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

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

Form 10-Q/A
Amendment No. 1 to 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 March 31, 2005

OR

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

Commission File Number: 001-31369

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

Delaware	65-1051192
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1211 Avenue of the Americas, New York, New York	10036
(Address of Registrant's principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section13 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 an accelerated filer as defined in Rule 12b-2 of the Securities Exchange Act of 1934. Yes |X| No [ ]

As of April 29, 2005, there were 210,481,259 shares of the Registrant's common stock outstanding.

Overview

We are filing this amendment to our Form 10-Q for the quarterly period ended March 31, 2005 to restate financial statements and corresponding financial information for certain derivative transactions that do not qualify for hedge accounting. We are also including other previously identified, immaterial, in-period financial statement changes in conjunction with this amendment.

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

At or for the Quarter Ended March 31, 2005	Previously Reported	Restated	Change
Income Statement			
Finance income	$ 1,022.0	$ 1,028.0	$ 6.0
Interest expense	394.2	391.5	(2.7)
Other revenue	239.4	265.7	26.3
Salaries and general operating expenses	261.0	264.0	3.0
Provision for income taxes	122.8	137.6	14.8
Net income	210.4	227.6	17.2
Basic earnings per share	1.00	1.08	0.08
Diluted earnings per share	0.98	1.06	0.08
Balance Sheet			
Finance receivables and education lending receivables	41,182.5	41,180.1	(2.4)
Other assets	2,756.8	2,762.8	6.0
Total debt	42,525.3	42,493.9	(31.4)
Accrued liabilities and payables	3,619.1	3,636.9	17.8
Total stockholders' equity	6,318.0	6,335.2	17.2
Financial Ratios			
Net finance margin as a percentage of average earning assets	3.54%	3.62%	
Return on average earning assets	1.91%	2.07%	
Return on average common equity	13.6%	14.7%	
Return on average tangible common equity	15.3%	16.5%	
Tangible stockholders' equity and preferred capital securities to managed assets	9.59%	9.62%	
Efficiency Ratio	40.8%	39.1%	

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

We determined that eight compound cross-currency and interest rate swaps with a notional principal of approximately $1.5 billion at March 31, 2005 were not appropriately accounted for, even though these compound swaps were highly effective economic hedges of the interest rate and currency exchange risks associated with the corresponding foreign denominated debt. We documented these swaps originally as "matched terms" hedges which assumes no hedge ineffectiveness. The swaps would have qualified for "long-haul" hedge accounting with ineffectiveness reflected in current earnings. However, the swaps did not qualify for hedge accounting treatment from their inception, as SFAS 133 does not allow for subsequent documentation modifications.

The elimination of hedge accounting from inception of the compound swaps resulted in an increase to other revenue and earnings for the three months ended March 31, 2005 to reflect the elimination of adjustments to the basis of the corresponding debt under SFAS 133 fair value hedge accounting for changes in interest rates during each period. This increase to revenues in the current period will reduce future earnings by an equal amount through 2015.

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

After reviewing the above with the Audit Committee of the Board of Directors on December 9, 2005, the Audit Committee agreed with management's recommendation to adjust our financial statements. In light of this decision and resulting restatement, the previously reported financial statements and other information included in the CIT Group Inc. Form 10-Q for the quarterly period ended March 31, 2005 should no longer be relied upon.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CIT GROUP INC. AND SUBSIDIARIES

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

	March 31, 2005 (Restated)	December 2004
ASSETS		
Financing and leasing assets:		
Finance receivables	$36,858.2	$35,048.
Education lending receivables pledged	4,321.9	-
Reserve for credit losses	(620.4)	(617.
Net finance receivables	40,559.7	34,431.
Operating lease equipment, net	8,313.1	8,290.
Finance receivables held for sale	1,481.3	1,640.
Cash and cash equivalents, including $234.4 and $0.0 restricted	1,638.1	2,210.
Retained interest in securitizations and other investments	1,123.2	1,228.
Goodwill and intangible assets, net	906.4	596.
Other assets	2,762.8	2,713.
Total Assets	$56,784.6	$51,111.
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt:		
Commercial paper	$ 3,963.0	$ 4,210.
Variable-rate senior unsecured notes	11,473.1	11,545.
Fixed-rate senior unsecured notes	22,165.6	21,715.
Non-recourse, secured borrowings -- education lending	4,638.9	-
Preferred capital securities	253.3	253.
Total debt	42,493.9	37,724.
Credit balances of factoring clients	4,269.8	3,847.
Accrued liabilities and payables	3,636.9	3,443.
Total Liabilities	50,400.6	45,015.
Commitments and Contingencies (Note10)		
Minority interest	48.8	40.
Preferred capital securities		
Stockholders' Equity:		
Preferred stock: $0.01 par value, 100,000,000 authorized; none issued	--	-
Common stock: $0.01 par value, 600,000,000 authorized; Issued: 212,119,700 and 212,112,203	2.1	2.
Outstanding: 210,771,309 and 210,440,170		
Paid-in capital, net of deferred compensation of $68.6 and $39.3	10,654.5	10,674.

Accumulated deficit	(4,299.3)	(4,499.
Accumulated other comprehensive income / (loss)	31.2	(58.
Less: treasury stock, 1,348,391 and 1,672,033 shares, at cost	(53.3)	(63.
Total Stockholders' Equity	6,335.2	6,055.
Total Liabilities and Stockholders' Equity	$56,784.6	$51,111.

See Notes to Consolidated Financial Statements

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CIT GROUP INC. AND SUBSIDIARIES

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

	Quarters Ended March 31, 2005 (Restated)	Quarters Ended March 31, 2004
Finance income	$ 1,028.0	$ 896.9
Interest expense	391.5	298.0
Net finance income	636.5	598.9
Depreciation on operating lease equipment	237.6	235.8
Net finance margin	398.9	363.1
Provision for credit losses	45.3	85.6
Net finance margin after provision for credit losses	353.6	277.5
Other revenue	265.7	230.4
Net gain on venture capital investments	10.8	0.7
Operating margin	630.1	508.6
Salaries and general operating expenses	264.0	240.0
Gain on redemption of debt	--	41.8
Income before provision for income taxes	366.1	310.4
Provision for income taxes	(137.6)	(121.1)
Minority interest, after tax	(0.9)	--
Net income	$ 227.6	$ 189.3
Earnings per share		
Basic earnings per share	$ 1.08	$ 0.89
Diluted earnings per share	$ 1.06	$ 0.88
Number of shares -- basic (thousands)	210,656	211,839
Number of shares -- diluted (thousands)	215,090	215,809
Dividends per common share	$ 0.13	$ 0.13

See Notes to Consolidated Financial Statements

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CIT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
($ in millions)

	Common Stock	Paid-in Capital	Treasury Stock	Accumulated (Deficit) Earnings
				(Restated)
December 31, 2004	$2.1	$10,674.3	$(63.8)	$(4,499.1)
Net income				227.6
Foreign currency translation adjustments				
Change in fair values of derivatives qualifying as cash flow hedges				
Unrealized loss on equity and securitization investments, net ..				
Minimum pension liability adjustment				
Total comprehensive income				
Cash dividends				(27.8)
Restricted common stock grants amortization		9.7		
Treasury stock purchased, at cost ...			(59.3)	
Exercise of stock option awards		(29.3)	68.8	
Employee stock purchase plan participation		(0.2)	1.0	
March 31, 2005	$2.1	$10,654.5	$(53.3)	$(4,299.3)

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

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

Quarters Ended
March 31,

	2005 (Restated)	2004
Cash Flows From Operations		
Net income	$ 227.6	$ 189.3
Adjustments to reconcile net income to net cash flows from operations:		
Depreciation and amortization	248.3	248.2
Provision for deferred federal income taxes	104.8	95.4
Provision for credit losses	45.3	85.6
Gains on equipment, receivable and investment sales	(66.6)	(62.5)
Gain on debt redemption	--	(41.8)
Net proceeds from finance receivables held for sale	372.5	273.4
(Increase) decrease in other assets	(54.5)	303.1
Increase (decrease) in accrued liabilities and payables	102.7	(346.6)
Other	(44.1)	(26.0)
Net cash flows provided by operations	936.0	718.1
Cash Flows From Investing Activities		
Loans extended	(12,603.0)	(11,743.3)
Collections on loans	11,665.3	10,532.9
Proceeds from asset and receivable sales	900.3	798.9
Purchase of finance receivable portfolios	(902.9)	(595.1)
Net increase in short-term factoring receivables	(319.6)	(400.8)
Purchases of assets to be leased	(326.2)	(268.7)
Acquisitions, net of cash acquired	(152.6)	--
Intangible assets acquired	(29.0)	--
Other	95.5	(1.1)
Net cash flows (used for) investing activities	(1,672.2)	(1,677.2)
Cash Flows From Financing Activities		
Proceeds from the issuance of variable and fixed-rate notes	(3,067.0)	(3,011.5)
Repayments of variable and fixed-rate notes	3,675.4	2,804.2
Net (decrease) increase in commercial paper	(247.9)	646.3
Net loans extended -- pledged in conjunction with secured borrowings	(167.9)	--
Net repayments of non-recourse leveraged lease debt	8.6	(61.1)
Cash dividends paid	(27.8)	(28.0)
Other	(9.3)	(8.0)
Net cash flows provided by financing activities	164.1	341.9
Net (decrease) in cash and cash equivalents	(572.1)	(617.2)
Cash and cash equivalents, beginning of period	2,210.2	1,973.7
Cash and cash equivalents, end of period	$ 1,638.1	$ 1,356.5
Supplementary Cash Flow Disclosure		
Interest paid	$ 367.9	$ 287.5
Federal, foreign, state and local income taxes paid, net	$ 21.7	$ 24.7

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

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

Note 1 -- Summary of Significant Accounting Policies

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

These financial statements, which have been prepared in accordance with the instructions to Form 10-Q, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States ("GAAP") and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004. Financial statements in this Form 10-Q have not been audited by the independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board (U.S.), but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of CIT's financial position and results of operations. Certain prior period amounts have been reclassified to conform to the current presentation.

Education Lending Acquisition

In February 2005, CIT acquired Education Lending Group, Inc. (EDLG), a specialty finance company principally engaged in providing education loans (primarily U.S. government guaranteed), products and services to students, parents, schools and alumni associations. The shareholders of EDLG received $19.05 per share or approximately $383 million in cash. The acquisition was accounted for under the purchase method, with the acquired assets and liabilities recorded at their estimated fair values as of the February 17, 2005 acquisition date. The assets acquired included approximately $4.4 billion of finance receivables and $287 million of goodwill and intangible assets. The net income impact of the EDLG acquisition for the period of CIT's ownership during the quarter ended March 31, 2005 was immaterial.

This business is largely funded with "Education Loan Backed Notes," which are accounted for under SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." As EDLG retains certain call features with respect to these borrowings, the transactions do not meet the SFAS 140 requirements for sales treatment and are therefore recorded as secured borrowings and are reflected in the Consolidated Balance Sheet as "Education lending receivables pledged" and "Non-recourse, secured borrowings - education lending." Certain cash balances, included in cash and cash equivalents, are restricted in conjunction with these borrowings.

Stock-Based Compensation

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

	Quarters Ended March 31,	
	2005 (Restated)	2004
Net income as reported	$227.6	$189.3
Stock-based compensation expense -- fair value method, after tax	(5.1)	(5.1)
Pro forma net income	$222.5	$184.2
Basic earnings per share as reported	$ 1.08	$ 0.89
Basic earnings per share pro forma	$ 1.06	$ 0.87
Diluted earnings per share as reported	$ 1.06	$ 0.88
Diluted earnings per share pro forma	$ 1.03	$ 0.85

For the quarters ended March 31, 2005 and 2004, net income includes $7.8 million and $4.0 million of after-tax compensation cost related to restricted stock awards.

Recent Accounting Pronouncements

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

In December 2004, the FASB issued a revision to SFAS No. 123, "Share-Based Payment" ("FAS 123R"). FAS 123R requires the recognition of compensation expense for all stock-based compensation plans as of the beginning of the first annual reporting period that begins after June 15, 2005. The current accounting for employee stock options is most impacted by this new standard, as costs associated with restricted stock awards are already recognized in net income and amounts associated with employee stock purchase plans are not significant. Similar to the proforma amounts disclosed historically, the compensation cost relating to options will be based upon the grant-date fair value of the award and will be recognized over the vesting period. The financial statement impact of adopting FAS 123R is not expected to differ materially from proforma amounts previously disclosed.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). Given the lack of clarification of certain provisions and the timing of the Act, FSP 109-2 allows for time beyond the year ended December 31, 2004 (the period of enactment) to evaluate the effect of the Act on plans for reinvestment or repatriation of foreign earnings for purposes of applying income tax accounting under SFAS No. 109. The implementation of FSP 109-2 is not expected to have a material financial statement impact on the Company, as there are no present plans to repatriate foreign earnings.

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

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

Note 2 -- Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding for the period. The diluted EPS computation includes the potential impact of dilutive securities, including stock options and restricted stock grants. The dilutive effect of stock options is computed using the treasury stock method, which assumes the repurchase of common shares by CIT at the average market price for the period. Options that do not have a dilutive effect (because the exercise price is above the market price) are not included in the denominator and averaged approximately 16.9 million shares and 16.1 million shares for the quarters ended March 31, 2005 and 2004, respectively.

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

	Quarter Ended March 31, 2005			Quarter End	
	Income (Numerator)	(Restated) Shares (Denominator)	Per Share Amount	Income (Numerator)	(D
Basic EPS:					
Income available to					

common stockholders	$227.6	210,656	$1.08	$189.3
Effect of Dilutive Securities:				
Restricted shares	--	1,308		--
Stock options	--	3,126		--
Diluted EPS	$227.6	215,090	$1.06	$189.3

Note 3 -- Business Segment Information

The selected financial information by business segment presented below is based upon the allocation of most corporate expenses. For the quarter ended March 31, 2005, capital is allocated to the segments by applying different leverage ratios to each business unit using market and risk criteria. The capital allocations reflect the relative risk of individual asset classes within segments and range from approximately 2% of managed assets for U.S. government guaranteed loans to approximately 15% of managed assets for longer-term assets such as aerospace and rail. Prior period balances have been adjusted to conform to current period presentation. ($ in millions)

	Specialty Finance - Commercial (Restated)	Specialty Finance - Consumer (Restated)	Commercial Services	Corporate Finance	Equipment Finance	Capital Finance
At and for the Quarter Ended March 31, 2005						
Operating margin	$ 211.3	$ 50.2	$ 88.6	$ 94.4	$ 56.7	$ 55.2
Income taxes	41.0	10.0	22.2	25.7	12.7	10.7
Net income (loss)	77.9	15.7	37.3	42.7	20.3	26.6
Total financing and leasing assets	10,921.1	10,337.1	7,184.9	7,195.1	6,625.0	8,813.1
Total managed assets	14,791.3	11,468.6	7,184.9	7,195.1	9,339.9	8,813.1
At and for the Quarter Ended March 31, 2004						
Operating margin	$ 195.7	$ 30.4	$ 87.9	$ 71.8	$ 48.3	$ 49.6
Income taxes	39.0	5.1	23.4	17.2	10.4	10.9
Net income	68.8	8.0	37.5	30.9	15.6	23.3
Total financing and leasing assets	9,583.0	3,465.1	6,450.0	6,284.9	6,871.7	8,366.9
Total managed assets	13,945.6	5,117.0	6,450.0	6,284.9	9,924.2	8,366.9

Note 4 -- Concentrations

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

	March 31, 2005 (Restated)		December 31, 20	
Geographic				
North America:				
West	$10,073.2	19.7%	$ 8,595.3	19
Northeast	9,820.8	19.3%	8,463.4	18
Midwest	8,365.2	16.4%	6,907.0	15
Southeast	7,370.1	14.4%	6,283.3	14
Southwest	5,325.2	10.4%	4,848.3	10
Canada	2,510.4	4.9%	2,483.4	5
Total North America	43,464.9	85.1%	37,580.7	83
Other foreign	7,611.4	14.9%	7,580.2	16
Total	$51,076.3	100.0%	$45,160.9	100
Industry				
Manufacturing(1)	$ 7,522.2	14.7%	$ 6,932.0	15
Retail(2)	6,669.9	13.1%	5,859.4	13
Consumer based lending -- home lending	5,598.7	11.0%	5,069.8	11
Aerospace -- commercial and regional	5,536.5	10.8%	5,512.4	12
Consumer based lending -- education lending	4,434.9	8.7%	--	
Transportation(3)	2,911.6	5.7%	2,969.6	6
Service industries	2,749.8	5.4%	2,854.5	6
Consumer based lending -- non-real estate(4)	2,362.9	4.6%	2,480.1	5
Wholesaling	1,813.9	3.5%	1,727.5	3
Construction equipment	1,680.1	3.3%	1,603.1	3
Communications(5)	1,190.5	2.3%	1,292.1	2
Automotive Services	1,164.6	2.3%	1,196.3	2
Other (no industry greater than 3.0%)(6)	7,440.7	14.6%	7,664.1	17
Total	$51,076.3	100.0%	$45,160.9	100

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(1) Includes manufacturers of apparel (3.0%), followed by food and kindred products, transportation equipment, chemical and allied products, textiles, rubber and plastics, industrial machinery and equipment, and other industries.

(2) Includes retailers of apparel (5.7%) and general merchandise (3.6%).

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

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

(5) Includes $293.5 million and $335.2 million of equipment financed for the telecommunications industry at March 31, 2005 and December 31, 2004, respectively, but excludes telecommunications equipment financed for other industries.

(6) Includes financing and leasing assets in the energy, power and utilities sectors, which totaled $1.0 billion, or 2.1% of total financing and leasing assets at March 31, 2005. This amount includes approximately $703.4 million in project financing and $263.4 million in rail cars on lease.

CIT GROUP INC. AND SUBSIDIARIES

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

Note 5 -- Retained Interests in Securitizations and Other Investments

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

	March 31, 2005	December 31, 2004
Retained interests in commercial loans:		
Retained subordinated securities	$ 372.0	$ 446.2
Interest-only strips	306.8	292.4
Cash reserve accounts	300.4	323.4
Total retained interests in commercial loans	979.2	1,062.0
Retained interests in consumer loans:(1)		
Retained subordinated securities	76.9	76.6
Interest-only strips	14.2	17.0
Total retained interests in consumer loans	91.1	93.6
Total retained interests in securitizations	1,070.3	1,155.6
Aerospace equipment trust certificates and other(2) ..	52.9	72.6
Total	$1,123.2	$1,228.2

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

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

Note 6 -- Accumulated Other Comprehensive Income / (Loss)

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

	March 31, 2005	Decembe 200
Changes in fair values of derivatives qualifying as cash flow hedges	$20.3	$(27
Foreign currency translation adjustments	5.4	(37
Minimum pension liability adjustments	(2.3)	(2
Unrealized gain on equity and securitization investments	7.8	8

Total accumulated other comprehensive income (loss)	$31.2	$(58

The changes in fair values of derivatives qualifying as cash flow hedges corresponded to higher market interest rates during the quarter, as these derivatives effectively convert an equivalent amount of variable-rate debt, including commercial paper, to fixed rates of interest. See Note 7 for additional information.

Total comprehensive income for the quarters ended March 31, 2005 and 2004 was $317.2 million and $134.5 million.

Note 7 -- Derivative Financial Instruments

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

CIT utilizes interest rate swaps to exchange variable-rate interest underlying forecasted issuances of commercial paper, specific variable-rate debt instruments, and, in limited instances, variable-rate assets for fixed-rate amounts. These interest rate swaps are designated as cash flow hedges and changes in fair value of these swaps, to the extent they are effective as a hedge, are recorded in other comprehensive income. Ineffective amounts are recorded in interest expense.

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

	Fair Value Adjustments of Derivatives	Inco Tax Ef
Balance at December 31, 2004 -- unrealized loss	$(41.3)	$ 14
Changes in fair values of derivatives qualifying as cash flow hedges	77.7	(30
Balance at March 31, 2005 -- unrealized gain	$ 36.4	$(16

The unrealized gain as of March 31, 2005, presented in the preceding table, primarily reflects our use of interest rate swaps to convert variable-rate debt to fixed-rate debt, followed by increasing market interest rates. Assuming no change in interest rates, approximately $5.0 million, net of tax, of Accumulated Other Comprehensive Income is expected to be reclassified to earnings over the next twelve months as contractual cash payments are made. The Accumulated Other Comprehensive Income (along with the corresponding swap asset or liability) will be adjusted as market interest rates change over the remaining life of the swaps.

The ineffective amounts, due to changes in the fair value of cash flow hedges, are recorded as either an increase or decrease to interest expense as presented in the following table ($ in millions).

	Ineffectiveness	Increase/Decrease to Interest Expense
For the quarter ended March 31, 2005 (Restated).............	$2.3	Decrease
For the quarter ended March 31, 2004 ...	$0.3	Decrease

CIT also utilizes interest rate swaps to convert fixed-rate interest on specific debt instruments to variable-rate amounts. These interest rate swaps are designated as fair value hedges and changes in fair value of these swaps are effectively recorded as an adjustment to the carrying value of the hedged item, as the offsetting changes in fair value of the swaps and the hedged items are recorded in earnings.

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

	March 31, 2005	December 31, 2004	
Floating to fixed-rate swaps.........................	$ 3,292.1	$ 3,533.6	Effectiv an equiv paper, v assets t
Fixed to floating-rate swaps.........................	6,880.3	7,642.6	Effectiv an equiv and sele
Total interest rate swaps...........................	$10,172.4	$11,176.2	

In addition to the swaps in the table above, in conjunction with securitizations, at March 31, 2005, CIT has $2.1 billion in notional amount of interest rate swaps outstanding with the related trusts to protect the trusts against interest rate risk. CIT entered into offsetting swap transactions with third parties totaling $2.1 billion in notional amount at March 31, 2005 to insulate the related interest rate risk.

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

During 2005 and 2004, CIT entered into credit default swaps, with a combined notional value of $118.0 million and terms of 5 years, to economically hedge certain CIT credit exposures. These swaps do not meet the requirements for hedge accounting treatment and therefore are recorded at fair value, with both realized and unrealized gains or losses recorded in other revenue in the consolidated statement of income. The fair value adjustment for the quarter ended March 31, 2005 amounted to a $1.2 million pretax loss. CIT also has certain cross-currency swaps (with a combined notional principal of $1,764 million (Restated)) and an interest rate swap (basis swap denominated in U.S. dollars (with notional principal of $935 million) that was acquired in the educational lending acquisition. These instruments economically hedge exposures, but do not qualify for hedge accounting. These derivatives are recorded at fair value, with both realized and unrealized gains or losses recorded in other revenue in the consolidated statement of income.

Note 8 -- Certain Relationships and Related Transactions

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

CIT regularly purchases finance receivables from DFS at a premium, portions of which are typically securitized within 90 days of purchase from DFS. CIT has limited recourse to DFS on defaulted contracts. In accordance with the joint venture agreement, net income and losses generated by DFS as determined under GAAP are allocated 70% to Dell and 30% to CIT. The DFS board of directors voting representation is equally weighted between designees of CIT and Dell, with one independent director. DFS is not consolidated in CIT's financial statements and is accounted for under the equity method. At March 31, 2005 and December 31, 2004, financing and leasing assets related to the DFS program included in the CIT Consolidated Balance Sheet (but excluding certain related

International receivables originated directly by CIT) were approximately $2.2 billion and $2.0 billion, and securitized assets included in managed assets were approximately $2.2 billion and $2.5 billion, respectively. In addition to the owned and securitized assets acquired from DFS, CIT's investment in and loans to the joint venture were approximately $217 million and $267 million at March 31, 2005 and December 31, 2004.

CIT also has a joint venture arrangement with Snap-on Incorporated ("Snap-on") that has a similar business purpose and model to the DFS arrangement described above, including limited credit recourse on defaulted receivables. The agreement with Snap-on extends until January 2006. 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 March 31, 2005 and December 31, 2004, financing and leasing assets were approximately $1.1 billion and securitized assets included in managed assets were $0.1 billion. In addition to the owned and securitized assets purchased from the Snap-on joint venture, CIT's investment in and loans to the joint venture were approximately $18 million and $16 million at March 31, 2005 and December 31, 2004. Both the Snap-on and the Dell joint venture arrangements were acquired in a 1999 acquisition.

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. At March 31, 2005 and December 31, 2004, CIT's investment in and loans to the joint venture were approximately $218 million and $191 million.

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. At both March 31, 2005 and December 31, 2004, other assets included approximately $19 million of investments in non-consolidated entities relating to such transactions that are accounted for under the equity or cost methods.

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

Note 9 -- Postretirement and Other Benefit Plans

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

	For the Quarters Ended March 31, 2005	2004
Retirement Plans		
Service cost	$5.0	$4.5

Interest cost	4.3	3.9
Expected return on plan assets	(4.8)	(4.1)
Amortization of net loss	0.7	0.7
Net periodic benefit cost	$5.2	$5.0
Postretirement Plans		
Service cost	$0.6	$0.5
Interest cost	0.8	0.8
Amortization of net (gain) loss	0.2	0.3
Net periodic benefit cost	$1.6	$1.6

Note 10 -- Commitments and Contingencies

The accompanying table summarizes the contractual amounts of credit-related commitments and purchase and funding commitments. ($ in millions).

	March 31, 2005			Decem 2
	Due to Expire			
	During 2005	2006 and beyond	Total Outstanding	To Outst
Credit Related Commitments				
Financing and leasing assets	$1,180.6	$7,850.1	$9,030.7	$8,
Letters of credit and acceptances:				
Standby letters of credit	559.6	36.7	596.3	
Other letters of credit	539.4	0.5	539.9	
Acceptances	20.3	--	20.3	
Guarantees	82.8	12.2	95.0	
Purchase and Funding Commitments				
Aerospace purchase commitments	774.0	1,254.0	2,028.0	2,
Other manufacturer purchase commitments	470.2	--	470.2	
Sale-leaseback payments	8.8	464.5	473.3	
Venture capital fund commitments	0.5	36.1	36.6	

In the normal course of meeting the financing needs of its customers, CIT enters into various credit-related commitments, including commitments to provide financing and leasing capital, 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 which 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 credit-related terms and conditions from the customer. At the time credit-related commitments are granted, the fair value of the underlying collateral and guarantees typically approximates or exceeds the contractual amount of the commitment. In the event a customer defaults on the underlying transaction, the maximum potential loss will generally be limited to the contractual amount outstanding less the value of all underlying collateral and guarantees.

CIT GROUP INC. AND SUBSIDIARIES

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

Guarantees are issued primarily in conjunction with CIT's factoring product, whereby CIT provides the client with credit protection for its trade receivables without actually purchasing the receivables. The trade terms are generally sixty days or less. In the event that the customer is unable to pay according to the contractual terms, then the receivables would be purchased. As of March 31, 2005, there were no outstanding liabilities relating to these credit-related commitments or guarantees, as amounts are generally billed and collected on a monthly basis.

CIT has entered into aerospace commitments to purchase commercial aircraft from both Airbus Industrie and The Boeing Company. The commitment amounts detailed in the table are based on appraised values, actual amounts will vary based upon market factors at the time of delivery. The remaining units to be purchased are 41, with 15 to be completed in 2005. Lease commitments are in place for twelve of the fifteen units to be delivered in 2005. The order amount excludes CIT's options to purchase additional aircraft.

Outstanding commitments to purchase equipment to be leased to customers, other than the aircraft detailed above, relates primarily to rail equipment. Additionally, CIT is party to railcar sale-leaseback transactions under which it is obligated to pay a remaining total of $473.3 million, approximately $31 million per year through 2010 and declining thereafter through 2024, which is more than offset by CIT's re-lease of the assets, contingent on its ability to maintain railcar usage. In conjunction with this sale-leaseback transaction, CIT has guaranteed all obligations of the related consolidated lessee entity.

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

Note 11 -- Legal Proceedings

On September 9, 2004, Exquisite Caterers v. Popular Leasing et al. ("Exquisite Caterers"), a putative national class action, was filed against 13 financial institutions, including CIT, who had acquired equipment leases ("NorVergence Leases") from NorVergence, Inc., a reseller of telecommunications and Internet services to businesses. The Exquisite Caterers lawsuit is now pending in the Superior Court of New Jersey, Monmouth County. Exquisite Caterers based its complaint on allegations that NorVergence misrepresented the capabilities of the equipment leased to its customers and overcharged for the equipment. The complaint asserts that the NorVergence Leases are unenforceable and seeks rescission, punitive damages, treble damages and attorneys' fees. In addition, putative class action suits in Florida, Illinois, New York, and Texas and several individual suits, all based upon the same core allegations and seeking the same relief, have been filed by NorVergence customers against CIT and other financial institutions.

On July 14, 2004, the U.S. Bankruptcy Court ordered the liquidation for NorVergence under Chapter 7 of the Bankruptcy Code. Thereafter, the Attorneys General of several states commenced investigations of NorVergence and the financial institutions, including CIT, that purchased NorVergence Leases. CIT entered into settlement negotiations with those Attorneys General. CIT reached separate settlements with the New York and New Jersey Attorneys General. Under those settlements, lessees in those states will have an opportunity to resolve all claims by and against CIT by paying a percentage of the remaining balance on their lease. Negotiations with other Attorneys General are continuing. CIT has also been asked by the Federal Trade Commission to produce documents for transactions related to NorVergence. In addition, on February 15, 2005, CIT was served with a subpoena seeking the production of documents in a grand jury proceeding being conducted by the U.S. Attorney for the Southern District of New York in connection with an investigation of transactions related to NorVergence. CIT is in the process of complying with these information requests.

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

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CIT GROUP INC. AND SUBSIDIARIES

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

Note 12 -- Severance and Facility Restructuring Reserves

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

	Severance		Facilities		
	Number of Employees	Reserve	Number of Facilities	Reserve	Tot Rese
Balance at December 31, 2004 ...	129	$12.2	15	$5.7	$1
2005 additions	--	--	--	2.5	
2005 utilization	(20)	(3.9)	(1)	(0.7)	(
Balance at March 31, 2005	109	$ 8.3	14	$7.5	$1

The beginning severance reserves relate primarily to the 2004 acquisition of a Western European vendor finance and leasing business, and include amounts payable within the year after the acquisition to individuals who chose to receive payments on a periodic basis. Severance and facilities restructuring liabilities were established under purchase accounting in conjunction with fair value adjustments to acquired assets and liabilities. The additions during the quarter ended March 31, 2005 correspond to facility exit plan refinements relating to the acquired Western European vendor finance and leasing business, and were similarly recorded as fair value adjustments to purchased liabilities (additions to goodwill). The facility reserves relate primarily to shortfalls in sublease transactions and will be utilized over the remaining lease terms, generally 6 years.

Note 13 -- Goodwill and Intangible Assets, Net

Goodwill and intangible assets totaled $906.4 million and $596.5 million at March 31, 2005 and December 31, 2004. The Company periodically reviews and evaluates its goodwill and other intangible assets for potential impairment. Effective October 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), under which goodwill is no longer amortized but instead is assessed periodically for impairment.

The most recent goodwill impairment analysis was performed during the fourth quarter of 2004, which indicated that the fair value of goodwill was in excess of the carrying value.

The following table summarizes the goodwill balance by segment ($ in millions):

	Specialty Finance - Commercial	Specialty Finance - Consumer	Commercial Finance
Balance at December 31, 2004	$62.3	$ --	$370.4
Additions, foreign currency translation, other	0.7	257.6	--
Balance at March 31, 2005	$63.0	$257.6	$370.4

The increase in goodwill during the quarter was primarily due to the education lending acquisition in Specialty Finance -- consumer. Management is in the process of finalizing additional integration plans relating to this acquisition. Accordingly, additional purchase accounting refinements may result in an adjustment to goodwill and acquired intangibles.

Other intangible assets, net, are comprised primarily of acquired customer relationships (Specialty Finance and Commercial Finance balances), as well as proprietary computer software and related transaction processes (Commercial Finance). The following table summarizes the net intangible asset balances by segment ($ in millions):

	Specialty Finance - Commercial	Specialty Finance - Consumer	Commercial Finance
Balance at December 31, 2004	$68.0	$ --	$ 95.8
Additions, foreign currency translation, other	(2.8)	29.0	30.0
Amortization	(2.4)	--	(2.2)
Balance at March 31, 2005	$62.8	$29.0	$123.6

CIT GROUP INC. AND SUBSIDIARIES

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

The increase was primarily related to the education lending acquisition in Specialty Finance - consumer and a factoring acquisition in Commercial Finance. Other intangible assets are being amortized over their corresponding lives ranging from five to twenty years in relation to the related cash flows, where applicable. Amortization expense totaled $4.6 million and $2.2 million for the quarters ended March 31, 2005 and 2004. Accumulated amortization totaled $28.3 million and $23.7 million at March 31, 2005 and December 31, 2004. The projected amortization for the years ended December 31, 2005 through December 31, 2009 is: $20.8 million for 2005; $20.3 million for 2006; $17.0 million for 2007; $17.1 million for 2008 and $17.3 million for 2009.

Note 14 -- Summarized Financial Information of Subsidiaries

The following presents condensed consolidating financial information for CIT Holdings LLC and Capita Corporation (formerly AT&T Capital Corporation). CIT has guaranteed on a full and unconditional basis the existing debt securities that were registered under the Securities Act of 1933 and certain other indebtedness of these subsidiaries. CIT has not presented related financial statements or other information for these subsidiaries on a stand-alone basis. ($ in millions)

CONSOLIDATING BALANCE SHEETS	CIT Group Inc.	Capita Corporation	CIT Holdings LLC	Other Subsidiar
March 31, 2005 (Restated)				
ASSETS				
Net finance receivables	$ 1,078.0	$3,434.1	$1,759.7	$34,287
Operating lease equipment, net	--	517.0	126.8	7,669
Finance receivables held for sale	--	117.4	69.6	1,294
Cash and cash equivalents	826.5	667.3	73.6	70
Other assets	10,068.0	91.4	292.5	675
Total Assets	$11,972.5	$4,827.2	$2,322.2	$43,997
LIABILITIES AND STOCKHOLDERS' EQUITY				
Debt	$35,845.2	$ 459.2	$1,224.0	$ 4,965
Credit balances of factoring clients ..	--	--	--	4,269
Accrued liabilities and payables	(30,207.9)	3,800.1	(451.2)	30,495
Total Liabilities	5,637.3	4,259.3	772.8	39,731
Minority interest	--	--	--	48
Total Stockholders' Equity	6,335.2	567.9	1,549.4	4,217
Total Liabilities and Stockholders' Equity	$11,972.5	$4,827.2	$2,322.2	$43,997
December 31, 2004				
ASSETS				
Net finance receivables	$ 1,121.1	$3,129.8	$1,682.7	$28,497
Operating lease equipment, net	--	517.9	130.8	7,642
Finance receivables held for sale	--	122.4	72.0	1,446

Cash and cash equivalents	1,311.4	670.8	127.5	100
Other assets	9,536.8	(278.9)	316.2	1,019
Total Assets	$11,969.3	$4,162.0	$2,329.2	$38,705
LIABILITIES AND STOCKHOLDERS' EQUITY				
Debt	$34,699.1	$ 487.8	$1,383.8	$ 1,154
Credit balances of factoring clients	--	--	--	3,847
Accrued liabilities and payables	(28,784.9)	3,184.5	(591.3)	29,635
Total Liabilities	5,914.2	3,672.3	792.5	34,636
Minority interest		--	--	40
Total Stockholders' Equity	6,055.1	489.7	1,536.7	4,028
Total Liabilities and Stockholders' Equity	$11,969.3	$4,162.0	$2,329.2	$38,705

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CIT GROUP INC. AND SUBSIDIARIES

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

CONSOLIDATING STATEMENTS OF INCOME	CIT Group Inc.	Capita Corporation	CIT Holdings LLC	Othe Subsidi
Three Months Ended March 31, 2005 (Restated)				
Finance income	$ 5.5	$162.9	$ 55.7	$803
Interest expense	(26.1)	41.6	3.6	372
Net finance income	31.6	121.3	52.1	431
Depreciation on operating lease equipment	--	66.5	11.0	160
Net finance margin	31.6	54.8	41.1	271
Provision for credit losses	1.8	11.1	2.1	30
Net finance margin, after provision for credit losses	29.8	43.7	39.0	241
Equity in net income of subsidiaries	226.6	--	--	
Other revenue	32.2	33.3	21.4	178
Net gain on venture capital investments	--	--	--	10
Operating margin	288.6	77.0	60.4	430
Operating expenses	55.1	26.6	18.5	163
Income (loss) before provision for income taxes	233.5	50.4	41.9	266
Benefit (Provision) for income taxes	(5.9)	(18.9)	(15.4)	(97
Minority interest, after tax	--	--	--	(0

Net income	$227.6	$ 31.5	$ 26.5	$168
	======	======	======	====
Three Months Ended March 31, 2004				
Finance income	$ 9.5	$184.4	$ 47.6	$655
Interest expense	(22.9)	54.1	3.9	262
Net finance income	32.4	130.3	43.7	392
Depreciation on operating lease equipment	--	84.6	11.1	140
Net finance margin	32.4	45.7	32.6	252
Provision for credit losses	4.2	10.7	2.6	68
Net finance margin, after provision for credit losses	28.2	35.0	30.0	184
Equity in net income of subsidiaries	155.6	--	--	
Other revenue	0.6	31.3	32.6	165
Net gain on venture capital investments	--	--	--	0
Operating margin	184.4	66.3	62.6	350
Operating expenses	18.6	36.7	23.2	161
Gain on redemption of debt	41.8	--	--	
Income (loss) before provision for income taxes	207.6	29.6	39.4	189
Provision for income taxes	(18.3)	(11.5)	(15.4)	(75
Net income	$189.3	$ 18.1	$ 24.0	$113
	======	======	======	====

CIT GROUP INC. AND SUBSIDIARIES

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

CONSOLIDATING STATEMENT OF CASH FLOWS	CIT Group Inc.	Capita Corporation	CIT Holdings LLC	Other Subsidia
Three Months Ended March 31, 2005 (Restated)				
Cash Flows From Operating Activities:				
Net cash flows provided by (used for) operations	$ 2,681.8	$(294.3)	$ 280.8	$(1,732
Cash Flows From Investing Activities:				
Net (decrease) increase in financing and leasing assets	42.4	(359.2)	(78.3)	(1,372
Decrease in inter-company loans and investments	(4,327.4)	--	--	
Other	--	--	--	95
Net cash flows (used for) provided by				

investing activities	(4,285.0)	(359.2)	(78.3)	(1,277
Cash Flows From Financing Activities:				
Net increase (decrease) in debt	1,146.1	(28.6)	(159.8)	(588
Net loans extended-pledged	--	--	--	(167
Inter-company financing	--	678.6	(96.6)	3,745
Cash dividends paid	(27.8)	--	--	
Other	--	--	--	(9
Net cash flows provided by (used for) financing activities	1,118.3	650.0	(256.4)	2,979
Net (decrease) in cash and cash equivalents	(484.9)	(3.5)	(53.9)	(29
Cash and cash equivalents, beginning of period	1,311.4	670.8	127.5	100
Cash and cash equivalents, end of period	$ 826.5	$ 667.3	$ 73.6	$ 70
Three Months Ended March 31, 2004				
Cash Flows From Operating Activities:				
Net cash flows provided by (used for) operations	$ 65.0	$ (83.3)	$(141.1)	$ 877
Cash Flows From Investing Activities:				
Net (decrease) increase in financing and leasing assets	374.0	154.4	18.1	(2,222
Decrease in inter-company loans and investments	(2,508.4)	--	--	
Other	--	--	--	(1
Net cash flows (used for) provided by investing activities	(2,134.4)	154.4	18.1	(2,223
Cash Flows From Financing Activities:				
Net increase (decrease) in debt	1,222.7	(467.2)	25.7	(403
Inter-company financing	--	458.1	126.1	1,924
Cash dividends paid	--	--	--	(28
Other	--	--	--	(8
Net cash flows provided by (used for) financing activities	1,222.7	(9.1)	151.8	1,484
Net increase (decrease) in cash and cash equivalents	(846.7)	62.0	28.8	138
Cash and cash equivalents, beginning of period	1,479.9	410.6	227.5	(144
Cash and cash equivalents, end of period	$ 633.2	$ 472.6	$ 256.3	$ (5

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Note 15 -- Restatement Relating to Derivative Hedge Accounting

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

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

The elimination of hedge accounting from inception of the compound swaps resulted in an increase in pre-tax income of $27.7 million for the three months ended March 31, 2005, to reflect the elimination of adjustments to the basis of the corresponding debt under SFAS 133 fair value hedge accounting for changes in interest rates during the period. This amount includes an increase of approximately $17 million in other revenue for 2004 and prior derivative hedge accounting adjustments that management determined to be immaterial to the 2004 annual and interim financial statements. This increase to revenues in the current period will reduce future earnings by an equal amount through 2015. We are also including other previously identified, immaterial, in-period financial statement changes for various revenue and expense accruals in conjunction with this restatement with respect to year to date results.

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

At or for the Quarter Ended March 31, 2005	Previously Reported	Restated	Change
Income Statement			
Finance income	$ 1,022.0	$ 1,028.0	$ 6.0
Interest expense	394.2	391.5	(2.7)
Other revenue	239.4	265.7	26.3
Salaries and general operating expenses	261.0	264.0	3.0
Provision for income taxes	122.8	137.6	14.8
Net income	210.4	227.6	17.2
Basic earnings per share	1.00	1.08	0.08
Diluted earnings per share	0.98	1.06	0.08
Balance Sheet			
Finance receivables and education lending receivables	41,182.5	41,180.1	(2.4)
Other assets	2,756.8	2,762.8	6.0
Total debt	42,525.3	42,493.9	(31.4)
Accrued liabilities and payables	3,619.1	3,636.9	17.8
Total stockholders' equity	6,318.0	6,335.2	17.2

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

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

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

CIT Group Inc., a Delaware corporation, is a global commercial and consumer finance company that was founded in 1908. CIT provides financing and leasing capital for consumers and companies in a wide variety of industries, offering vendor, equipment, commercial, factoring, home lending, educational lending and structured financing products.

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

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

Profitability and Asset Growth

Net income for the quarter ended March 31, 2005 was $227.6 million, up from $189.3 million in the first quarter of 2004. Prior year net income included a $25.5 million after tax gain on early debt redemption. The improved results reflected lower charge-offs, strong non-spread revenues and a lower effective tax rate. Also, the current year quarter includes a pre-tax gain of $27.7 million related to derivatives that do not qualify for hedge accounting treatment.

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

	Quarters Ended March 31,	
	2005 (Restated)	2004
Net income per diluted share	$1.06	$0.88
Net income as a percentage of average earning assets (AEA) ...	2.07%	2.05%
Return on average tangible equity	16.5%	15.1%
Return on average equity	14.7%	13.8%

For the quarter ended March 31, 2004, net income per diluted share, net income as a percentage of AEA, return on average tangible equity and return on average equity excluding the gain on redemption of debt, were $0.76, 1.78%, 13.1% and 11.9%, respectively.

Managed assets were $58.8 billion at March 31, 2005, up 10.0% and 17.4% from last quarter and last year. The increase for the quarter included $4.4

billion in receivables from the acquisition of Education Lending Group, $864 million from a factoring purchase and continued home lending program growth. These increases were in part offset by the sale of approximately $400 million in non-strategic assets.

Results by Business Segment

The tables that follow summarize selected financial information by business segment. During the quarter, we began measuring segment performance using risk-adjusted capital, which allocates capital to the segments by applying different leverage ratios to each business using market and risk criteria. The capital allocations reflect the relative risk of individual asset classes within the segments and range from approximately 2% of managed assets for U.S. government guaranteed education loans to approximately 15% of managed assets for longer-term assets such as aerospace and rail. The 2004 results have been conformed to the current presentation. ($ in millions)

	Quarters Ended March 3			
	2005 (Restated)			
	Net Income	Return on AEA	Return on Risk-Adjusted Capital	Net Income
Specialty Finance -- commercial	$ 77.9	2.81%	22.5%	$ 68.8
Specialty Finance -- consumer	15.7	0.80%	12.4%	8.0
Total Specialty Finance	93.6	1.98%	19.7%	76.8
Commercial Finance	73.6	3.40%	24.0%	66.6
Equipment Finance	20.3	1.23%	8.7%	15.6
Capital Finance	33.0	1.35%	9.6%	25.1
Total Commercial Finance	126.9	2.03%	14.4%	107.3
Corporate, including certain charges	7.1	0.06%	--	5.2
Total	$227.6	2.07%	16.5%	$189.3

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Results by segment were as follows:

- o Specialty Finance -- commercial reflected higher earnings in the international, small / mid-ticket leasing and small business lending units. These improvements were partially offset by lower major vendor earnings.

- o Specialty Finance -- consumer reported strong home lending results due to a higher earnings assets base and lower charge-offs. Education lending was essentially break-even after costs of funding for the period of CIT's ownership.

- Commercial Finance earnings benefited from continued high returns in both the factoring and asset-based lending (Business Credit) businesses. The earnings improvement from the prior year was particularly strong in the Business Credit unit, reflecting higher risk-adjusted margins and non-spread revenue, as factoring commissions were down modestly from last year. The factoring acquisition closed on March 31 and did not impact first quarter earnings.

- Equipment Finance returns, while still below management's expectations, improved from 2004, reflecting strong improvement in the level of charge-offs.

- Capital Finance returns rebounded from lower prior year results. The 2005 improvement reflects stronger lease rentals in both aerospace and rail, as well as lower charge-offs.

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

	Quarters Ended March 31,	
	2005 (Restated)	2004
Unallocated expenses	$(14.3)	$(16.5)
Gain on derivatives	15.7	--
Gain on debt redemption	--	25.5
Venture capital operating income / (losses)(1)	5.7	(3.8)
Total	$ 7.1	$ 5.2

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

Net Finance Margin

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

	Quarters Ended March 31,	
	2005 (Restated)	2004
Finance income -- loans and capital leases	$ 670.0	$ 556.6
Rental income on operating leases(1)	358.0	340.3
Interest expense	391.5	298.0
Net finance income	636.5	598.9
Depreciation on operating lease equipment(2)	237.6	235.8
Net finance margin	$ 398.9	$ 363.1
Average Earnings Asset ("AEA")	$44,083.4	$36,865.1

As a % of AEA:		
Finance income -- loans and capital leases	6.08%	6.04%
Rental income on operating leases	3.25%	3.69%
Interest expense	3.55%	3.23%
Net finance income	5.78%	6.50%
Depreciation on operating lease equipment	2.16%	2.56%
Net finance margin	3.62%	3.94%
As a % of AOL:		
Rental income on operating leases	17.33%	17.93%
Depreciation on operating lease equipment	11.50%	12.42%
Net operating lease margin	5.83%	5.51%
Average Operating Lease Equipment ("AOL")	$ 8,264.1	$ 7,590.0

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(1) Reduced by certain rail maintenance costs of $7.9 million and $6.0 million in 2005 and 2004

(2) Reduced by certain aerospace maintenance costs of $3.8 million and $1.3 million in 2005 and 2004

Analysis of net finance margin is as follows:

- Finance income increased in amount from 2004, but was essentially flat as a percentage of AEA, as the benefit of variable-rate assets repricing was offset by the blending of the lower-yielding education lending receivables into the portfolio and an interest charge that reduced 2005 income. The education lending acquisition, though owned by CIT for only half the quarter, dampened 2005 margin by approximately 13 basis points, given the lower margin of these low-risk, U.S. government guaranteed loans. The interest charge was a 12 basis point ($13.1 million), one-time reduction in interest previously accrued in a Specialty Finance - commercial vendor program. This amount related to third-party servicing errors which began in 2003.

- Interest expense increased from 2004, reflecting the higher 2005 interest rate environment, longer-term debt issuances and a greater proportion of fixed-rate debt in the portfolio.

- The decline in net finance margin as a percentage of AEA reflects the above factors as well as a pricing environment that is competitive in the lending businesses, particularly in the Business Credit unit and in Equipment Finance. Lease margin trends were favorable as discussed below.

- Both rental income and depreciation expense declined as a percentage of AOL from 2004, reflecting the continued asset mix change from shorter-term to longer-lived assets. These longer-lived assets in Capital Finance have lower rental rates as a percentage of the asset base than small to mid-ticket leasing assets in Specialty Finance and Equipment Finance.

- o Operating lease margin improved 32 basis points from 2004, reflecting improved aerospace and rail pricing in Capital Finance. See "Concentrations -- Operating Leases" for additional information regarding our operating lease assets.

During the first quarter of 2005, we reclassified certain aerospace and rail maintenance costs from operating expense to lease margin to align public reporting with our internal business measures. The amounts are specific to individual assets. These costs include amounts that are reimbursed through rail lease payments and expenditures to place aircraft with new lessors, including improvements and configuration changes. The impact was a reduction to margin of $11.7 million (0.11% and 0.57% as a percentage of AEA and AOL) and $7.3 million (0.08% and 0.38%) for 2005 and 2004. Prior period balances have been conformed to the current presentation.

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

At the date that interest rate sensitivity is modeled, "baseline" net interest income is derived considering the current level of interest-sensitive assets, the current level of interest-sensitive liabilities and related maturities, and the current level of derivatives. The "baseline" simulation assumes that, over the next successive twelve months, market interest rates (as of the date of simulation) are held constant and that no new loans or leases are extended. Once the "baseline" net interest income is calculated, market interest rates, which were previously held constant, are raised instantaneously 100 basis points across the entire yield curve, and a "rate shocked" simulation is run. Interest rate sensitivity is then measured as the difference between calculated "baseline" and "rate shocked" net interest income.

An immediate hypothetical 100 basis point increase in the yield curve on April 1, 2005 would reduce net income by an estimated $17 million after-tax over the next twelve months. A corresponding decrease in the yield curve would cause an increase in net income of a like amount. A 100 basis point increase in the yield curve on April 1, 2004 would have reduced net income by an estimated $15 million after tax, while a corresponding decrease in the yield curve would have increased net income by a like amount. Although management believes that this measure provides an estimate of our interest rate sensitivity, it does not account for potential changes in the credit quality, size, composition and prepayment characteristics of the balance sheet and other business developments that could affect net income. Accordingly, no assurance can be given that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent management's current view of future market interest rate movements.

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

	Before Swaps	After Swaps

Quarter Ended March 31, 2005 (Restated)				
Commercial paper, variable-rate senior notes and bank credit facilities	$15,328.3	2.81%	$19,609.4	3.23%
Fixed-rate senior and subordinated notes	24,288.1	4.92%	20,007.0	4.66%
Composite	$39,616.4	4.10%	$39,616.4	3.95%
Quarter Ended March 31, 2004				
Commercial paper, variable-rate senior notes and bank credit facilities	$13,704.2	1.56%	$17,823.7	2.26%
Fixed-rate senior and subordinated notes	18,948.1	5.70%	14,828.6	5.34%
Composite	$32,652.3	3.96%	$32,652.3	3.66%

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

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

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

	Quarters Ended March 31,	
	2005 (Restated)	2004
Net finance margin	$398.9	$363.1
Provision for credit losses	45.3	85.6
Net finance margin after provision for credit losses (risk adjusted margin)	$353.6	$277.5
As a % of AEA:		
Net finance margin	3.62%	3.94%
Provision for credit losses	0.41%	0.93%
Net finance margin after provision for credit losses (risk adjusted margin)	3.21%	3.01%

Risk-adjusted margin improved from 2004 as lower charge-offs more than offset the previously-discussed decline in net finance margin. Charge-off trends are discussed further in "Credit Metrics".

Other Revenue

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

Quarters Ended
March 31,

	2005 (Restated)	2004
Fees and other income	$148.8	$126.7
Factoring commissions	54.8	55.0
Gain on derivatives	27.7	--
Gains on sales of leasing equipment	22.6	27.3
Gains on securitizations	11.8	21.4
Total other revenue	$265.7	$230.4
Other revenue as a percentage of AEA	2.41%	2.50%
Other revenue as a percentage of total revenue	20.5%	20.4%

We continue to emphasize growth and diversification of other revenues to improve our overall profitability.

o Fees and other income include securitization-related servicing fees