CIT GROUP INC
Form 10-Q
August 07, 2013

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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 June 30, 2013

| | Transition Report Pursuant to
Section 13 or 15(d)
of the Securities Exchange Act
of 1934

Commission File Number: 001-31369

CIT GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

65-1051192
(IRS Employer Identification Number)

11 West 42nd Street New York, New York
(Address of Registrant s principal executive offices)

10036
(Zip Code)

(212) 461-5200
(Registrant s telephone number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of 'large accelerated filer, 'accelerated filer and 'smaller reporting company in Rule 12b-2 of the Exchange Act. Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_| Smaller reporting company |_|.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes |X| No |_|

As of July 31, 2013 there were 201,077,719 shares of the registrant s common stock outstanding.

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Part One Financial Information

ITEM 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

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

	June 30, 2013	December 31, 2012

	June 30, 2013	December 31, 2012
Assets		
Cash and due from banks	$ 606.9	$ 447.3
Interest bearing deposits, including restricted balances of $963.4 and $1,185.1 at June 30, 2013 and December 31, 2012[(1)]	5,111.3	6,374.0
Investment securities	1,558.0	1,065.5
Trading assets at fair value derivatives	46.0	8.4
Assets held for sale[(1)]	1,186.6	646.4
Loans (see Note 5 for amounts pledged)	21,678.3	20,847.6
Allowance for loan losses	(367.2)	(379.3)
Total loans, net of allowance for loan losses[(1)]	21,311.1	20,468.3
Operating lease equipment, net (see Note 5 for amounts pledged)[(1)]	12,326.2	12,411.7
Unsecured counterparty receivable	642.6	649.1
Goodwill	344.5	345.9
Intangible assets, net	24.8	31.9
Other assets	1,473.0	1,563.5
Total Assets	**$44,631.0**	**$44,012.0**
Liabilities		
Deposits	$11,171.3	$ 9,684.5
Trading liabilities at fair value derivatives	44.1	81.9
Credit balances of factoring clients	1,205.0	1,256.5
Other liabilities	2,523.4	2,687.8
Long-term borrowings, including $2,577.7 and $1,425.9 contractually due within twelve months at June 30, 2013 and December 31, 2012, respectively	21,001.7	21,961.8
Total Liabilities	**35,945.5**	**35,672.5**
Stockholders Equity		
Common stock: $0.01 par value, 600,000,000 authorized		
Issued: 202,013,258 and 201,283,063 at June 30, 2013 and December 31, 2012	2.0	2.0
Outstanding: 201,030,202 and 200,868,802 at June 30, 2013 and December 31, 2012		
Paid-in capital	8,530.2	8,501.8
Retained earnings / (Accumulated deficit)	271.6	(74.6)
Accumulated other comprehensive loss	(85.5)	(77.7)
Treasury stock: 983,056 and 414,261 shares at June 30, 2013 and December 31, 2012 at cost	(41.1)	(16.7)
Total Common Stockholders Equity	8,677.2	8,334.8
Noncontrolling minority interests	8.3	4.7
Total Equity	**8,685.5**	**8,339.5**
Total Liabilities and Equity	**$44,631.0**	**$44,012.0**

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

Assets		
Interest bearing deposits, restricted	$ 552.1	$ 751.5
Assets held for sale	168.9	8.7
Total loans, net of allowance for loan losses	6,385.0	7,135.5
Operating lease equipment, net	4,502.9	4,508.8
Total Assets	**$11,608.9**	**$12,404.5**

Liabilities		
Beneficial interests issued by consolidated VIEs (classified as long-term borrowings)	$ 8,303.1	$ 9,241.3
Total Liabilities	**$ 8,303.1**	**$ 9,241.3**

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

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CIT GROUP INC. AND SUBSIDIARIES

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Interest income				
Interest and fees on loans	$ 344.5	$ 402.3	$ 693.9	$ 820.8
Interest and dividends on interest bearing deposits and investments	7.1	8.0	13.5	15.8
Interest income	351.6	410.3	707.4	836.6
Interest expense				
Interest on long-term borrowings	(236.6)	(598.9)	(486.2)	(1,643.2)
Interest on deposits	(44.8)	(35.3)	(87.1)	(71.6)
Interest expense	(281.4)	(634.2)	(573.3)	(1,714.8)
Net interest revenue	70.2	(223.9)	134.1	(878.2)
Provision for credit losses	(14.6)	(8.9)	(34.1)	(51.5)
Net interest revenue, after credit provision	55.6	(232.8)	100.0	(929.7)
Non-interest income				
Rental income on operating leases	452.4	446.2	897.3	886.8
Other income	79.3	139.4	149.4	394.7
Total non-interest income	531.7	585.6	1,046.7	1,281.5
Total revenue, net of interest expense and credit provision	587.3	352.8	1,146.7	351.8
Other expenses				
Depreciation on operating lease equipment	(141.3)	(130.8)	(284.6)	(268.4)
Operating expenses	(229.7)	(226.8)	(465.0)	(451.1)
Loss on debt extinguishments		(21.5)		(44.4)
Total other expenses	(371.0)	(379.1)	(749.6)	(763.9)
Income (loss) before provision for income taxes	216.3	(26.3)	397.1	(412.1)
Provision for income taxes	(32.2)	(45.4)	(47.4)	(85.7)
Income (loss) before noncontrolling interests	184.1	(71.7)	349.7	(497.8)
Net income attributable to noncontrolling interests, after tax	(0.5)	(1.2)	(3.5)	(2.1)
Net Income (loss)	$ 183.6	$ (72.9)	$ 346.2	$ (499.9)
Basic income (loss) per common share	$ 0.91	$ (0.36)	$ 1.72	$ (2.49)
Diluted income (loss) per common share	$ 0.91	$ (0.36)	$ 1.71	$ (2.49)

		Quarters Ended June 30,		Six Months Ended June 30,	
Average number of common shares	basic (thousands)	201,313	200,901	201,231	200,857
Average number of common shares	diluted (thousands)	202,313	200,901	202,046	200,857

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

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CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited) (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Income (loss) before noncontrolling interests	$184.1	$(71.7)	$349.7	$(497.8)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(2.3)	(11.3)	(7.3)	(10.3)
Changes in fair values of derivatives qualifying as cash flow hedges	0.1	0.2		0.6
Net unrealized gains (losses) on available for sale securities	(0.9)		(1.3)	0.6
Changes in benefit plans net gain/(loss) and prior service (cost)/credit	0.9	0.4	0.8	0.7
Other comprehensive income (loss), net of tax	(2.2)	(10.7)	(7.8)	(8.4)
Comprehensive income (loss) before noncontrolling interests	181.9	(82.4)	341.9	(506.2)
Comprehensive income attributable to noncontrolling interests	(0.5)	(1.2)	(3.5)	(2.1)
Comprehensive income (loss)	$181.4	$(83.6)	$338.4	$(508.3)

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

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CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited) (dollars in millions)

	Common Stock	Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Minority Interests	Total Equity

December 31, 2012	**$2.0**	**$8,501.8**	**$ (74.6)**	**$(77.7)**	**$(16.7)**	**$ 4.7**	**$8,339.5**
Net income			346.2			3.5	349.7
Other comprehensive loss, net of tax				(7.8)			(7.8)
Amortization of restricted stock, stock option and performance shares expenses		27.9			(11.9)		16.0
Repurchase of common stock					(12.5)		(12.5)
Employee stock purchase plan		0.5					0.5
Distribution of earnings and capital						0.1	0.1
June 30, 2013	**$2.0**	**$8,530.2**	**$ 271.6**	**$(85.5)**	**$(41.1)**	**$ 8.3**	**$8,685.5**
December 31, 2011	**$2.0**	**$8,459.3**	**$ 517.7**	**$(82.6)**	**$(12.8)**	**$ 2.5**	**$8,886.1**
Net income (loss)			(499.9)			2.1	(497.8)
Other comprehensive income, net of tax				(8.4)			(8.4)
Amortization of restricted stock and stock option expenses		21.6			(3.7)		17.9
Employee stock purchase plan		0.6					0.6
Distribution of earnings and capital						(0.5)	(0.5)
June 30, 2012	**$2.0**	**$8,481.5**	**$ 17.8**	**$(91.0)**	**$(16.5)**	**$ 4.1**	**$8,397.9**

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

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CIT GROUP INC. AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2013	**2012**
Cash Flows From Operations		
Net income (loss)	$ 346.2	$ (499.9)
Adjustments to reconcile net income (loss) to net cash flows from operations:		
Provision for credit losses	34.1	51.5
Net depreciation, amortization and (accretion)	331.4	1,127.5
Net gains on equipment, receivable and investment sales	(60.4)	(228.0)
Loss on debt extinguishments		10.5
Provision for deferred income taxes	30.8	22.0
Increase in finance receivables held for sale	(22.6)	(36.9)
Decrease in other assets	31.8	67.5
Decrease in accrued liabilities and payables	(163.7)	(202.8)
Net cash flows provided by operations	527.6	311.4

	Six Months Ended June 30,	
Cash Flows From Investing Activities		
Loans originated and purchased	(9,170.7)	(9,510.4)
Principal collections of loans	7,614.7	8,250.2
Purchases of investment securities	(8,332.1)	(8,286.6)
Proceeds from maturities of investment securities	7,837.3	8,376.2
Proceeds from asset and receivable sales	867.5	2,978.1
Purchases of assets to be leased and other equipment	(743.3)	(807.4)
Net increase in short-term factoring receivables	(66.4)	(2.9)
Change in restricted cash	221.7	(123.9)
Net cash flows (used in) provided by investing activities	(1,771.3)	873.3
Cash Flows From Financing Activities		
Proceeds from the issuance of term debt	170.5	8,680.3
Repayments of term debt	(1,281.9)	(12,383.2)
Net increase in deposits	1,489.5	977.6
Collection of security deposits and maintenance funds	278.3	257.2
Use of security deposits and maintenance funds	(281.6)	(182.9)
Repurchase of common stock	(12.5)	
Net cash flows provided by (used in) financing activities	362.3	(2,651.0)
Decrease in cash and cash equivalents	(881.4)	(1,466.3)
Unrestricted cash and cash equivalents, beginning of period	5,636.2	6,565.7
Unrestricted cash and cash equivalents, end of period	**$ 4,754.8**	**$ 5,099.4**
Supplementary Cash Flow Disclosure		
Interest paid	$ 507.3	$ 667.6
Federal, foreign, state and local income taxes (paid), net	$ (68.6)	$ (14.1)
Supplementary Non Cash Flow Disclosure		
Transfer of assets from held for investment to held for sale	$ 950.3	$ 1,189.3
Transfer of assets from held for sale to held for investment	$ 8.0	$ 0.5

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

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CIT Group Inc., together with its subsidiaries (collectively CIT or the Company) has provided financial solutions to its clients since its formation in 1908. The Company provides financing and leasing capital principally for small businesses and middle market companies in a wide variety of industries and offers vendor, equipment, commercial and structured financing products, as well as factoring and management advisory services. CIT became a bank holding company (BHC) in December 2008 and a financial holding company in July 2013. CIT is regulated by the Board of Governors of the Federal Reserve System (FRS) and the Federal Reserve Bank of New York (FRBNY) under the U.S. Bank Holding Company Act of 1956. CIT Bank, a wholly-owned subsidiary, is a state-chartered bank located in Salt Lake City, Utah. The Company operates primarily in North America, with locations in Europe, South America and Asia.

BASIS OF PRESENTATION

Principles of Consolidation

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

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

The consolidated financial statements include the effects of adopting Fresh Start Accounting (FSA) upon emergence from bankruptcy on December 10, 2009, as required by GAAP, based on a convenience date of December 31, 2009. Accretion and amortization of certain FSA adjustments are included in the Consolidated Statements of Operations and Cash Flows.

The accounting and financial reporting policies of CIT Group Inc. conform to GAAP and the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions. Some of the more significant estimates include: allowance for loan losses, loan impairment, fair value determination, lease residual values, liabilities for uncertain tax positions, realizability of deferred tax assets and goodwill assets. Additionally where applicable, the policies conform to accounting and reporting guidelines prescribed by bank regulatory authorities.

NEW ACCOUNTING PRONOUNCEMENTS

Foreign Currency Matters

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-05, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity,* which provides that a cumulative translation adjustment (CTA) is attached to the parent s investment in a foreign entity and should be released in a manner consistent with the derecognition guidance on investments in entities. Thus, the entire amount of the CTA associated with the foreign entity would be released when there has been a:

n Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.

n Loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated).

n Step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity).

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity.

The guidance is effective for fiscal years (and interim periods within those fiscal years) beginning on or after December 15, 2013, with early adoption permitted. The ASU should be applied prospectively from the beginning of the fiscal year of adoption. The adoption of this guidance is not expected to have a significant impact on CIT s financial statements or disclosures.

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NOTE 2 LOANS

Finance receivables consist of the following:

Finance Receivables by Product (dollars in millions)

	June 30, 2013	December 31, 2012
Loans	$16,265.4	$15,825.4
Direct financing leases and leveraged leases	5,412.9	5,022.2
Finance receivables	21,678.3	20,847.6
Finance receivables held for sale	738.7	302.8
Finance and held for sale receivables(1)	$22,417.0	$21,150.4

(1) *Assets held for sale on the Balance Sheet include both finance receivables and operating lease equipment. Balances in this disclosure include only finance receivables in Assets held for sale, which are measured at the lower of cost or fair value (i.e. do not include operating leases). ASU 2010-20 does not require inclusion of these finance receivables in the disclosures above. However, until they are disposed of, the Company manages the credit risk and collections of finance receivables held for sale consistently with its finance receivables held for investment so that Company data are tracked and used for management purposes on an aggregated basis as presented above.*

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

Finance Receivables (dollars in millions)

	June 30, 2013			December 31, 2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Corporate Finance	$ 7,903.2	$ 959.7	$ 8,862.9	$ 7,159.8	$1,013.2	$ 8,173.0
Transportation Finance	1,115.0	889.9	2,004.9	1,219.8	633.4	1,853.2
Trade Finance	2,189.4	122.8	2,312.2	2,177.2	128.1	2,305.3
Vendor Finance	2,517.6	2,450.5	4,968.1	2,459.1	2,359.6	4,818.7
Consumer	3,520.7	9.5	3,530.2	3,687.3	10.1	3,697.4
Total	$17,245.9	$4,432.4	$21,678.3	$16,703.2	$4,144.4	$20,847.6

The following table presents selected components of the net investment in finance receivables.

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

	June 30, 2013	December 31, 2012
Unearned income	$(988.7)	$(995.2)
Unamortized (discounts)	(54.4)	(40.5)
Net unamortized deferred costs and (fees)	38.2	51.4

Certain of the following tables present credit-related information at the class level in accordance with ASC 310-10-50, *Disclosures about the Credit Quality of Finance Receivables and the Allowance for Credit Losses*. A class is generally a disaggregation of a portfolio segment. In determining the classes, CIT considered the finance receivable characteristics and methods it applies in monitoring and assessing credit risk and performance.

Credit Quality Information

The following table summarizes finance receivables by the risk ratings that bank regulatory agencies utilize to classify credit exposure and which are consistent with indicators the Company monitors. Risk ratings are reviewed on a regular basis by Credit Risk Management and are adjusted as necessary for updated information affecting the borrowers ability to fulfill their obligations.

The definitions of these ratings are as follows:

- Pass finance receivables in this category do not meet the criteria for classification in one of the categories below.

- Special mention a special mention asset exhibits potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects.

- Classified a classified asset ranges from: (1) assets that exhibit a well-defined weakness and are inadequately protected by the current sound worth and paying capacity of the borrower, and are characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected to (2) assets with weaknesses that make collection or liquidation in full unlikely on the basis of current facts, conditions, and values. Assets in this classification can be accruing or on non-accrual depending on the evaluation of these factors.

Finance and Held for Sale Receivables by Risk Rating (dollars in millions)

Grade:	Corporate Finance Other	Corporate Finance SBL	Transportation Finance	Trade Finance	Vendor Finance U.S.	Vendor Finance International	Commercial	Consumer
June 30, 2013								
Pass	$7,500.7	$162.5	$1,709.3	$1,875.5	$2,110.4	$2,400.5	$15,758.9	$3,168.5
Special mention	740.2	311.9	141.2	252.4	208.8	213.8	1,868.3	113.1
Classified accruing	319.6	89.7	141.5	181.6	151.8	96.9	981.1	248.6
Classified non-accrual	122.0	50.6	12.9	2.7	46.6	43.7	278.5	
Total	$8,682.5	$614.7	$2,004.9	$2,312.2	$2,517.6	$2,754.9	$18,886.8	$3,530.2
December 31, 2012								
Pass	$6,228.7	$166.1	$1,492.4	$1,913.2	$2,057.0	$2,340.5	$14,197.9	$3,254.1
Special mention	759.5	358.6	184.1	266.9	194.0	161.8	1,924.9	213.5
Classified accruing	408.2	96.7	136.2	119.2	160.4	77.7	998.4	229.8
Classified non-accrual	148.9	63.0	40.5	6.0	45.5	26.3	330.2	1.6
Total	$7,545.3	$684.4	$1,853.2	$2,305.3	$2,456.9	$2,606.3	$17,451.4	$3,699.0

Past Due and Non-accrual Loans

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

Finance and Held for Sale Receivables Delinquency Status (dollars in millions)

	30 59 Days Past Due	60 89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Finance Receivables
June 30, 2013						
Commercial						
Corporate Finance Other	$ 20.8	$ 0.2	$ 2.7	$ 23.7	$ 8,658.8	$ 8,682.5
Corporate Finance SBL	2.0	4.5	8.8	15.3	599.4	614.7
Transportation Finance	0.2	1.2	3.2	4.6	2,000.3	2,004.9
Trade Finance	67.7	1.4	3.2	72.3	2,239.9	2,312.2
Vendor Finance U.S.	38.8	23.3	9.2	71.3	2,446.3	2,517.6
Vendor Finance International	48.4	21.8	21.0	91.2	2,663.7	2,754.9
Total Commercial	177.9	52.4	48.1	278.4	18,608.4	18,886.8
Consumer	113.6	62.1	187.8	363.5	3,166.7	3,530.2
Total	$291.5	$114.5	$235.9	$641.9	$21,775.1	$22,417.0
December 31, 2012						
Commercial						
Corporate Finance Other	$	$ 0.3	$ 4.0	$ 4.3	$ 7,541.0	$ 7,545.3
Corporate Finance SBL	18.0	2.9	12.5	33.4	651.0	684.4
Transportation Finance	4.0	0.9	0.7	5.6	1,847.6	1,853.2
Trade Finance	79.3	3.4	5.6	88.3	2,217.0	2,305.3
Vendor Finance U.S.	56.1	18.0	12.4	86.5	2,370.4	2,456.9
Vendor Finance International	55.2	12.3	8.2	75.7	2,530.6	2,606.3
Total Commercial	212.6	37.8	43.4	293.8	17,157.6	17,451.4
Consumer	135.2	80.8	231.7	447.7	3,251.3	3,699.0
Total	$347.8	$118.6	$275.1	$741.5	$20,408.9	$21,150.4

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

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

	June 30, 2013			December 31, 2012		
	Held for Investment	Held for Sale	Total	Held for Investment	Held for Sale	Total
Commercial						

	June 30, 2013			December 31, 2012		
Corporate Finance Other	$121.7	$ 0.3	$122.0	$148.6	$0.3	$148.9
Corporate Finance SBL	8.0	42.6	50.6	60.3	2.7	63.0
Transportation Finance	12.9		12.9	40.5		40.5
Trade Finance	2.7		2.7	6.0		6.0
Vendor Finance U.S.	46.6		46.6	45.5		45.5
Vendor Finance International	41.5	2.2	43.7	24.3	2.0	26.3
Consumer					1.6	1.6
Total non-accrual loans	$233.4	$45.1	$278.5	$325.2	$6.6	$331.8
Repossessed assets			7.7			9.9
Total non-performing assets			$286.2			$341.7
Accruing loans past due 90 days or more						
Government guaranteed Consumer			$187.8			$231.4
Other			4.7			3.4
Total			$192.5			$234.8

Payments received on non-accrual financing receivables are generally applied first against outstanding principal, though in certain instances where the remaining recorded investment is deemed fully collectible, interest income is recognized on a cash basis.

Impaired Loans

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

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

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Impaired Loans (dollars in millions)

	June 30, 2013			Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Average Recorded Investment
With no related allowance recorded:					
Commercial					

				Six Months Ended June 30,	
Corporate Finance Other	$139.4	$155.3	$	$157.8	$203.8
Corporate Finance SBL	7.9	8.1		28.0	42.1
Transportation Finance	4.5	5.1		8.4	5.1
Trade Finance	10.0	10.0		10.5	43.3
Vendor Finance U.S.	5.6	6.7		4.9	9.3
Vendor Finance International	13.8	21.5		12.4	9.1
With an allowance recorded:					
Commercial					
Corporate Finance Other	81.3	89.7	37.8	92.4	110.0
Corporate Finance SBL				1.7	16.1
Transportation Finance	8.9	8.9	2.7	15.8	24.5
Trade Finance	2.7	2.7	1.0	4.1	12.3
Total Commercial Impaired Loans[(1)]	274.1	308.0	41.5	336.0	475.6
Total Loans Impaired at Convenience Date[(2)]	85.2	140.7	0.9	94.6	172.0
Total	$359.3	$448.7	$42.4	$430.6	$647.6

	December 31, 2012			Year Ended December 31, 2012
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**
With no related allowance recorded:				
Commercial				
Corporate Finance Other	$179.9	$231.9	$	$199.8
Corporate Finance SBL	39.1	52.6		40.7
Transportation Finance	11.3	29.1		7.8
Trade Finance	10.1	13.3		29.7
Vendor Finance U.S.	4.7	12.2		7.7
Vendor Finance International	8.4	20.0		9.7
With an allowance recorded:				
Commercial				
Corporate Finance Other	102.4	106.7	32.3	111.0
Corporate Finance SBL	2.4	2.7	1.0	10.4
Transportation Finance	29.1	29.3	8.9	29.0
Trade Finance	6.0	6.0	1.3	12.2
Total Commercial Impaired Loans[(1)]	393.4	503.8	43.5	458.0
Total Loans Impaired at Convenience date[(2)]	106.7	260.8	1.5	147.4
Total	$500.1	$764.6	$45.0	$605.4

[(1)] *Interest income recorded while the loans were impaired was $8.8 million and $11.0 million for the six months ended June 30, 2013 and June 30, 2012, respectively, of which $0.8 million and $2.8 million was recognized using the cash-basis method. Interest income recorded for the year ended December 31, 2012 while the loans were impaired was $21.3 million, of which $4.3 million was recognized using the cash-basis method of accounting.*

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

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

n Instances where the primary source of payment is no longer sufficient to repay the loan in accordance with terms of the loan document;

n Lack of current financial data related to the borrower or guarantor;

n Delinquency status of the loan;

n Borrowers experiencing problems, such as operating losses, marginal working capital, inadequate cash flow, excessive financial leverage or business interruptions;

n Loans secured by collateral that is not readily marketable or that has experienced or is susceptible to deterioration in realizable value; and

n Loans to borrowers in industries or countries experiencing economic instability.

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

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

n Orderly liquidation value is the basis for collateral valuation;

n Appraisals are updated annually or more often as market conditions warrant; and

n Appraisal values are discounted in the determination of impairment if the:

n appraisal does not reflect current market conditions; or

n collateral consists of inventory, accounts receivable, or other forms of collateral that may become difficult to locate, collect or subject to pilferage in a liquidation.

Loans and Debt Securities Acquired with Deteriorated Credit Quality

For purposes of this presentation, finance receivables that were identified as impaired at the Convenience Date are presented separately below. The Company is applying the income recognition and disclosure guidance in ASC 310-30 (*Loans and Debt Securities Acquired with Deteriorated Credit Quality*) to loans considered impaired under FSA at the time of emergence.

Loans Acquired with Deteriorated Credit Quality (dollars in millions)

	June 30, 2013[1]			December 31, 2012[1]		
	Carrying Amount	Outstanding Balance[2]	Allowance for Loan Losses	Carrying Amount	Outstanding Balance[2]	Allowance for Loan Losses
Commercial	$85.2	$140.7	$0.9	$106.7	$260.8	$1.5
Total loans	$85.2	$140.7	$0.9	$106.7	$260.8	$1.5

(1) *The table excludes amounts in Assets held for sale with carrying amounts of $13 million and $3 million at June 30, 2013 and December 31, 2012, and outstanding balances of $30 million and $16 million at June 30, 2013 and December 31, 2012.*

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

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Troubled Debt Restructurings

The Company periodically modifies the terms of finance receivables in response to borrowers difficulties. Modifications that include a financial concession to the borrower are accounted for as troubled debt restructurings (TDRs).

CIT uses a consistent methodology across all loans to determine if a modification is with a borrower that has been determined to be in financial difficulty and was granted a concession. Specifically, the Company s policies on TDR identification include the following examples of indicators used to determine whether the borrower is in financial difficulty:

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

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

- Assets used to satisfy debt are less than CIT s recorded investment in the receivable
- Modification of terms interest rate changed to below market rate
- Maturity date extension at an interest rate less than market rate
- The borrower does not otherwise have access to funding for debt with similar risk characteristics in the market at the restructured rate and terms
- Capitalization of interest
- Increase in interest reserves
- Conversion of credit to Payment-In-Kind (PIK)
- Delaying principal and/or interest for a period of three months or more
- Partial forgiveness of the balance.

Modified loans that meet the definition of a TDR are subject to the Company s standard impaired loan policy, namely that non-accrual loans in excess of $500,000 are individually reviewed for impairment, while non-accrual loans less than $500,000 are considered as part of homogenous pools and are included in the determination of the non-specific allowance.

The recorded investment of TDRs at June 30, 2013 and December 31, 2012 was $244.9 million and $289.1 million, of which 32% and 29%, respectively, were on non-accrual. Corporate Finance receivables accounted for 92% of the total TDRs at June 30, 2013 and 91% at December 31, 2012. At June 30, 2013 and December 31, 2012, there were $4.8 million and $6.3 million, respectively, of commitments to lend additional funds to borrowers whose loan terms have been modified in TDRs.

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The tables that follow present additional information related to modifications qualifying as TDRs that occurred during the periods ended June 30, 2013 and 2012.

Recorded investment of TDRs that occurred during the periods ended June 30, 2013 and 2012 (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Commercial				
Corporate Finance Other	$11.1	$	$11.1	$
Corporate Finance SBL	7.0	1.6	8.8	7.3
Vendor Finance U.S.		0.1	0.1	2.5

	Quarters Ended June 30,		Six Months Ended June 30,	
Vendor Finance International	1.8	0.2	2.3	1.3
Total	$19.9	$1.9	$22.3	$11.1

Recorded investment of TDRs at the time of default that experienced a payment default[(1)] **in the periods presented, and for which the payment default occurred within one year of the modification** (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Commercial				
Corporate Finance Other	$	$11.9	$2.3	$11.9
Corporate Finance SBL	0.1	0.5	0.5	4.2
Vendor Finance U.S.		0.1	0.3	0.5
Vendor Finance International		0.1	0.2	0.3
Total	$0.1	$12.6	$3.3	$16.9

(1) *Payment default in the table above is one missed payment.*

The financial impact of the various modification strategies that the Company employs in response to borrower difficulties is described below. While the discussion focuses on current quarter amounts, the overall nature and impact of modification programs were comparable in the prior year.

- The nature of modifications qualifying as TDR s, based upon recorded investment at June 30, 2013 and December 31, 2012, was comprised of payment deferral for 88% and 86%, covenant relief and/or other for 11% and 8%, and interest rate reductions and debt forgiveness for 1% and 6%, respectively;

- Payment deferrals, the Company s most common type of modification program, result in lower net present value of cash flows and increased provision for credit losses to the extent applicable. The financial impact of these modifications is not significant given the reduction to recorded investment balances from FSA discount and the moderate length of deferral periods;

- Interest rate reductions result in lower amounts of interest being charged to the customer, but are a relatively small part of the Company s restructuring programs. Additionally, in some instances, modifications improve the Company s economic return through increased interest rates and fees, but are reported as TDRs due to assessments regarding the borrowers ability to independently obtain similar funding in the market and assessments of the relationship between modified rates and terms and comparable market rates and terms. The weighted average change in interest rates for all TDRs occurring during the six months ended June 30, 2013 was immaterial;

- Debt forgiveness, or the reduction in amount owed by borrower, results in incremental provision for credit losses, in the form of higher charge-offs. While these types of modifications have the greatest individual impact on the allowance, the amounts of principal forgiveness for TDRs occurring during the quarter and six month periods ended June 30, 2013 approximated $0.1 million and $0.2 million, respectively, as debt forgiveness is a relatively small component of the Company s modification programs; and

- The other elements of the Company s modification programs do not have a significant impact on financial results given their relative size, or do not have a direct financial impact, as in the case of covenant changes.

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CIT GROUP INC. AND SUBSIDIARIES   NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 3   ALLOWANCE FOR LOAN LOSSES

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

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

	Quarter Ended June 30, 2013							
	Corporate Finance	**Transportation Finance**	**Trade Finance**	**Vendor Finance**	**Total Commercial**	**Consumer**	**Corporate and Other**	**Total**
Beginning balance	$238.9	$29.2	$29.8	$ 88.1	$386.0	$	$	$386.0
Provision for credit losses	7.4	(0.2)	(2.2)	9.7	14.7		(0.1)	14.6
Other[1]	(2.2)	(0.1)	(0.7)	(1.5)	(4.5)		0.2	(4.3)
Gross charge-offs[2][3]	(30.3)		(0.8)	(17.0)	(48.1)			(48.1)
Recoveries	8.1	0.9	1.3	8.7	19.0			19.0
Allowance balance end of period	$221.9	$29.8	$27.4	$ 88.0	$367.1	$	$ 0.1	$367.2
	Quarter Ended June 30, 2012							
Beginning balance	$270.3	$29.2	$30.0	$ 90.5	$420.0	$	$	$420.0
Provision for credit losses	7.7	0.1	(2.2)	3.1	8.7	0.2		8.9
Other[1]	(0.2)	0.1	3.5	(1.3)	2.1			2.1
Gross charge-offs[2]	(7.6)	(0.9)	(1.9)	(17.2)	(27.6)	(0.4)		(28.0)
Recoveries	1.1		0.4	9.5	11.0	0.2		11.2
Allowance balance end of period	$271.3	$28.5	$29.8	$ 84.6	$414.2	$	$	$414.2

	Six Months Ended June 30, 2013							
	Corporate Finance	**Transportation Finance**	**Trade Finance**	**Vendor Finance**	**Total Commercial**	**Consumer**	**Corporate and Other**	**Total**
Beginning balance	$229.9	$36.3	$27.4	$ 85.7	$379.3	$	$	$379.3
Provision for credit losses	20.1	(4.2)	(0.9)	19.2	34.2		(0.1)	34.1
Other[1]	(4.4)	0.1	(1.4)	(2.1)	(7.8)		0.2	(7.6)
Gross charge-offs[2][3]	(34.5)	(3.3)	(1.6)	(33.0)	(72.4)			(72.4)
Recoveries	10.8	0.9	3.9	18.2	33.8			33.8
Allowance balance end of period	$221.9	$29.8	$27.4	$ 88.0	$367.1	$	$ 0.1	$367.2
	Six Months Ended June 30, 2012							
Beginning balance	$262.2	$29.3	$29.0	$ 87.3	$407.8	$	$	$407.8
Provision for credit losses	30.4	7.7	1.6	11.3	51.0	0.5		51.5
Other[1]	(8.1)	0.3	1.8	(0.3)	(6.3)			(6.3)
Gross charge-offs[2]	(25.6)	(8.8)	(3.4)	(33.4)	(71.2)	(1.0)		(72.2)
Recoveries	12.4		0.8	19.7	32.9	0.5		33.4
Allowance balance end of period	$271.3	$28.5	$29.8	$ 84.6	$414.2	$	$	$414.2

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Total Commercial	Consumer	Corporate and Other	Total
June 30, 2013								
Allowance balance:								
Loans individually evaluated for impairment	$ 37.8	$ 2.7	$ 1.0	$	$ 41.5	$	$	$ 41.5
Loans collectively evaluated for impairment	183.7	27.1	26.4	87.5	324.7		0.1	324.8
Loans acquired with deteriorated credit quality(4)	0.4			0.5	0.9			0.9
Allowance balance end of period	$ 221.9	$ 29.8	$ 27.4	$ 88.0	$ 367.1	$	$ 0.1	$ 367.2
Other reserves(1)	$ 19.1	$ 0.4	$ 7.3	$	$ 26.8	$	$ 0.1	$ 26.9
Finance receivables:								
Loans individually evaluated for impairment	$ 228.6	$ 13.4	$ 12.7	$ 19.4	$ 274.1	$	$	$ 274.1
Loans collectively evaluated for impairment	8,554.8	1,991.5	2,299.5	4,943.0	17,788.8	3,530.2		21,319.0
Loans acquired with deteriorated credit quality(4)	79.5			5.7	85.2			85.2
Ending balance	$ 8,862.9	$ 2,004.9	$ 2,312.2	$ 4,968.1	$ 18,148.1	$ 3,530.2	$	$ 21,678.3
Percent of loans to total loans	40.9%	9.2%	10.7%	22.9%	83.7%	16.3%		100.0%
June 30, 2012								
Allowance balance:								
Loans individually evaluated for impairment	$ 44.1	$ 3.3	$ 4.4	$	$ 51.8	$	$	$ 51.8
Loans collectively evaluated for impairment	225.9	25.2	25.4	83.8	360.3			360.3
Loans acquired with deteriorated credit quality(4)	1.3			0.8	2.1			2.1
Allowance balance end of period	$ 271.3	$ 28.5	$ 29.8	$ 84.6	$ 414.2	$	$	$ 414.2
Other reserves(1)	$ 16.4	$ 1.0	$ 4.2	$	$ 21.6	$	$	$ 21.6
Finance receivables:								
	$ 408.8	$ 17.2	$ 47.7	$ 16.8	$ 490.5	$	$	$ 490.5

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Total Commercial	Consumer	Corporate and Other	Total
Loans individually evaluated for impairment								
Loans collectively evaluated for impairment	7,003.1	1,739.6	2,323.6	4,489.3	15,555.6	3,896.9		19,452.5
Loans acquired with deteriorated credit quality[4]	137.8			15.8	153.6	1.3		154.9
Ending balance	$7,549.7	$1,756.8	$2,371.3	$4,521.9	$16,199.7	$3,898.2	$	$20,097.9
Percent of loans to total loans	37.6%	8.7%	11.8%	22.5%	80.6%	19.4%		100.0%

[1] *Other reserves represents additional credit loss reserves for unfunded lending commitments, letters of credit and for deferred purchase agreements, all of which is recorded in Other liabilities. Other also includes changes relating to sales and foreign currency translations.*

[2] *Gross charge-offs include $8.8 million and $10.3 million that were charged directly to the specific allowance for loan losses for the quarter and six months ended June 30, 2013, respectively, related to Corporate Finance. Gross charge-offs include $2.6 million that were charged directly to the specific allowance for loan losses for the June 30, 2012 quarter, of which $1.9 million related to Corporate Finance and the remainder related to Trade Finance. Amounts for the six months ended June 30, 2012 include $13.9 million charged directly to the specific allowance, of which $8.1 million related to Corporate Finance, $5.0 million related to Transportation Finance and the remainder to Trade Finance.*

[3] *Corporate Finance gross charge-offs for the quarter and six months ended June 30, 2013 include approximately $20 million of charge-offs related to the transfer of approximately $400 million of loans to Assets held for sale.*

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

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 4 INVESTMENT SECURITIES

Investments include debt and equity securities. The Company s debt securities primarily include U.S. Treasury securities, U.S. Government Agency securities and Foreign government securities that typically mature in 91 days or less, and the carrying value approximates fair value. Equity securities include common stock and warrants.

Investment Securities (dollars in millions)

	June 30, 2013	December 31, 2012
Debt securities available-for-sale	$1,211.1	$ 767.6
Equity securities available-for-sale	13.2	14.3
Debt securities held-to-maturity[1]	243.9	188.4
Non-marketable equity investments[2]	89.8	95.2

	June 30, 2013	December 31, 2012
Total investment securities	$1,558.0	$1,065.5

[(1)] *Recorded at amortized cost less impairment on securities that have credit-related impairment.*

[(2)] *Non-marketable equity investments include $24.4 million and $27.6 million in limited partnerships at June 30, 2013 and December 31, 2012, respectively, accounted for under the equity method. The remaining investments are carried at cost and include qualified Community Reinvestment Act (CRA) investments, equity fund holdings and shares issued by customers during loan work out situations or as part of an original loan investment.*

Debt securities and equity securities classified as available-for-sale (AFS) are carried at fair value with changes in fair value reported in other comprehensive income (OCI), net of applicable income taxes.

Debt securities classified as held-to-maturity (HTM) represent securities that the Company has both the ability and intent to hold until maturity, and are carried at amortized cost.

Non-marketable equity investments include ownership interests greater than 3% in limited partnership investments that are accounted for under the equity method. Equity method investments are recorded at cost, adjusted to reflect the Company s portion of income, loss or dividends of the investee. All other non-marketable equity investments are carried at cost and periodically assessed for other-than-temporary impairment (OTTI).

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is OTTI. For debt securities classified as held-to-maturity that are considered to have OTTI that the Company does not intend to sell and it is more likely than not that the Company will not be required to sell before recovery, the OTTI is separated into an amount representing the credit loss, which is recognized in other income in the Consolidated Statement of Operations, and the amount related to all other factors, which is recognized in OCI. OTTI on debt securities and equity securities classified as AFS and non-marketable equity investments are recognized in the Consolidated Statement of Operations in the period determined.

Realized investment gains totaled $1.4 million and $4.4 million for the quarters ended June 30, 2013 and 2012, respectively, and exclude losses from OTTI. OTTI credit-related impairments on equity securities recognized in earnings were not material for the quarters ended June 30, 2013 and June 30, 2012. Impairment amounts in accumulated other comprehensive income (AOCI) were not material at June 30, 2013 or December 31, 2012.

In addition, the Company maintained $5.1 billion and $6.4 billion of interest bearing deposits at June 30, 2013 and December 31, 2012, respectively that are cash equivalents and are classified separately on the balance sheet.

The following table presents interest and dividends on interest bearing deposits and investments:

Interest and Dividend Income (dollars in millions)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income interest bearing deposits	$4.3	$5.1	$ 7.8	$10.0
Interest income investments	1.8	1.9	3.7	4.4
Dividends investments	1.0	1.0	2.0	1.4
Total interest and dividends	$7.1	$8.0	$13.5	$15.8

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CIT GROUP INC. AND SUBSIDIARIES   NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Securities Available-for-Sale

The following table presents amortized cost and fair value of securities AFS at June 30, 2013 and December 31, 2012.

Securities Available-for-Sale   Amortized Cost and Fair Value (dollars in millions)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2013				
Debt securities AFS				
U.S. Treasury Securities	$1,041.4	$	$	$1,041.4
U.S. Government Agency Obligations	159.3			159.3
Foreign Government Treasuries	10.4			10.4
Total debt securities AFS	1,211.1			1,211.1
Equity securities AFS	13.2			13.2
Total securities AFS	$1,224.3	$	$	$1,224.3
December 31, 2012				
Debt securities AFS				
U.S. Treasury Securities	$ 750.3	$	$	$ 750.3
Foreign Government Treasuries	17.3			17.3
Total debt securities AFS	767.6			767.6
Equity securities AFS	13.1	1.2		14.3
Total securities AFS	$ 780.7	$1.2	$	$ 781.9

Debt Securities Held-to-Maturity

The carrying value and fair value of debt securities HTM at June 30, 2013 and December 31, 2012 were as follows:

Debt Securities Held-to-Maturity   Carrying Value and Fair Value (dollars in millions)

	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
June 30, 2013				
Mortgage-backed securities				
U.S. government-sponsored agency guaranteed	$103.1	$1.5	$(4.5)	$100.1
State and municipal	58.0		(2.6)	55.4
Foreign government	35.3			35.3
Corporate Foreign	47.5			47.5
Total debt securities held-to-maturity	$243.9	$1.5	$(7.1)	$238.3
December 31, 2012				
Mortgage-backed securities				
U.S. government-sponsored agency guaranteed	$ 96.5	$3.1	$(0.3)	$ 99.3

	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
State and municipal	13.1			13.1
Foreign government	28.4			28.4
Corporate Foreign	50.4			50.4
Total debt securities held-to-maturity	$188.4	$3.1	$(0.3)	$191.2

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

Debt Securities Held-to-Maturity Carrying Value and Fair Value Maturities (dollars in millions)

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage-backed securities[1]				
Total Due after 10 years[2]	$103.1	$100.1	$ 96.5	$ 99.3
State and municipal				
Due after 1 but within 5 years	4.9	4.9	4.9	4.9
Due after 5 but within 10 years	1.3	1.3	1.4	1.4
Due after 10 years[2]	51.8	49.2	6.8	6.8
Total	58.0	55.4	13.1	13.1
Foreign government				
Due within 1 year	17.3	17.3	25.5	25.4
Due after 1 but within 5 years	18.0	18.0	2.9	3.0
Total	35.3	35.3	28.4	28.4
Corporate Foreign				
Total Due after 5 but within 10 years	47.5	47.5	50.4	50.4
Total debt securities held-to-maturity	$243.9	$238.3	$188.4	$191.2

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

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

NOTE 5 LONG-TERM BORROWINGS

The following table presents outstanding long-term borrowings, net of FSA. The FSA fair value adjustment is amortized as a cost adjustment over the remaining term of the respective debt and is reflected in Interest Expense.

Long-term Borrowings (dollars in millions)

	June 30, 2013			December 31, 2012
	CIT Group Inc.	**Subsidiaries**	**Total**	**Total**
Senior Unsecured Notes[1]	$11,788.6	$ 0.9	$11,789.5	$11,824.0
Secured Borrowings		9,212.2	9,212.2	10,137.8
Total Long-term Borrowings	$11,788.6	$9,213.1	$21,001.7	$21,961.8

[1] *Senior Unsecured Notes comprise $6,500.0 million of Unsecured Notes issued after March 9, 2012, $5,250.0 million of Series C Notes and $39.5 million of Other Debt.*

Revolving Credit Facility

At June 30, 2013 and December 31, 2012 there were no outstanding borrowings under the Revolving Credit Facility and the amount available to draw upon at each period was approximately $1.9 billion, with the remaining amount of approximately $0.1 billion utilized for issuance of letters of credit.

The total commitment amount under the Revolving Credit Facility is $2 billion, consisting of a $1.65 billion revolving loan tranche and a $350 million revolving loan tranche that can also be utilized for issuance of letters of credit. The Revolving Credit Facility matures on August 14, 2015 and accrues interest at a per annum rate of LIBOR plus a margin of 2.00% to 2.75% (with no floor) or Base Rate plus a margin of 1.00% to 1.75% (with no floor). The applicable margin is determined by reference to the current long-term senior unsecured, non-credit enhanced debt rating of the Company by S&P and Moody s. The applicable margin for LIBOR loans was 2.50% and the applicable margin for Base Rate loans was 1.50% at June 30, 2013.

The Revolving Credit Facility may be drawn and prepaid at the option of CIT. The unutilized portion of any commitment under the Revolving Credit Facility may be reduced permanently or terminated by CIT at any time without penalty.

The facility is currently guaranteed by eight of the Company s domestic operating subsidiaries and subject to an asset coverage covenant (based on the book value of eligible assets of the Continuing Guarantors) of 2.0x the sum of: (i) the committed facility size and (ii) all outstanding indebtedness (including, without duplication, guarantees of such indebtedness) for borrowed money (excluding subordinated intercompany indebtedness) of the Continuing Guarantors, tested monthly and upon certain dispositions or encumbrances of eligible assets of the Continuing Guarantors.

The Revolving Credit Facility is also subject to a $6 billion minimum consolidated net worth covenant of the Company, tested quarterly, and limits the Company s ability to create liens, merge or consolidate, sell, transfer, lease or dispose of all or substantially all of its assets, grant a negative pledge or make certain restricted payments during the occurrence and continuance of an event of default.

Senior Unsecured Notes

Senior unsecured notes include notes issued under the shelf registration filed in March 2012, and Series C Unsecured Notes. The notes filed under the shelf registration rank equal in right of payment with the Series C Unsecured Notes and the Revolving Credit Facility.

The following tables present the principal amounts of Senior Unsecured Notes issued under the Company s shelf registration and Series C Unsecured Notes by maturity date.

Senior Unsecured Notes (dollars in millions)

Maturity Date	Rate (%)	Date of Issuance	Par Value
May 2017	5.000%	May 2012	$ 1,250.0
August 2017	4.250%	August 2012	1,750.0
March 2018	5.250%	March 2012	1,500.0
May 2020	5.375%	May 2012	750.0
August 2022	5.000%	August 2012	1,250.0
Weighted average and total	4.90%		$ 6,500.0

Series C Unsecured Notes (dollars in millions)

Maturity Date	Rate (%)	Date of Issuance	Par Value
March 2014	5.250%	March 2011	$ 1,300.0
February 2015	4.750%	February 2012	1,500.0
March 2018	6.625%	March 2011	700.0
February 2019	5.500%	February 2012	1,750.0
Weighted average and total	5.37%		$ 5,250.0

The Indentures for the Senior Unsecured Notes and Series C Unsecured Notes limit the Company s ability to create liens, merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of its assets. Upon a Change of Control Triggering Event as defined in the Indentures for the Senior Unsecured Notes and Series C Unsecured Notes, holders of the Senior Unsecured Notes and Series C Unsecured Notes will have the right to require the Company, as applicable, to repurchase all or a portion of the Senior Unsecured Notes and Series C Unsecured Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of such repurchase.

Other debt of $39.5 million includes senior unsecured notes issued prior to CIT s reorganization and outstanding borrowings under a local line of credit utilized by a non-U.S. subsidiary.

See Note 14 Subsequent Event for details on a senior unsecured issuance occurring subsequent to June 30, 2013.

Secured Borrowings

Set forth below are borrowings and pledged assets primarily owned by consolidated variable interest entities. Creditors of these entities received ownership and/or security interests in the assets. These entities are intended to be bankruptcy remote so that such assets are not available to creditors of CIT or any affiliates of CIT until and unless the related secured borrowings have been fully discharged. These transactions do not meet accounting requirements for sales treatment and are recorded as secured borrowings.

Secured Borrowings and Pledged Assets Summary (dollars in millions)

	June 30, 2013		December 31, 2012	
	Secured Borrowing	Pledged Assets	Secured Borrowing	Pledged Assets
Consumer[(1)]	$3,432.3	$ 3,592.8	$ 3,630.9	$ 3,772.8
Trade Finance	334.7	1,592.1	350.8	1,523.6
Corporate Finance[(1)]	706.2	933.2	933.9	1,190.6
Vendor Finance U.S.	335.3	463.1	574.6	765.4
Vendor Finance International	931.6	1,034.9	1,028.4	1,182.9
Subtotal Finance Receivables	5,740.1	7,616.1	6,518.6	8,435.3
Transportation Finance Aircraft	2,432.4	4,046.8	2,560.3	4,049.1
Transportation Finance Rail	954.9	1,176.4	976.8	1,185.0
Subtotal-Equipment under operating leases[(1)]	3,387.3	5,223.2	3,537.1	5,234.1
Investment Securities	84.8	88.5	82.1	83.3
Total	$9,212.2	$12,927.8	$10,137.8	$13,752.7

[(1)] *At June 30, 2013 GSI TRS related borrowings and pledged assets, respectively, of $876.9 million and $963.0 million were included in Consumer, $149.2 million and $321.7 million in Corporate Finance, and $1.05 billion and $2.03 billion in Transportation Finance. The GSI TRS is described in Note 6 Derivative Financial Instruments.*

Variable Interest Entities (VIEs)

The Company utilizes VIEs in the ordinary course of business to support its own and its customers financing needs.

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

The main risks inherent in these secured borrowing structures are deterioration in the credit performance of the vehicle s underlying asset portfolio and risk associated with the servicing of the underlying assets.

Investors typically have recourse to the assets in the VIEs and may benefit from other credit enhancements, such as: (1) a reserve or cash collateral account that requires the Company to deposit cash in an account, which will first be used to cover any defaulted obligor payments, (2) over-collateralization in the form of excess assets in the VIE, or (3) subordination, whereby the Company retains a subordinate position in the secured borrowing which would absorb losses due to defaulted obligor payments before the senior certificate holders. The VIE may also enter into derivative contracts in order to convert the debt issued by the VIEs to match the underlying assets or to limit or change the risk of the VIE.

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

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

NOTE 6 DERIVATIVE FINANCIAL INSTRUMENTS

As part of managing economic risk and exposure to interest rate and foreign currency risk, the Company enters into derivative transactions in over-the-counter markets with other financial institutions, but does not enter into derivative financial instruments for speculative purposes.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives, and imposing margin, reporting and registration requirements for certain market participants. Since the Company does not meet the definition of a Swap Dealer or Major Swap Participant under the Act, the new reporting obligations, which became effective April 10, 2013, are limited in scope to an insignificant number of derivative transactions executed with its lending customers in order to mitigate their interest rate risk.

See *Note 1 Business and Summary of Significant Accounting Policies* in our December 31, 2012 Form 10-K for further description of the Company s derivative transaction policies.

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Fair and Notional Values of Derivative Financial Instruments[1] (dollars in millions)

	June 30, 2013			December 31, 2012		
	Notional Amount	**Asset Fair Value**	**Liability Fair Value**	**Notional Amount**[2]	**Asset Fair Value**	**Liability Fair Value**
Qualifying Hedges						
Cross currency swaps net investment hedges	$ 142.5	$ 2.6	$	$ 151.2	$	$ (6.1)
Foreign currency forward contracts cash flow hedges	5.6		(0.4)	11.7		(0.9)
Foreign currency forward contracts net investment hedges	1,328.4	36.6	(1.9)	1,232.6	1.9	(31.5)
Total Qualifying Hedges	1,476.5	39.2	(2.3)	1,395.5	1.9	(38.5)
Non-Qualifying Hedges						
Cross currency swaps	145.9					