

servicing fees. The provision for credit losses increased slightly to \$9.6 million for the six months ended June 30, 2013, as compared to \$9.4 million for the same period last year. Year to date net charge-offs decreased 15.7% to \$8.1 million as compared to \$9.6 million for the same period last year. Year to date cash from customers increased by 7.8% or \$4.7 million to \$63.9 million as compared to \$59.2 million for the same period last year.

**MICROFINANCIAL INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands, except share data)*

*(Unaudited)*

	June 30,	December 31,
	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,029	\$ 3,557
Restricted cash	335	1,213
Net investment in leases:		
Receivables due in installments	215,134	213,466
Estimated residual value	23,720	24,176
Initial direct costs	1,745	1,751
Less:		
Advance lease payments and deposits	(3,082)	(3,278)
Unearned income	(60,820)	(62,244)
Allowance for credit losses	(15,576)	(14,038)
Net investment in leases	161,121	159,833
Investment in service contracts, net	1,446	797
Investment in rental contracts, net	1,093	1,037
Property and equipment, net	1,488	1,534
Other assets	1,703	1,658
Total assets	\$ 170,215	\$ 169,629
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

	June 30,	December 31,
	2013	2012
Revolving line of credit	\$ 71,318	\$ 70,380
Accounts payable	2,597	3,220
Dividends payable	46	40
Other liabilities	2,692	2,545
Income taxes payable	435	653
Deferred income taxes	8,127	10,399
Total liabilities	85,215	87,237
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized;		
no shares issued at June 30, 2013 and December 31, 2012	--	--
Common stock, \$.01 par value; 25,000,000 shares authorized;		
14,418,911 and 14,470,219 shares issued at June 30, 2013		
and December 31, 2012, respectively	144	145
Additional paid-in capital	47,132	47,500
Retained earnings	37,724	34,747
Total stockholders' equity	85,000	82,392
Total liabilities and stockholders' equity	\$ 170,215	\$ 169,629

**MICROFINANCIAL INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(In thousands, except share and per share data)*

*(Unaudited)*

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012

Revenues:				
Income on financing leases	\$ 10,359	\$ 9,920	\$ 20,563	\$ 19,555
Rental income	2,682	2,402	5,185	4,719
Income on service contracts	214	85	390	170
Loss and damage waiver fees	1,446	1,321	2,887	2,608
Service fees and other	973	967	1,944	1,887
Total revenues	15,674	14,695	30,969	28,939
Expenses:				
Selling, general and administrative	4,841	4,025	9,503	8,381
Provision for credit losses	4,743	4,548	9,624	9,444
Depreciation and amortization	1,310	1,065	2,615	2,073
Interest	660	655	1,330	1,288
Total expenses	11,554	10,293	23,072	21,186
Income before provision for income taxes	4,120	4,402	7,897	7,753
Provision for income taxes	1,654	1,761	3,165	3,101
Net income	\$ 2,466	\$ 2,641	\$ 4,732	\$ 4,652
Net income per common share:				
Basic	\$0.17	\$0.18	\$0.33	\$0.33
Diluted	\$0.17	\$0.18	\$0.32	\$0.32
Weighted-average shares:				
Basic	14,478,802	14,297,524	14,487,061	14,290,806
Diluted	14,773,434	14,658,235	14,782,523	14,635,068