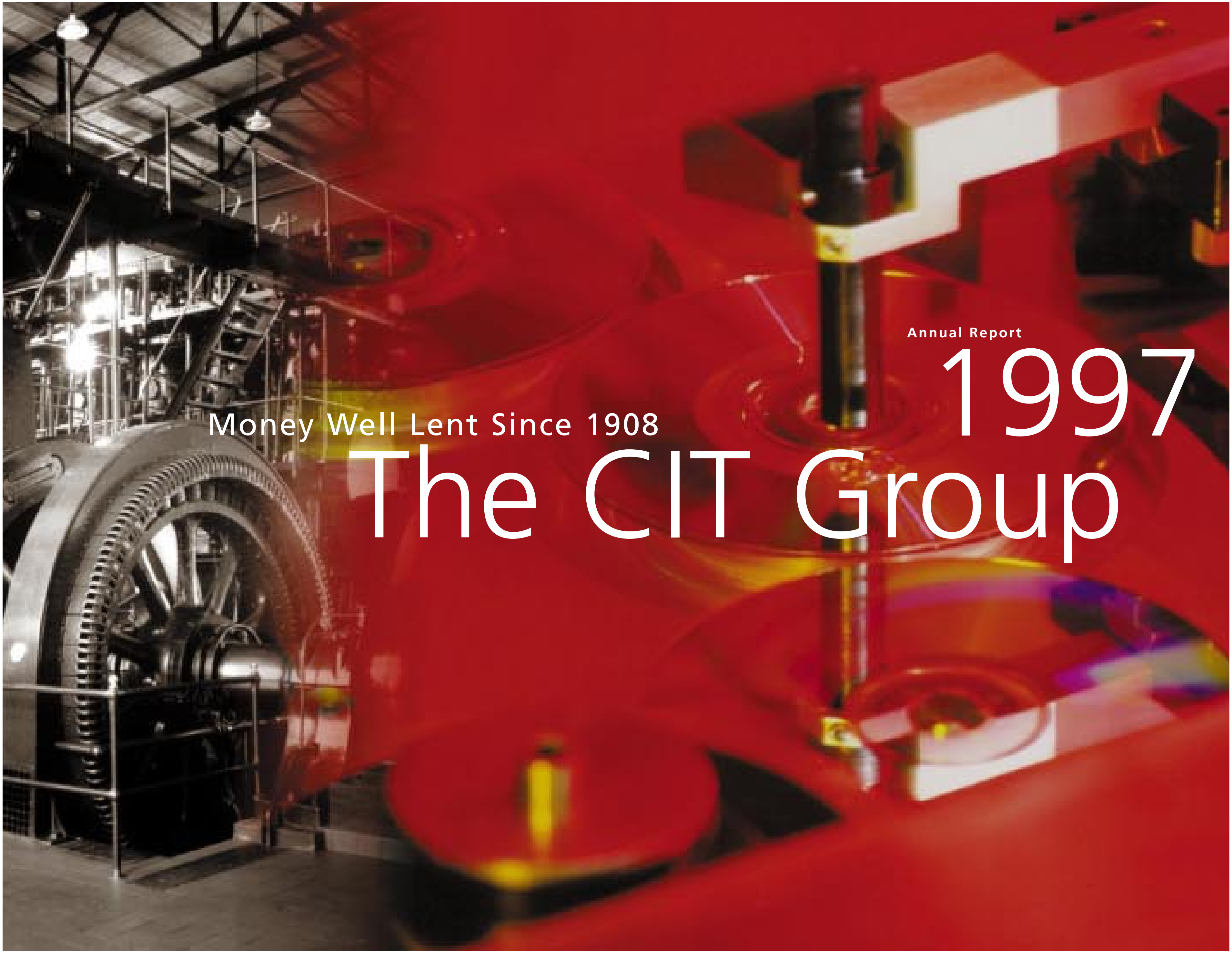


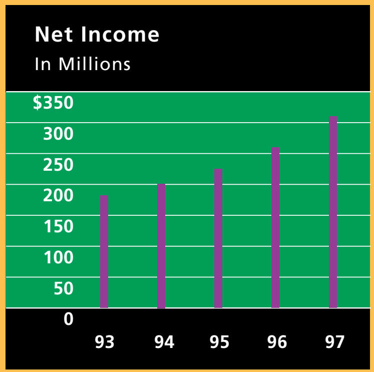
Annual Report

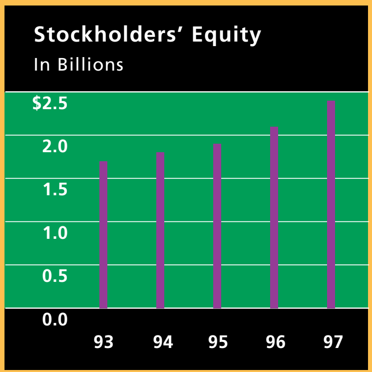
1997

Money Well Lent Since 1908

The CIT Group

The cover of this year's Annual Report — juxtaposing an early industrial engine with the making of compact discs — graphically portrays the range of manufacturing activity which CIT has financed over the span of 90 years. As in the other markets CIT serves — construction, retailing, transportation, technology and consumer — the steadfast theme has been — *Money Well Lent Since 1908.*





solid performance

Financial Highlights

AT OR FOR THE YEARS ENDED DECEMBER 31, (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	1997	1996	1995
Operating revenue	$ 1,193	$ 1,042	$ 882
Salaries and general operating expenses	428	393	346
Depreciation on operating lease equipment	147	122	79
Provision for credit losses	114	111	92
Pre-tax income	488	416	365
Net income	310	260	225
Net income per diluted share	$ 1.95	$ 1.64	$ 1.43
Managed assets	$ 22,345	$ 20,005	$ 17,979
Financing and leasing assets:			
Commercial	$ 15,960	$ 15,160	$ 14,565
Consumer	3,933	3,355	2,456
Other	66	53	41
	$ 19,959	$ 18,568	$ 17,062
Capitalization:			
Total debt	$ 15,315	$ 14,606	$ 13,570
Preferred capital securities	250	—	—
Stockholders' equity	2,433	2,075	1,914
Reserve for credit losses	236	221	206
Key Ratios			
Return on average stockholders' equity	14.0%	13.0%	12.1%
Return on average earning assets	1.70%	1.57%	1.46%
Net credit losses (% of average finance receivables)	0.59%	0.62%	0.50%
Efficiency ratio	41.6%	42.7%	43.1%
Reserve for credit losses (% of finance receivables)	1.33%	1.30%	1.30%
Past due 60+ days (% of finance receivables)	1.67%	1.72%	1.67%
Debt to stockholders' equity and preferred capital securities	5.71-1	7.04-1	7.09-1
Employees	3,025	2,950	2,750

Several noteworthy events took place in the United States in 1908, some more noteworthy than others. For instance, in the business arena, the Westinghouse Company introduced consumers to the first electric toaster. Hoover vacuum cleaner salesmen went door-to-door for the first time to sell their product. The Ford Motor Company marketed the "Model T" as the first truly affordable automobile.

In Washington, DC, Union Station, now deemed a national historic landmark, was officially dedicated. Statewide prohibition became law in Georgia. Jack Johnson became the first African-American to win the heavyweight boxing championship and the Chicago Cubs defeated the Detroit Tigers in the World Series, marking the last time the Cubs reached that pinnacle.

And on February 11th of that same year, Henry Ittleson, a young entrepreneur with roots in the retailing industry, founded the Commercial Credit and Investment Company in St. Louis, Missouri.

Ninety years and several name changes later, The CIT Group's purpose remains essentially the same as it did then—that is, to provide a diverse range of quality financing products and services to individuals and businesses throughout the nation. Then and now, in good times and bad, credit remains "the commodity in which we deal." And, as Henry Ittleson suggested, the intelligent extension of credit is the hallmark of CIT, a company that continues to help fuel the expansion of a growing nation.

"Habits and customs may change, markets may shift from one economic level to another; products may enjoy wide use for a few years and be superseded by entirely new and better products; but credit—the commodity in which we deal—is ever in demand...it is our primary job to control and safeguard its use, because only then will it grow with the growing needs of an expanding nation."

Henry Ittleson, Founder

Nine decades after its founding, CIT is stronger than ever. This past year was the most successful in our 90-year history, culminating in our 10th consecutive year of increased earnings. Financial highlights for the year include:

- Record earnings of $310.1 million, up from $260.1 million in 1996;
- Net income per diluted share was $1.95, up from $1.64 in 1996;
- Total managed assets were $22.3 billion, an increase of 12 percent over the $20.0 billion reported the prior year;
- New business originations of $8.1 billion were also a record.

CIT's financial success in 1997 resulted chiefly from our diligent focus on fundamentals, including asset generation, revenue growth, improvements in operating efficiencies and "best in class" credit quality. Continuing a trend from its earliest days, CIT remains committed to a business strategy that incorporates a dogged attention to detail, prudent lending practices and superior credit risk management.

strong traditions

new opportunities

Initial Public Offering

On November 13, 1997, The CIT Group listed its common stock on the New York Stock Exchange (NYSE:CIT), highlighting the completion of a very successful Initial Public Offering (IPO), and opening yet another chapter in the history of CIT. Analysts, institutions and individuals took the CIT story to heart and invested in our permanence, our performance and our potential. Our IPO was one of the brightest moments of my 10 years at CIT and I was especially pleased that nearly 50 percent of our employees elected to purchase stock in their Company—investing their own money in a Company that benefits from their hard work and commitment. As a further encouragement to enhance shareholder value, all employees were given stock options. As a result, employees represent one of the largest blocks of CIT stock ownership.

"Continuing a trend from its earliest days, CIT remains committed to a business strategy that incorporates a dogged attention to detail, prudent lending practices and superior credit risk management."

Albert R. Gamper, Jr., President and CEO

Longevity

Implicit in Henry Ittleson's quote is the suggestion of permanence. In 90 years, the American socio-economic landscape has changed dramatically, companies have come and gone, economies have risen and fallen, and consumption trends have shifted again and again. As these changes have occurred, CIT has remained a steady source of credit for American business owners and individuals. As an organization, we've learned that there is great value in longevity—that customers value the economic and philosophical commitment we have made to their industries. Subsequent pages in this Annual Report are devoted to highlighting some of our relationships—over time—with customers and markets.

Whether it consists of providing equipment financing for long-term customer Arnold Machinery Company, a home equity line of credit for an expectant couple in Minnesota, or a string of freight railcars for the Burlington Northern and Santa Fe Railway Company, the CIT business model that exists today can be described by five specific characteristics.

CONSISTENCY – We strive for and maintain the highest level of consistency in our financial performance, in customer service, and in our approach to the marketplace. CIT is a consistent lender in good and bad times. And we deliver all of our financial products and services with the same level of effort and responsiveness.

QUALITY – CIT's success is derived from a standard of excellence above the norm, with a quiet confidence that continues to raise the bar on individual and organizational performance as goals are met. We hire quality employees, manage quality assets, produce quality earnings, and maintain a quality balance sheet. For us, there is no compromise on quality.

Hisao Kobayashi
Chairman

Albert R. Gamper, Jr.
President and CEO

Joseph A. Pollicino
Vice Chairman

EXPERIENCE – Ninety years in business affords CIT a level of experience that other companies can only dream about. Our strengths are management, market knowledge and lending experience. This is an attribute that distinguishes us from others and one that makes us a formidable competitor in the broader lending market.

DIVERSITY – Diversity has always been a strategic initiative of CIT—diversity in geographic reach, in our markets, in our products and services, in the distribution channels we employ to market those products and services, and in our employees.

SCALE – The defining characteristic of a successful commercial and consumer lender may well be scale. In CIT's case we have achieved significant leadership positions in a number of markets. CIT is one of the largest lenders to the construction, aerospace and recreation vehicle industries. We are one of the largest factoring companies in the industry and a significant player in the retailing, corporate aircraft and railcar leasing industries. In many markets, CIT has achieved a substantial presence.

Looking Ahead

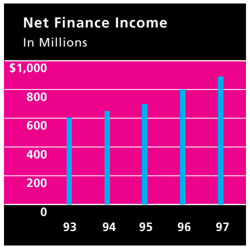
Our job today at CIT is to build upon our strong platform and take advantage of our new status as a public company. I would stress to you, our shareholders, the same themes I expressed recently to another group of shareholders—the CIT employees. In 1998, we will be challenged to:

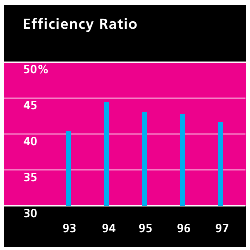
- Aggressively grow our business;
- Continue our mission as a "best in class" credit grantor;
- Improve our returns and again "raise the bar" and grow profits in line with shareholder expectations—if not higher;
- Think "productivity" and demonstrate the ability to continue to deliver;
- Diligently search for appropriate acquisitions that can enlarge our franchise;
- Continue to operate in a manner that values all of our employees and benefits all of the communities of which we are members.

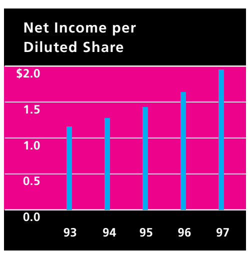
As we work together to meet these challenges, we will increase the value of our great organization.

Albert R. Gamper, Jr.
President and Chief Executive Officer

Selected Financial Data

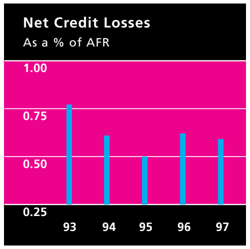


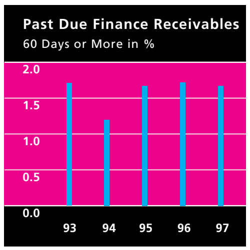


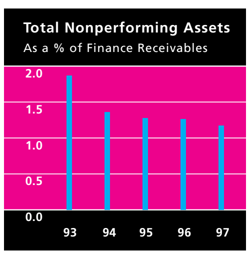


AT OR FOR THE YEARS ENDED DECEMBER 31,	1997	1996	1995	1994	1993
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)					
Results of Operations					
Net finance income	$ 887.5	$ 797.9	$ 697.7	$ 649.8	$ 603.9
Total operating revenue(1)	1,193.3	1,042.0	882.4	824.2	737.7
Salaries and general operating expenses	428.4	393.1	345.7	337.9	282.2
Provision for credit losses	113.7	111.4	91.9	96.9	104.9
Net income	310.1	260.1	225.3	201.1	182.3
Net income per diluted share	$ 1.95	$ 1.64	$ 1.43	$ 1.28	$ 1.16
Balance Sheet Data					
Finance receivables:					
Commercial	$ 14,054.9	$ 13,757.6	$ 13,451.5	$ 12,821.2	$ 11,185.2
Consumer	3,664.8	3,239.0	2,344.0	1,973.2	1,438.9
Total finance receivables	$ 17,719.7	$ 16,996.6	$ 15,795.5	$ 14,794.4	$ 12,624.1
Reserve for credit losses	235.6	220.8	206.0	192.4	169.4
Operating lease equipment, net	1,905.6	1,402.1	1,113.0	867.9	751.9
Consumer finance receivables held for sale	268.2	116.3	112.0	68.7	150.4
Total assets	20,464.1	18,932.5	17,420.3	15,959.7	13,725.0
Commercial paper	5,559.6	5,827.0	6,105.6	5,660.2	6,516.1
Variable rate senior notes	2,861.5	3,717.5	3,827.5	3,812.5	1,686.5
Fixed rate senior notes	6,593.8	4,761.2	3,337.0	2,619.4	2,389.0
Subordinated fixed-rate notes	300.0	300.0	300.0	300.0	200.0
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely debentures of the Company	250.0	—	—	—	—
Stockholders' equity	2,432.9	2,075.4	1,914.2	1,793.0	1,692.2
Selected Data and Ratios					
Profitability					
Net interest margin as a percentage of average earning assets ("AEA")(2)	4.87%	4.82%	4.54%	4.77%	4.93%
Return on average stockholders' equity	14.0%	13.0%	12.1%	11.5%	11.0%
Return on AEA(2)	1.70%	1.57%	1.46%	1.48%	1.49%
Ratio of earnings to fixed charges	1.51x	1.49x	1.44x	1.52x	1.60x
Salaries and general operating expenses as a percentage of average managed assets ("AMA")(3)	2.16%	2.22%	2.16%	2.44%	2.28%
Efficiency ratio(4)	41.6%	42.7%	43.1%	44.5%	40.4%
Dividend payout ratio(5)	26%	38%	46%	50%	50%
Credit Quality					
60+ days contractual delinquency (as a percentage of finance receivables)					
Consumer – managed (as a percentage of managed finance receivables)(6)	2.92%	1.97%	1.34%	0.57%	0.99%
Consumer – owned	3.48%	2.24%	1.50%	0.51%	1.13%
Commercial – owned	1.20%	1.60%	1.70%	1.30%	1.79%
Total – owned	1.67%	1.72%	1.67%	1.20%	1.71%

Selected Financial Data (continued)







AT OR FOR THE YEARS ENDED DECEMBER 31 (DOLLARS IN MILLIONS)	1997	1996	1995	1994	1993
Net credit losses (as a percentage of average finance receivables)					
Consumer – managed (as a percentage of average managed finance receivables)	0.91%	0.70%	0.45%	0.54%	0.75%
Consumer – owned	1.09%	0.75%	0.44%	0.55%	0.77%
Commercial – owned	0.47%	0.59%	0.51%	0.62%	0.77%
Total – owned	0.59%	0.62%	0.50%	0.61%	0.77%
Total nonperforming assets (as a percentage of finance receivables)(7)					
Consumer – owned	2.78%	1.64%	1.02%	0.46%	0.95%
Commercial – owned	0.75%	1.17%	1.33%	1.50%	1.99%
Total – owned	1.17%	1.26%	1.28%	1.36%	1.87%
Reserve for credit losses as a percentage of finance receivables	1.33%	1.30%	1.30%	1.30%	1.34%
Ratio of reserve for credit losses to current period net credit losses	2.33x	2.18x	2.67x	2.29x	1.79x
Leverage					
Total debt to stockholders' equity and Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely debentures of the Company	5.71x	7.04x	7.09x	6.91x	6.38x
Total debt to stockholders' equity(8)	6.40x	7.04x	7.09x	6.91x	6.38x
Other					
Total managed assets(9)	$ 22,344.9	$ 20,005.4	$ 17,978.6	$ 16,072.1	$ 13,723.6
Employees	3,025	2,950	2,750	2,700	2,400

(1) Includes a gain of $58.0 million recorded in 1997 on the sale of an equity interest acquired in connection with a loan workout.
(2) "AEA" reflects the average of finance receivables, operating lease equipment, consumer finance receivables held for sale and certain investments, less credit balances of factoring clients.
(3) "AMA" reflects average earning assets plus the average of consumer finance receivables previously securitized and currently managed by the Company.
(4) Efficiency ratio reflects the ratio of salaries and general operating expenses to the sum of operating revenue less depreciation of operating lease equipment and minority interest in subsidiary trust holding solely debentures of the Company.
(5) In 1995, the Company operated under a dividend policy requiring the payment of dividends equal to and not exceeding 50% of operating earnings. The actual ratio for 1995, however, fell below 50% due to the deferral of the declaration and payment of dividends on December 1995 earnings into the first quarter of 1996. In 1996, the Company changed its dividend policy to require the payment of dividends equal to and not exceeding 30% of operating earnings.
(6) Managed finance receivables include owned finance receivables, consumer finance receivables held for sale and the remaining balance of consumer finance receivables previously securitized and currently managed by the Company.
(7) Owned nonperforming assets reflect finance receivables on nonaccrual status and assets received in satisfaction of loans.
(8) Total debt includes, and stockholders' equity excludes, $250.0 million of Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely debentures of the Company issued in February 1997.
(9) "Managed assets" include (i) financing and leasing assets and (ii) off-balance-sheet consumer finance receivables previously securitized and currently managed by the Company.