

CIT GROUP INC
Form 10-Q
May 11, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2009

or

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

Commission File Number: 001-31369

CIT GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

65-1051192

(IRS Employer Identification Number)

505 Fifth Avenue, New York, New York

(Address of Registrant's principal executive offices)

10017

(Zip Code)

(212) 771-0505

(Registrant's telephone number)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company .

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

As of April 30, 2009 there were 388,899,675 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)

	March 31, 2009	December 31, 2008
Assets		
Cash and due from banks	\$ 239.8	\$ 592.5
Deposits with banks, including restricted balances of \$1,463.4 and \$2,102.5	5,751.5	7,773.3
Trading assets at fair value derivatives	180.3	139.4
Investments retained interests in securitizations	192.0	229.4
Assets held for sale	188.9	156.1
Loans including receivables pledged of \$23,371.0 and \$24,273.9	50,859.1	53,126.6
Allowance for loan losses	(1,316.3)	(1,096.2)
Total loans, net of allowance for loan losses	49,542.8	52,030.4
Operating lease equipment, net including assets pledged of \$3,887.7 and \$3,623.7	13,175.2	12,706.4
Derivative counterparty receivables at fair value	1,173.7	1,489.5
Goodwill and intangible assets, net	694.7	698.6
Other assets	4,518.1	4,589.1
Assets of discontinued operation		44.2
Total Assets	\$ 75,657.0	\$ 80,448.9
Liabilities		
Deposits	\$ 3,024.9	\$ 2,626.8
Trading liabilities at fair value derivatives	160.8	127.4
Credit balances of factoring clients	2,702.3	3,049.9
Derivative counterparty payables at fair value	309.5	433.7
Other liabilities	2,509.2	2,291.3
Long-term borrowings, including \$17,110.3 due within twelve months	59,481.9	63,750.7
Total Liabilities	68,188.6	72,279.8
Stockholders' Equity:		
Preferred stock: \$0.01 par value, 100,000,000 authorized		
Issued and outstanding:		
Series A 14,000,000 with a liquidation preference of \$25 per share	350.0	350.0
Series B 1,500,000 with a liquidation preference of \$100 per share	150.0	150.0
Series C 11,500,000 with a liquidation preference of \$50 per share	575.0	575.0
Series D 2,330,000 with a liquidation preference of \$1,000 per share	2,059.3	1,911.3
Common stock: \$0.01 par value, 600,000,000 authorized		
Issued: 395,105,390 and 395,068,272	3.9	3.9

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Outstanding: 388,892,821 and 388,740,428		
Paid-in capital, net of deferred compensation of \$38.2 and \$40.3	11,045.8	11,469.6
Accumulated deficit	(6,217.2)	(5,814.0)
Accumulated other comprehensive loss	(232.9)	(205.6)
Less: treasury stock, 6,212,569 and 6,327,844 shares, at cost	(310.3)	(315.9)
	<u>4,289.3</u>	<u>5,138.0</u>
Total Common Stockholders' Equity		
Total Stockholders' Equity	7,423.6	8,124.3
Noncontrolling interests	44.8	44.8
	<u>7,468.4</u>	<u>8,169.1</u>
Total Equity	7,468.4	8,169.1
	<u>\$ 75,657.0</u>	<u>\$ 80,448.9</u>
Total Liabilities and Equity		

See Notes to Consolidated Financial Statements.

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CIT GROUP INC. AND SUBSIDIARIES

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

	Quarters Ended March 31,	
	2009	2008
Interest Income		
Interest and fees on loans	\$ 628.6	\$ 941.8
Interest and dividends on investments	11.0	47.7
Interest income	<u>639.6</u>	<u>989.5</u>
Interest Expense		
Interest on deposits	(24.4)	(30.1)
Interest on short-term borrowings		(36.9)
Interest on long-term borrowings	(632.7)	(765.1)
Interest expense	<u>(657.1)</u>	<u>(832.1)</u>
Net interest revenue	(17.5)	157.4
Provision for credit losses	(535.4)	(246.7)
Net interest revenue, after credit provision	<u>(552.9)</u>	<u>(89.3)</u>
Other income		
Rental income on operating leases	475.2	506.7
Other	188.0	61.0
Total other income	<u>663.2</u>	<u>567.7</u>
Total net revenue, net of interest expense and credit provision	<u>110.3</u>	<u>478.4</u>
Other expenses		
Depreciation on operating lease equipment	(282.0)	(294.6)
Other	(162.6)	(520.9)
Total other expenses	<u>(444.6)</u>	<u>(815.5)</u>
Loss from continuing operations before income taxes	(354.3)	(337.1)
(Provision) benefit for income taxes	(8.0)	96.4
Loss from continuing operations	<u>(342.3)</u>	<u>(240.7)</u>
Discontinued Operation		
Loss from discontinued operation before income taxes		(195.8)

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Benefit for income taxes		197.8
Income from discontinued operation		2.0
Loss before preferred stock dividends	(342.3)	(238.7)
Preferred stock dividends	(60.4)	(7.5)
Net loss before attribution of noncontrolling interests	(402.7)	(246.2)
Loss attributable to noncontrolling interests, after tax	(0.5)	(11.0)
Net loss attributable to common stockholders	\$ (403.2)	\$ (257.2)
Basic and Diluted Earnings Per Common Share data		
Loss from continuing operations	\$ (1.04)	\$ (1.36)
Income from discontinued operation		0.01
Net loss attributable to common stockholders	\$ (1.04)	\$ (1.35)
Average number of shares basic and diluted (thousands)	388,940	191,091
Cash dividends per common share	\$ 0.02	\$ 0.25

See Notes to Consolidated Financial Statements.

Item 1: Consolidated Financial Statements 3

CIT GROUP INC. AND SUBSIDIARIES

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

	Preferred Stock	Common Stock	Paid-in Capital	Accumulated (Deficit) / Earnings	Accumulated Other Comprehensive Income / (Loss)	Treasury Stock	Noncontrolling Interest in Subsidiaries	Total Stockholders Equity
December 31, 2008	\$ 2,986.3	\$ 3.9	\$ 11,469.6	\$ (5,814.0)	\$ (205.6)	\$ (315.9)	\$ 44.8	\$ 8,169.1
Adoption of EITF 07-5 and designation of TARP warrant as a liability effective January 1, 2009	136.8		(418.7)					(281.9)
Net loss before preferred stock dividends				(342.8)			0.5	(342.3)
Foreign currency translation adjustments					(37.4)			(37.4)
Change in fair values of derivatives qualifying as cash flow hedges					45.7			45.7
Unrealized loss on available for sale equity and securitization investments, net					(36.6)			(36.6)
Minimum pension liability adjustment					1.0			1.0
Total comprehensive loss								(369.6)
Cash dividends common			(3.2)					(3.2)
Cash dividends preferred				(49.2)				(49.2)
Distribution of earnings							(0.5)	(0.5)
Restricted stock expense			3.1					3.1
Stock option expense			4.2					4.2
Amortization of discount on preferred stock Series D	11.2			(11.2)				
Employee stock purchase plan participation, other			(9.2)			5.6		(3.6)
March 31, 2009	\$ 3,134.3	\$ 3.9	\$ 11,045.8	\$ (6,217.2)	\$ (232.9)	\$ (310.3)	\$ 44.8	\$ 7,468.4

See Notes to Consolidated Financial Statements.

CIT GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)
Quarters Ended March 31, (dollars in millions)

	<u>2009</u>	<u>2008</u>
Cash Flows From Operations		
Net (loss) before preferred stock dividends	\$ (342.8)	\$ (249.7)
Adjustments to reconcile net loss to net cash flows from operations:		
Depreciation, amortization and accretion	375.1	334.8
Gains on equipment, receivable and investment sales	(18.5)	(56.9)
Warrant fair value adjustment	(95.8)	
Valuation allowance for loans held for sale		140.5
(Gain) loss on debt and debt-related derivative extinguishments	(139.4)	148.1
Provision for credit losses	535.4	246.7
(Benefit) provision for deferred income taxes	0.9	(351.8)
(Increase) decrease in loans held for sale	(1.3)	40.6
Decrease in other assets	689.1	79.6
(Decrease) in accrued liabilities and payables	(901.6)	(322.9)
Provision for credit losses discontinued operation		217.8
	<u>101.1</u>	<u>226.8</u>
Cash Flows From Investing Activities		
Finance receivables extended and purchased	(7,070.8)	(17,002.0)
Principal collections of finance receivables and investments	8,801.4	13,972.9
Proceeds from asset and receivable sales	329.2	627.9
Purchases of assets to be leased and other equipment	(683.0)	(660.4)
Net (increase) decrease in short-term factoring receivables	232.9	(634.6)
Net proceeds from sale of discontinued operation	44.2	