was transferred to other assets.

Consumer delinquency trends were driven entirely by student lending, as other consumer loan delinquencies were down in both amount and percentage from December 2007. Delinquencies on student loans for which there is a 97% government guarantee totaled $617.8 million (5.33%) at September 30, 2008, up from $569.1 million (5.23%) at December 31, 2007. Delinquencies on private loans totaled $19.8 million (2.59%) at September 30, 2008 and $12.6 million (2.03%) at December 31, 2007. Approximately $533 million (70%) of the private loan portfolio is not yet in repayment status, which begins upon graduation, or when a student no longer attends school. As more loans enter repayment status, it is likely that we will experience changes in delinquency rates.

See *Concentrations* for additional information.

RESERVE FOR CREDIT LOSSES

Reserve and Provision for Credit Losses for the Periods Ended September 30 (dollars in millions)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Reserve balance beginning of period	$ 780.8	$ 500.4	$ 574.3	$ 577.1
Provision for credit losses finance receivables (by segment)				
Corporate Finance	44.2	13.0	105.3	44.8
Transportation Finance	(0.7)	(3.0)	(1.2)	(25.1)
Trade Finance	15.3	7.8	35.8	26.0
Vendor Finance	49.9	7.5	100.6	23.7
Consumer	65.9	13.3	248.6	29.0
Corporate and other, including specific reserving actions	35.7	25.3	120.1	14.0
Total provision for credit losses	210.3	63.9	609.2	112.4
Reserve changes relating to foreign currency translation, acquisitions, other	(7.9)	10.7	(15.4)	(51.6)

Additions to reserve for credit losses, net	202.4	74.6	593.8	60.8
Net charge-offs (recoveries)				
Corporate Finance	40.8	16.5	105.5	47.0
Transportation Finance	(0.7)	(3.3)	(1.3)	(25.4)
Trade Finance	17.7	7.2	38.8	24.1
Vendor Finance	39.8	13.3	80.5	35.7
Consumer	29.9	13.5	88.9	28.7
Total net charge-offs	127.5	47.2	312.4	110.1
Reserve balance end of period	$ 855.7	$ 527.8	$ 855.7	$ 527.8
Reserve for credit losses as a percentage of finance receivables			1.57%	1.00%
Reserve for credit losses (excluding specific reserves) as a percentage of finance receivables, excluding guaranteed student loans			1.32%	1.20%
Reserve for credit losses as a percentage of non-performing assets			80.6%	123.7%
Reserve for credit losses as a percentage of non-performing assets, excluding guaranteed student loans			79.7%	123.7%

We develop the reserve for credit losses by establishing: (1) specific reserves for loans that are impaired, (2) reserves for estimated losses inherent in the portfolio based on historical and projected charge-offs, and (3) reserves for inherent estimated losses in the portfolio based upon economic risks, industry and geographic concentrations, estimation risk and other factors. In developing the reserve, we individually review larger credit watch loans (these are typically commercial loans greater than $500 thousand that are non-accrual or have a credit grade that is indicative of potential risk of loss) to determine the level of our loan specific reserves pursuant to SFAS 114.

For consumer loan portfolios, past due loan roll-rate analysis is applied in conjunction with estimates of loss severity. Roll-rate analysis involves tracking the migration patterns of loans from past due status through non-accrual, collection and repossession to loss over the loss emergence period. This analysis provides estimates of frequency of loss (i.e. what percentage of loans at each degree of past due status, 30 days, 60 days etc. will eventually become uncollectible and result in a loss). Actual loss severity (i.e. the portion of a loan that ultimately becomes uncollectible) is monitored by loan type and, coupled with the roll-rate migration analysis, is utilized to estimate inherent loss in the portfolio.

Our reserves are designed to provide for our estimate of inherent loss in the portfolio as of the date of the financial statements. We monitor trends in past due and non-accrual loans as part of our credit risk process, however, for many of our commercial loans, overall past due and non-accrual loan trends are not direct indicators of inherent loss and are not used to develop reserve estimates because collectability of the loan is dependent upon collateral and or estimated cash flows of the individual borrowers. In contrast, for portfolios consisting of smaller homogenous loans to which we apply roll-rate analysis in estimating reserves, past due loan trends are generally better correlated with reserve requirements.

The increased current quarter provision for credit losses in the commercial segments reflects weakened credit metrics compared to the prior year quarter and unusually high recoveries in the commercial aerospace business in 2007.

During the quarter and nine months, non-accrual commercial loans (including repossessed assets) increased $52.1 million and $393.7 million to $871.5 million. These increases were largely concentrated in the Corporate Finance segment ($63.0 million and $361.0 million for the quarter and nine month period). Repossessed assets increased from December 2007 due to a foreclosure of property underlying a commercial real estate transaction in the third quarter.

The provision for the nine months, and the reserve at September 30, 2008, includes amounts related to loans to students of a pilot training school that filed for bankruptcy during the first quarter of 2008. This specific reserving action reflects management s best estimate of losses, based on information available at this time and the collection strategy that we anticipate pursuing. See *Concentrations* for additional information on the Student Lending portfolio.

The following table presents the reserve balance allocated to the commercial and Consumer segments.

Reserves and Finance Receivables (dollars in millions)

	September 30, 2008		December 31, 2007	
	Reserve	Finance Receivables	Reserve	Finance Receivables
Commercial*(1)*	$ 635.8	$ 41,815.1	$ 512.2	$ 41,556.1
Consumer	219.9	12,718.9	62.1	12,204.8
	$ 855.7	$ 54,534.0	$ 574.3	$ 53,760.9

(1) The reserve balances include specific reserves totaling $154.8 million and $52.1 million at September 30, 2008 and December 31, 2007.

The commercial portfolios, including Corporate Finance, feature larger loans which are subject to individual periodic loan review and assessment of SFAS 114 reserve requirements under our regular credit risk management process. Specific reserves related to impaired loans totaled $154.8 million (24.6% of commercial non-accrual loans individually reviewed), compared to $107.6 million (18.4%) at June 30, 2008 and $52.1 million (20.9%) at December 31, 2007. Impairment or SFAS 114 reserves are required when there is a shortfall between the estimated value and the recorded investment in the finance receivable, with the estimated value determined using the fair value of the collateral and other cash flows if the finance receivable is collateralized, or the present value of expected cash flows discounted at the contract s effective interest rate. The reduction in the ratio of commercial reserves to commercial non-performing assets from 2007 reflects a reduction in the estimated proportional loss in non-performing loans.

We believe that our total reserve for credit losses of $855.7 million represents management s best estimate of credit losses incurred in the portfolio based on currently available information. See *Risk Factors* for additional discussion on reserve adequacy.

NET FINANCE REVENUE, AFTER PROVISION FOR CREDIT LOSSES

Net Finance Revenue, After Provision for Credit Losses, (dollars in millions)

	Quarters Ended			Nine Months Ended	
	September 30, 2008	June 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net finance revenue	$ 349.9	$ 382.0	$ 418.4	$ 1,101.4	$ 1,222.4
Provision for credit losses	(210.3)	(152.2)	(63.9)	(609.2)	(112.4)
Net finance revenue after credit provision	139.6	229.8	354.5		