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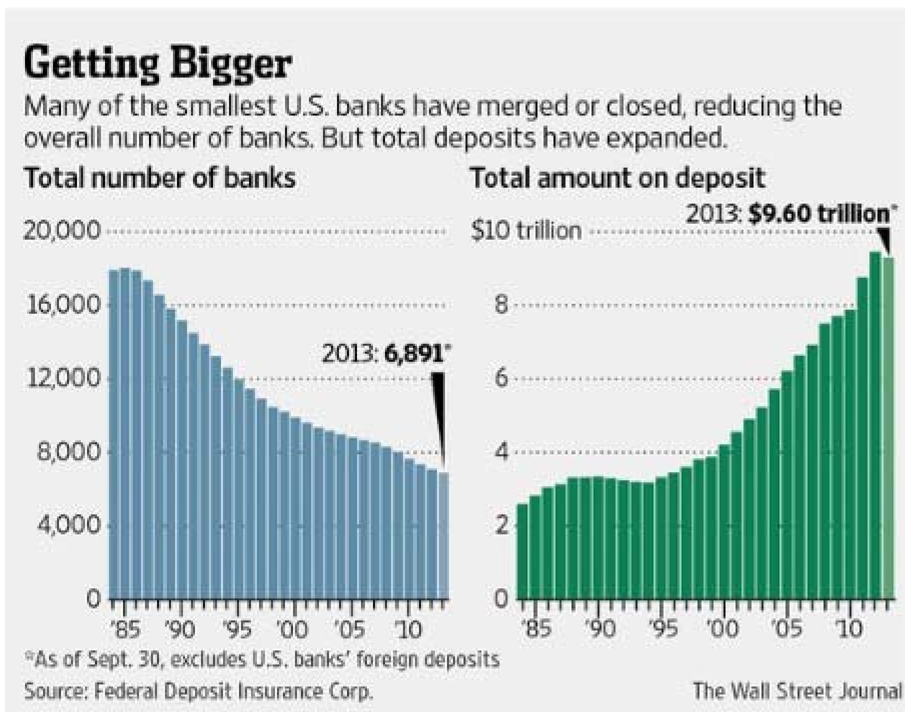
LEASING & FINANCE UPDATE

DECEMBER 2013

TALLY OF U.S. BANKS SINKS TO RECORD LOW



The number of banking institutions in the U.S. has dwindled to its lowest level since at least the Great Depression, as a sluggish economy, stubbornly low interest rates and heightened regulation take their toll on the sector. The number of federally insured institutions nationwide shrank to 6,891 in the third quarter - falling below 7,000 for the first time since federal regulators began keeping track in 1934, according to the Federal Deposit Insurance Corp.

The decline in bank numbers, from a peak of more than 18,000, has come almost entirely in the form of exits by banks with less than $100 million in assets, with the bulk occurring between 1984 and 2011. More than 10,000 banks left the industry during that period as a result of mergers, consolidations or failures and about 17% of the banks collapsed.

The consolidation could help alleviate concerns that the abundance of U.S. banks leads to difficulties in oversight or a less-efficient financial system. Meanwhile, overall bank deposits and assets have grown, despite the drop in institutions. "Seven thousand is still an awful lot of banks," particularly in an era where brick-and-mortar branches are becoming less profitable, said David Kemper, chief executive of Commerce Bancshares Inc.

Still, the falloff is raising alarms among boosters of community banks, who say such lenders - which represent the vast majority of U.S. banks - are critical to the economy because they are more likely to make small-business loans. The number of physical bank branches in the U.S. is also shrinking. From the end of 2009 through June 30 of this year, the total number of branches dropped 3.2%, according to FDIC data.

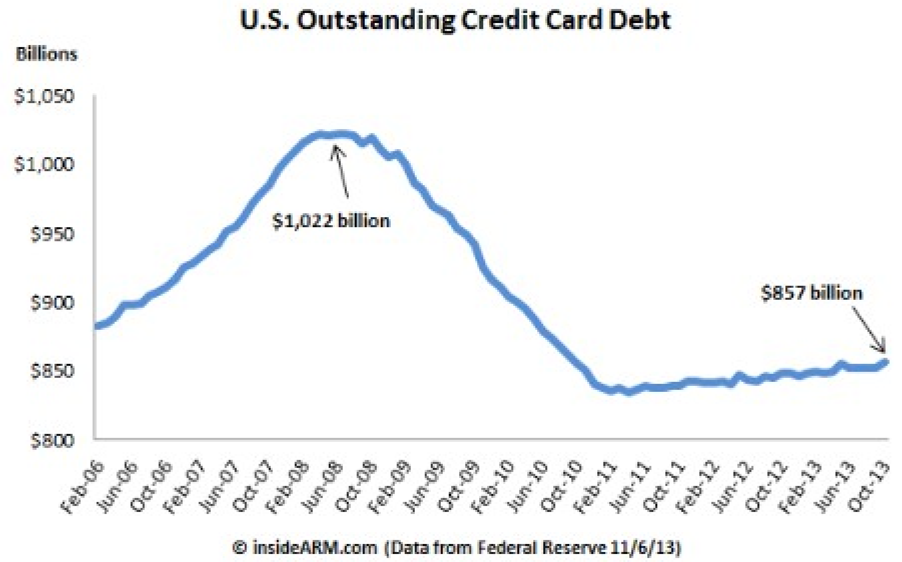
Unlike before the financial crisis, new startup banks aren't rushing to take the place of exiting institutions. Every year from 1934 to 2009, investors in the U.S. chartered at least a few and sometimes hundreds of new banks, according to the FDIC data. The Bank of Bird-in-Hand opened in Bird-in-Hand, Pa., in early December - it was the first new bank startup in the U.S. since December 2010.

The reticence stems from slim profits and rising regulatory costs as Washington tries to ensure banks won't fail en masse as they did during and after the 2008 financial crisis. According to SNL Financial, the median loan-growth rate for banks with less than $100 million in assets was about 2% during the year ending Sept. 30, well behind the roughly 3.4%-to-7% rate for midsize banks.

A 2012 FDIC study of community banks found that, as net interest margins declined across the industry in recent years as interest rates dropped, community banks suffered more than other banks. That is because their business models - traditional lending and deposit gathering - generally rely more on interest income. One way small banks grow, by buying branches from other banks, is also slipping. Through mid-November, there had been only 89 sales of branches this year, down 25% from the same 2012 period. The main reason for the drop, industry experts said, is consumers' increasing reliance on mobile banking and automated teller machines.

Source: Wall Street Journal

CREDIT CARD DEBT JUMPS IN OCTOBER



Americans boosted their borrowing in October, led by another big increase in auto and student loans and the biggest rise in credit card debt in five months. Consumers increased their borrowing by $18.2 billion in October to a seasonally adjusted $3.08 trillion, the Federal Reserve reported. That is a record level and follows a September increase of $16.3 billion.

The increase was led by a $13.9 billion rise in borrowing for auto and student loans. But borrowing in the category that covers credit cards rose by $4.3 billion following a decline of $218 million in September. It was the biggest monthly credit card gain since May and could be a sign that consumer spending will increase in coming months. Credit card borrowing has lagged other types of debt.

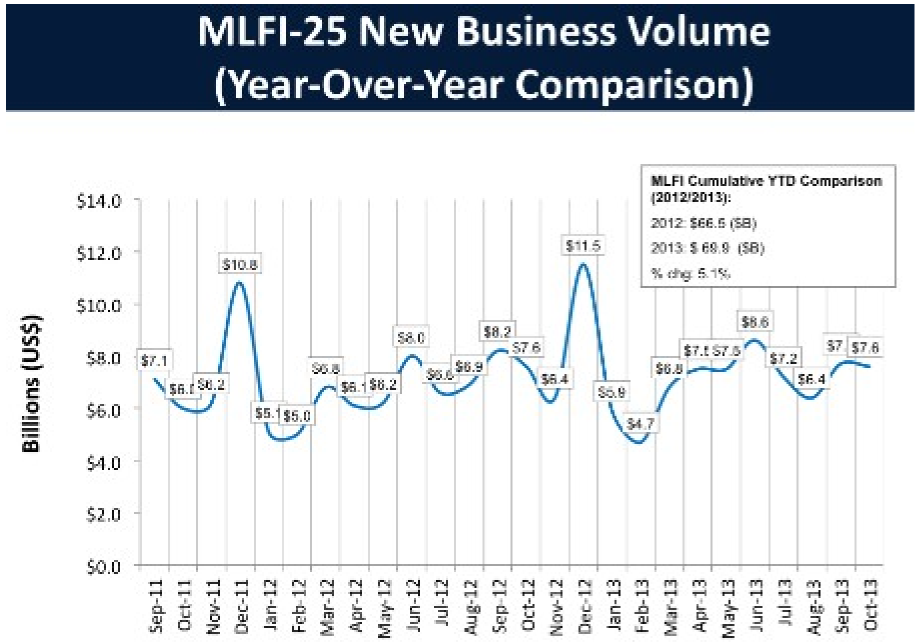
Through October, the measure of auto and student loans has risen 6.2% from a year ago and has increased in every month but one since May 2010. But credit card debt is up just 1% from where it was a year ago. And it is 16.1% below its peak hit in July 2008 — seven months after the Great Recession began.

Slow job growth and small wage gains have made many Americans more reluctant to charge goods and services. At the same time, the weak economy is persuading more people to go back to school to learn new skills.

According to the U.S. Federal Reserve, consumer credit outstanding increased at an annual rate of 7.1% in October, including a 6.1% increase in credit card spending, the largest increase since May. Revolving debt, which includes credit cards, moved up to $856.8 billion dollars in October after a slight decline in September. Borrowing in the non-revolving debt category, which includes auto and student loans, rose at an annual rate of 7.5% to $2.219 trillion. Total outstanding consumer credit – excluding debt backed by real estate – stood at $3.076 trillion at the end of October.

Source: Inside ARM/Associated Press

OCTOBER NEW BUSINESS UP 5% YEAR-TO-DATE



MLFI-25 New Business Volume - October 2013

The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity from 25 companies representing a cross section of the $827 billion equipment finance sector, showed their overall new business volume for October was $7.6 billion, unchanged from new business volume in October 2012. Month-over-month, new business volume was down 1% from September. Year to date, cumulative new business volume increased 5 percent compared to 2012.

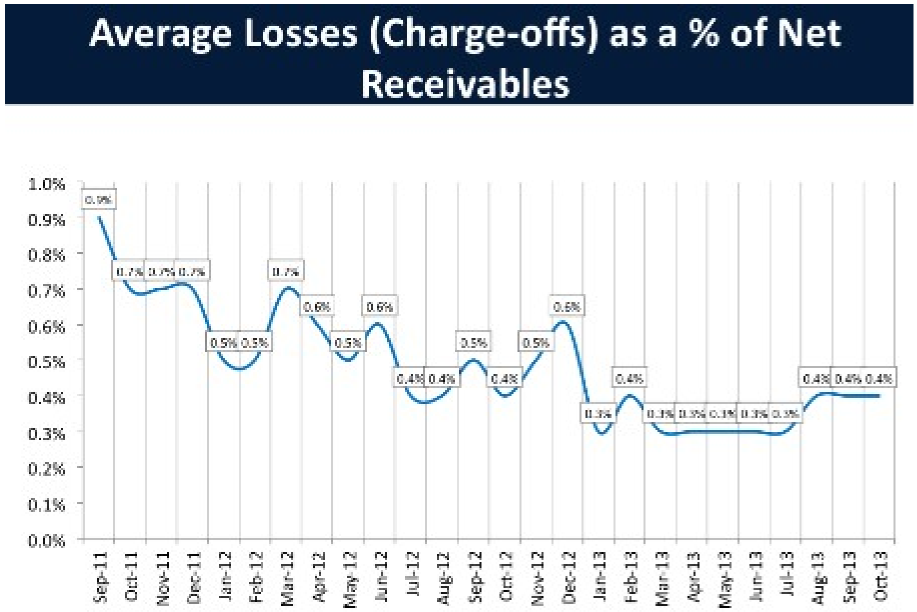
Receivables over 30 days were at 1.5% in October, unchanged from September. Delinquencies declined from 1.7% in the same period in 2012. Charge-offs were unchanged from the previous two months at 0.4%, and only slightly higher than the all-time low of 0.3%.

Credit approvals totaled 77.6% in October, up slightly from 77.3% the previous month – with 82% of participating organizations reported submitting more transactions for approval during October, a spike from 56% in September. Finally, total headcount for equipment finance companies was up 1% year over year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) for November is 56.9, an increase from the October index of 54.0, demonstrating an overall steady industry outlook despite continuing concerns about the U.S. economy and the negative impact of federal government fiscal policies.

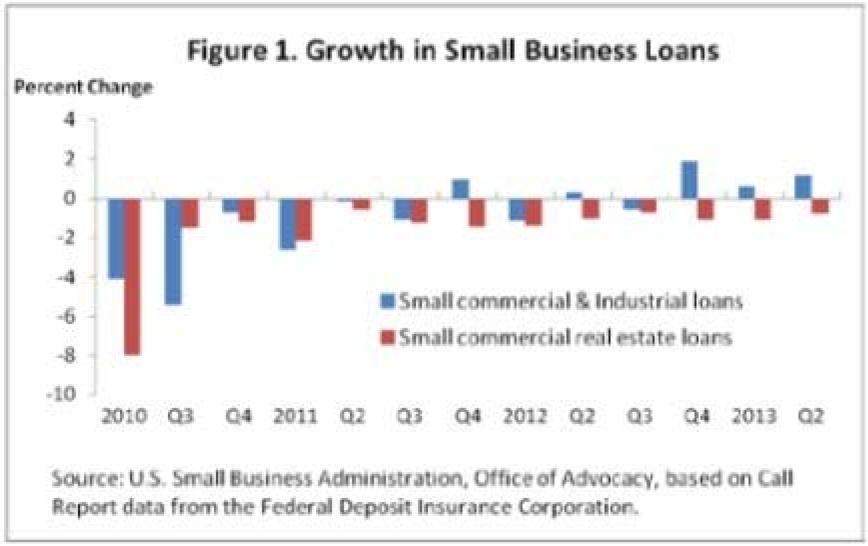
"As we enter the final quarter of the year, the equipment finance industry continues to perform well, illustrated by healthy new business generation and solid credit quality metrics," said ELFA President and CEO William G. Sutton, CAE. We remain cautiously optimistic that business demand for capital equipment will continue unabated into the 4th Quarter, which is a typically strong period for the industry.

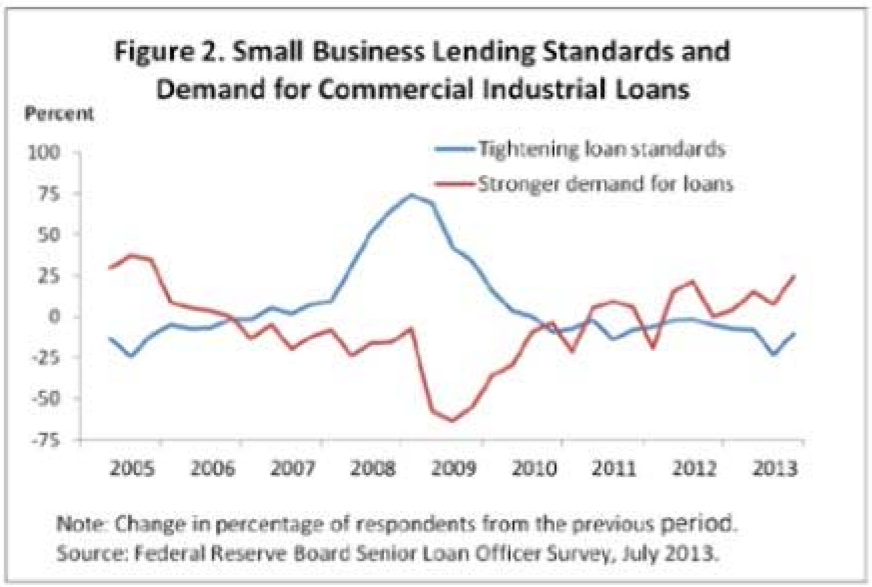
Source: ELFA



ELFA MLFI-25 Charge-Offs - October 2013

SMALL BUSINESS BORROWING RISES TO 6-YEAR HIGH





U.S. small businesses boosted borrowing in October to its highest level in over six years, an index showed on Tuesday, fresh evidence that the budget battle that shut the federal government for 16 days did little to derail underlying economic growth.

The Thomson Reuters/PayNet Small Business Lending Index, which measures the volume of financing to small companies, rose to 120.4 in October, PayNet said on Tuesday. That was the highest level since August 2007, just as the devastating U.S. financial crisis was gaining steam. In September, the index registered a reading of 109.9.

Historically, PayNet's lending index has correlated to overall economic growth one or two quarters in the future. Small companies typically take out loans to buy new tools, factories and equipment, so more borrowing can be an early harbinger of increased hiring ahead.

The increase "bodes well for GDP," PayNet founder Bill Phelan said. "When you have investment to increase assets to produce more goods, you've got to believe there's more job creation going on." With U.S. economic output now higher than it was when the index last peaked in January 2007, "there's a lot of room to grow here; this does not indicate any kind of froth," he added.

The outlook for the job market is crucial to the Federal Reserve's decision on when to cut back on its massive bond-buying stimulus program, as Fed Chairman Ben Bernanke has said he wants further proof of labor market strengthening before doing so. Economic data has been mixed of late, with one gauge of U.S. factory activity rising last month to its highest since 2011, but factory payrolls pointing to a slowdown in manufacturing.

Lower financial stress at small businesses, with more of them paying back loans on time, could also bode well for future borrowing. Delinquencies of 31 to 180 days held in October to 1.43% of all loans made, according to the Thomson Reuters/PayNet Small Business Delinquency Index - a new record low. A measure of accounts overdue as a percentage of all loans has fallen steadily since rising as high as 4.73% in August 2009.

Source: Reuters

RETAIL-ISSUED CREDIT CARDS AT 4-YEAR HIGH

According to the latest Equifax National Consumer Credit Trends Report, the total number of open retail-issued credit cards is greater than 183 million, the most since September of 2009. Further, total balances on retail-issued credit cards surpassed $56 billion, a year-over-year increase of over 6.4%.

New Credit

- At $46.6 billion, the total limit of new credit issued January-August of 2013 is an increase of 11.6% over the same period last year
- 24.6 million new card accounts were issued, the highest since 2008, and an increase of 8.8% over same time a year ago
- Year-to-date lending through August 2013 to subprime credit borrowers (Equifax Risk scores below 660) increased 15.8% over the same time a year ago – 8.2 million loans were originated, a 6-year high.

Write-Offs and Delinquencies

- Retail-issued credit card write-offs were down nearly 14% compared to October 2012 (from 8.24% to 7.09%)
- In that same time, 60-day delinquency rates for retail cards fell slightly, from 3.52% to 3.48%.

“The holiday season is almost upon us and retailers are eager to capture the hearts and wallets of the American consumer,” said Equifax Chief Economist Amy Crews Cutts. “As long as consumers resist the urge to overspend, these cards can be a great way to save money when holiday shopping.”

Source: Equifax/Inside ARM

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