



# CIT Update

December 2009

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# Agenda

- Restructuring Overview / Update
- Business Update
- Financial Roadmap and Conclusions



*Restructuring Overview /  
Update*

# Restructuring Update

- CIT emerged from bankruptcy on December 10, 2009, less than 6 weeks after filing
- Court-supervised process allowed the Company to achieve several important objectives:
  - Substantial debt reduction
  - Improved capital levels
  - Significant liquidity runway
- Franchise value preserved during expedited process
- Progress on corporate governance initiatives
- Business optimization strategy under development

# Restructuring Objectives on Track

## Financial Strength

- ✓ Target capital structure with significantly less leverage
- ✓ Establish capital ratios in excess of regulatory standards and more in-line with financially sound peers
- ✓ Defer liquidity demands through debt restructuring
- ✓ Reduce reliance on capital markets
- ✓ Position Company for return to profitability and investment grade ratings

✓ = Achieved

## Business Model

- Optimize portfolio of businesses
- Move eligible businesses into CIT Bank\*
- Transition to a bank-centric funding model\*
- Maintain and build key client relationships in core franchises
- Align expense base with smaller scale

\* Subject to regulatory approval

# Phased Approach to Restructuring Recapitalization Allows for Measured Approach to Phase III

## Phase I (Complete)

### Address Liquidity Challenge

- Liquidity stress peaked after government support was not received in July 2009
- Obtained \$3B senior secured credit facility from certain large bondholders in July 2009
- Completed successful tender offer for \$1B of debt maturities in August 2009
- Completed \$4.5B expansion to senior secured credit facility in October 2009

## Phase II (Complete)

### Recapitalize Balance Sheet

- Launched dual path restructuring plan Oct 1<sup>st</sup>
- Overwhelming support for prepackaged plan of reorganization
- Voluntary prepackaged bankruptcy filed Nov 1<sup>st</sup>
- Plan of reorganization confirmed Dec 8<sup>th</sup>
- Emerged Dec 10<sup>th</sup> with significantly improved liquidity and capital profile

## Phase III (In Process)

### Optimize Business Model

- Implement governance and leadership changes
- Transition to smaller company focused on small- and mid-sized businesses
- Transition to a bank-centric business model\*
- Optimize value of non-bank eligible businesses
- Align expense base with smaller scale

\* Subject to regulatory approval

# Highly Successful Plan of Reorganization

- Overwhelming Creditor Support
  - Participation by approximately \$28B or 83% of debt holders solicited
  - Over 92% of principal amount voted was in favor of Plan of Reorganization
  - Broad support from both Institutional and Retail holders
- Minimal Business Disruption
  - Only two non-operating legal entities filed; operating entities unaffected and have significant liquidity to support clients
  - 40-day court process
- Significantly Improved Liquidity and Capital Profile
  - Reduced aggregate debt balances by approximately \$10.5B
  - Limited debt maturities until 2012
  - Cancelled all pre-existing preferred and common stock
  - Issued new common stock (listed on NYSE) to bondholders
  - Bolstered capital position

# Capital Structure Impact from Restructuring

## Pro-forma September 30, 2009 Debt Balances<sup>(1)</sup>

	Reported 9/30 B/S	Restructuring Impact	Pro-forma 9/30 B/S
Secured borrowings	\$16,597	550	\$17,147
Secured credit facility <sup>(2)</sup>	2,862	-	2,862
Unsecured bank credit facilities	3,100	(3,100)	-
Senior unsecured notes	30,088	(28,967)	1,121 <sup>(3)</sup>
Subordinated notes and equity units	2,099	(2,099)	-
New Series A Notes	-	21,036	21,036
New Series B Notes	-	2,149	2,149
<b>Total Debt</b>	<b>54,745</b>	<b>(10,430)</b>	<b>44,315</b>

- Pro-forma debt amounts above are post restructuring, pre-fresh start accounting estimates and are subject to change
- All pre-existing common and preferred obligations eliminated
- Significant capital generated through debt extinguishment
- 200 million new common shares issued to debt holders

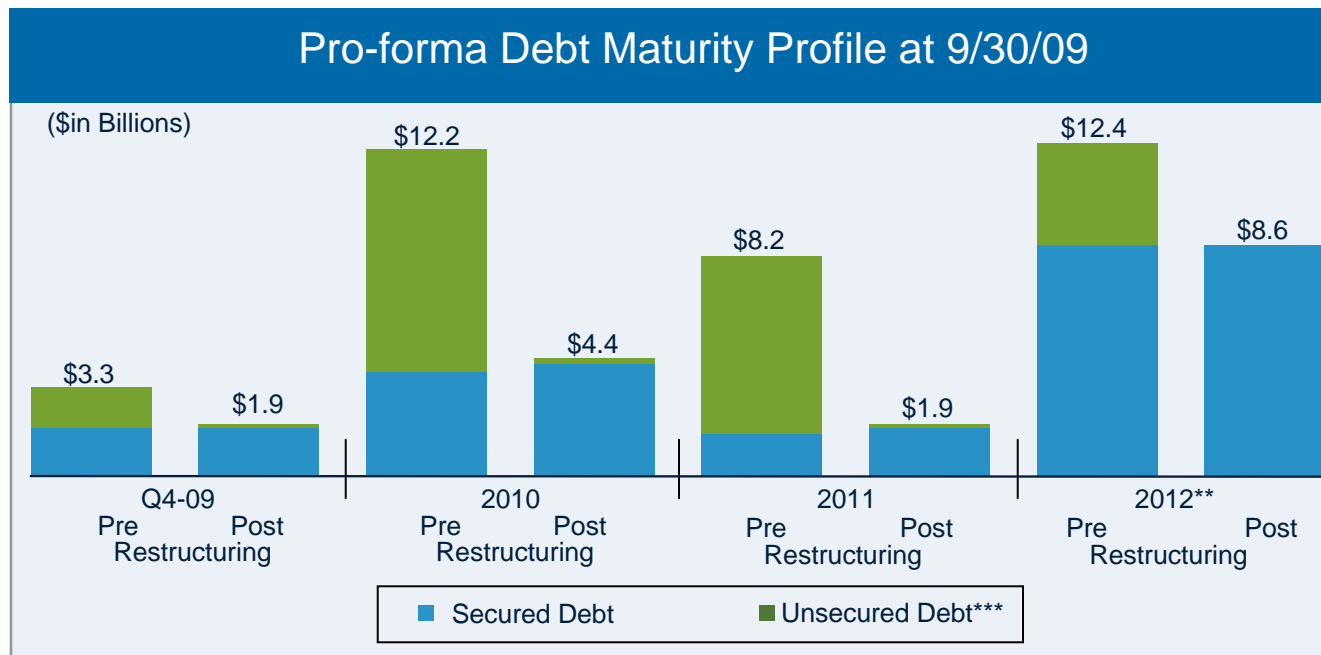
(1) 10Q table updated to reflect known restructuring outcomes including the collateralization of select international BU debt

(2) Does not include the \$4.5B expansion facility completed in October 2009

(3) Remaining senior unsecured notes principally include long-dated retail notes, international BU debt and FAS 133 MTM offsets

# Enhanced Liquidity Profile

- Extended debt maturity profile
- Strong cash position upon emergence
- Able to reinvest all Trade, Vendor and SBL portfolio cash flows into the businesses prior to platform transfers into CIT Bank\*
- No limitation on ability to fund existing commitments



\*\* 2012 maturities include \$4.5 billion expansion senior credit facility issued Oct 2009 and extendible to 2013

\*\*\*Unsecured maturities exclude deposits, and FAS 133 mark-to-market and discount

\* Subject to regulatory approval

# Key Terms of New Debt Securities

	<b>Sr. Credit Facility Tranche 1</b>	<b>Sr. Credit Facility Tranche 2</b>	<b>Series A Notes</b>	<b>Series B Notes</b>
Principal Outstanding <sup>(1)</sup>	\$3B	\$4.5B	\$21B	\$2.1B
Type	Senior Secured First Lien Term Loan	Senior Secured First Lien Term Loan	Senior Secured Second Lien Notes	Senior Secured Second Lien Notes
Maturity	2012	2012 (1-year extension option)	2013 - \$2.1B 2014 - \$3.2B 2015 - \$3.2B 2016 - \$5.3B 2017 - \$7.4B	2013 - \$0.2B 2014 - \$0.3B 2015 - \$0.3B 2016 - \$0.5B 2017 - \$0.8B
Rate	LIBOR + 10% (3% LIBOR floor)	LIBOR + 7.5% (2% LIBOR floor)	7.0% (fixed)	10.25% (fixed)
Other Terms	<ul style="list-style-type: none"> <li>▪ 2% exit fee</li> <li>▪ 2.5x fair value collateral coverage</li> <li>▪ Cash sweep provision</li> </ul>	<ul style="list-style-type: none"> <li>▪ 102 call premium for year 1</li> <li>▪ 2.5x fair value collateral coverage</li> <li>▪ Cash sweep provision</li> </ul>	<ul style="list-style-type: none"> <li>▪ 103.5 call premium for year 1</li> <li>▪ 102 call premium for year 2</li> <li>▪ Cash sweep provision</li> </ul>	<ul style="list-style-type: none"> <li>▪ 103.5 call premium for year 1</li> <li>▪ 102 call premium for year 2</li> <li>▪ Cash sweep provision</li> </ul>

(1) Senior Credit Facility Tranche 1 issued July 2009 and Tranche 2 issued October 2009; outstandings of Series A and B Notes at emergence.

# Cash Sweep Mechanism

- Accelerate repayment of first and second lien debt with excess cash while preserving operational flexibility
- Excess cash includes collections from owned assets in Student Lending, Corporate Finance (ex. SBL) and Transportation, net of debt service, operating expenses, servicing costs and payments on certain operating leases
  - Collections in Trade Finance, Vendor Finance – U.S. and Small Business Lending (“SBL”) are available to fund the businesses and not included in sweep until the platforms are transferred into CIT Bank
  - Also excludes cash collections in Vendor Finance – International, regulated entities (incl. CIT Bank), certain other subsidiaries, restricted accounts, and cash held by or for third parties
- Allows for normal course business activity at the Bank Holding Company including:
  - Maintain up to \$500 MM of unrestricted and available cash at all times
  - Reinvestments into Corporate Finance (excluding SBL) and Transportation of up to \$500 MM in any 12 month period
  - Discretionary CIT Bank investments of up to \$400 MM per 12 month period
  - Debt service obligations, including recourse debt obligations at subsidiaries
  - Funding of existing contractual commitments in Corporate Finance and Transportation (e.g. railcar & aircraft deliveries)
  - Required CIT Bank investments
- Reasonable efforts to use cash balances > \$1.5B to prepay debt after covering liquidity needs for the upcoming quarter

# Fresh Start Accounting Overview

- Financial statements will be impacted significantly by Fresh Start Accounting (FSA)
- FSA will be adopted in the fourth quarter of 2009 and will be finalized with the filing of the 2009 10-K
- Assets and liabilities will be marked to “estimated fair value”
  - Receivable valuations to incorporate existing loan loss reserve
  - Lower near-term charge-offs due to netting of existing loan loss reserve in fresh start value
  - Yield adjustments accreted into interest income over asset life
  - Debt adjustments amortized / accreted into interest expense over debt life
- Equity value will be determined as part of the FSA process
  - Offering Memorandum included \$5 - \$11B valuation range based on 3<sup>rd</sup> party analysis
- FSA requires entire enterprise to be marked initially to estimated fair value; FAS 157 Fair Value Footnote only values financial assets and liabilities (excludes operating leases)

# Fresh Start Accounting Valuations per Offering Memorandum

## Original Plan of Reorganization Assumptions

- Asset carrying value assumed to be reduced by \$12.5B (~20%)
  - Allowance for credit losses reversed as loans marked to fair value
- Debt carrying value reduced by \$6.5B based on assumed initial trading values of:
  - 100 cents for new first lien debt
  - 80 cents for new second lien debt
  - 87 cents for other secured borrowing
- Pre-existing common stock and preferred interests cancelled
- Shareholders' equity valuation range of \$5-\$11B

## Valuation Trends Since Original Plan

- Asset values improving
  - Credit trends continue to weigh on values
- Initial actual secured debt trading values are higher than assumed
- Initial new common equity trading value within valuation range
  - Also will use market value comparables (e.g. price/book, discounted cash flow, etc.)

## Income Statement

- Receivable markdown (other than specific credit reserves) to be accreted over life of assets, creating non-cash interest income
- Operating lease equipment markdown reduces depreciation expense over the remaining life of the asset
- Original issue discount (OID) created due to mark-down of debt to be amortized over life of debt, creating non-cash interest expense
- Tax NOL carry forwards will be reduced by cancellation of indebtedness income; remaining NOL balance expected for future use



*Business Update*

# Market Leader in Small Business and Middle-Market Financing

<b>Trade Finance</b>	Factoring, lending, receivables management and trade finance to companies in retail supply chain	Mgd. Assets: \$4B Market Rank: #1
<b>Vendor Finance</b>	Financing and leasing solutions to manufacturers and distributors around the globe. Operations in Americas, Europe, Asia and South Pacific	Mgd. Assets: \$12B Market Rank: Top 3*
<b>Corporate Finance</b>	Lending, leasing and other financial and advisory services to middle market companies (including SBA business), with focus on specific industries (e.g., Healthcare, Communications, Media, Entertainment, Energy, Retail)	Mgd. Assets: \$18B Market Rank: N/A
<b>Transportation Finance</b>	Lending, leasing and advisory services to transportation industry, principally aerospace and rail	Mgd. Assets: \$15B Market Rank: #3

Managed Assets data as of 9/30/2009

Market ranks as of 2008

\* Represents ranking for US Office Products/Tech market; exact global ranking data unavailable

# Trade Finance – Overview and Strategy Update

## Overview

- Largest factoring company in the United States
- \$42B in factored volume in 2008, representing ~50% of the U.S. market
- Vital link in retail supply chain providing credit protection, accounts receivable management and asset-based lending to manufacturers and importers
- Considered “best in class” in terms of credit management, new business generation, operations, and technology

## Update

- Traditional factoring volumes down due to soft macro-economic conditions and concerns over CIT bankruptcy
- Product migration away from traditional factoring toward deferred purchase and credit guaranty contracts to mitigate perceived CIT risk
- Dedicated \$1B liquidity to business

## Strategy

- Core business
- Increase factoring market share
- Transition platform to CIT Bank (regulatory approval required)
- Use more efficient funding from CIT Bank
- Continue focus on serving U.S. market
- Efficient platform that can be scaled

# Vendor Finance – Overview and Strategy Update

## Overview

- Partner with original equipment manufacturers and dealers, distributors and resellers to provide financing solutions to customers.
- Lease office equipment, computers, technology, and other products to middle-market end-users
- Primary industry segments: Information Technology, Telecommunications and Office Products

## Update

- Prioritizing liquidity to key vendor relationships
- Increasing pricing to reflect risk and market trends
- Aggressively managing credit and lease residuals
- Dedicated \$1B liquidity to business

## Strategy

- Core business
- Transfer US Vendor Platform to CIT Bank (regulatory approval required)
- Focus on core industry segments and select vendor partners
- Discontinue customer relationships with marginal profitability
- Rationalize geographies while maintaining strategic global presence

# Corporate Finance – Overview and Strategy Update

## Overview

- Provide financing to small and middle-market companies in the U.S., Canada and Europe
- Organized by industry vertical: e.g. Healthcare, Commercial & Industrial, Energy and CM&E (Communications, Media and Entertainment)
- Includes Small Business Lending, which provides credit to small businesses in conjunction with Small Business Administration sponsored programs

## Update

- Volume proactively constrained to preserve liquidity
- Hardest hit by economic downturn; economic conditions, market illiquidity and portfolio deterioration impacting credit performance and syndication activities
- Commercial Real Estate, Media and Energy portfolios under greatest stress
- Dedicated \$500 MM liquidity to SBA business

## Strategy

- Originate middle market loans at CIT Bank
- Transfer SBL platform to CIT Bank (requires regulatory approval)
- Restructure business to increase direct calling, enhance credit focus and reduce expenses
- Prioritize volume for SBA business and products/industries that are traditional strengths including asset-based lending, Healthcare, and Retail

# Transportation Finance – Overview and Strategy Update

## Overview

- Provides commercial leasing, private aircraft leasing and financing solutions to operators and suppliers in global aviation and North American rail car industries
- Aerospace portfolio of approximately 325 aircraft, operated by 109 customers in 55 countries
- Rail fleet of over 100,000 railcars and 1,000 locomotives, serving ~500 customers
- Relatively young fleets compared to competitors

## Update

- Full utilization in aerospace book; rail utilization under pressure
- Portfolio credit performance strong
- Funding currently limited to contractual commitments (e.g., deliveries for aircraft and railcars)

## Strategy

- Operating lease businesses unlikely to be transferred to CIT Bank
- Strong order book and young fleet facilitates preservation of franchise value

# Restructuring Focus Now on Phase III – Optimizing Business Model

## Refinement of Business Model – Streamline Business

- Strengthen market-leading position as lender to small and middle-market companies
- Focus on businesses consistent with bank-centric model
  - Pursue potential strategic options for non-core business lines
- Shrink balance sheet
- Maintain conservative volumes as transition to new model is completed
  - Return to growth in core businesses as Company and economy recover

## Bank-Centric Funding Model – Attain Competitive Cost of Funds

- Seek regulatory approvals to transition Small Business Lending, Trade Finance and US Vendor Finance platforms to CIT Bank
- Capture commercial deposits from Corporate Finance and Trade Finance customers
- Build commercial deposits and retail deposits through potential strategic transactions
- Pursue debt ratings at CIT Bank to enhance access to capital markets

## Enhance Efficiency – Reduce Expenses

- Actively manage direct expenses at business segment level
- Decrease overhead
- Pay down expensive debt

## Corporate Governance / Leadership – Implement Changes

- Review strategic priorities
- Maximize stakeholder value

# Progress on Corporate Governance

## CEO

- Current CEO Jeff Peek announced resignation
- Board committee formed; search firm engaged
- Candidate to be selected by new Board

## Board of Directors

- Board to consist of 13 directors
  - New CEO
  - 7 bondholder-identified Directors
  - 5 incumbent Directors

## Board Transition Update

- Incumbent Directors identified
- Significant progress on identifying the 7 new directors recommended by bondholders

## Other Matters

- NYSE listing complete
- Authorized 600 MM common shares and 100 MM preferred shares
- Issued 200 MM new common shares to former debt holders

# Next Steps in Fulfilling Bank Strategy

- Confirm new independent Board members
- Select new CEO
- Obtain regulatory approvals to transfer business platforms to CIT Bank
  - Phase 1 – Small Business Lending
  - Phase 2 – Trade Finance and US Vendor Finance
- Work with FDIC to lift Cease and Desist order on CIT Bank
- Attain debt ratings for CIT Bank
- Implement diversified funding model
  - Short term - Use conduits and securitizations
  - Long term – Expand deposits (commercial & retail) and increase capital markets access

# 2010 Strategic Priorities

## Evaluate / Implement Bank Centric Model

- Enhance bank compliance and credit risk functions
- Obtain approvals for platform transfers
- Evolve bank funding model:
  - Retail and commercial deposits
  - Bank rating
  - Secured facilities and securitizations

## Right-size Business Processes

- Volume-based front-end reductions
- Selective needs-based hiring
- Back office downsizing

## Reinvigorate Franchise

- Employee retention
- Client retention
- Focus on core industry and collateral strengths

## Portfolio Optimization

- Pay-down high-cost credit facilities
- Optimize value of non-bank eligible businesses
  - Transportation Finance
  - Certain international assets



*Financial Roadmap and  
Conclusions*

# 2010 Financial Roadmap

- New Business Volume**
  - New volume flat to down compared to 2009 depending on macroeconomic conditions and progress with Bank-Centric model
  
- Asset Growth**
  - Assets decline due to conservative volume
  - Portfolio optimization strategies could further portfolio contraction
  
- Net Interest Margin**
  - Fresh Start Accounting (FSA) to result in significant NIM improvement
  - Operating NIM pressure thru 2010 due to high cost financing
  - Operating NIM to improve post 2010 with Platform transfers to CIT Bank\*:
    - Excess cash used to pay down expensive secured (first lien) debt.
    - Expected improvement in operating lease margins as economic cycle turns
  
- Non-Spread Revenue**
  - Modest improvement in 2010 due to potential syndication of loans (as economy recovers)
  
- Operating Expenses**
  - Improvement in 2010 as direct business expenses and corporate overhead are re-sized
  
- Credit Provisions**
  - Provisions decrease as credit metrics improve and FSA valuations consider expected loss

\* Subject to regulatory approval

# CIT Positioned for Value Creation

- Court-supervised restructuring complete
- Significantly improved liquidity and capital profile
- Bank Holding Company is source of strength to CIT Bank
- Franchise value preserved
- Governance and leadership transition in process
- Well-positioned to resume role as 'lender of choice' to small and mid-sized businesses

**CIT**

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