News Release

For Immediate Release

Element Reports Strong Volume Growth in Q2-2013 across All Verticals

After tax adjusted operating income increases 21% over Q1 to $10.5 million or $0.08 per share

- Origination volumes increased 34% over the previous quarter to $398 million
  - Commercial finance volumes (Element Finance) increase 10% in Canada and 88% in the US
  - Corporate finance volumes (Element Capital) increase 69% over the previous quarter to $86.6 million
  - Fleet management volumes (Element Fleet) increase 36% over the previous quarter to $80.4 million
- After tax adjusted operating income per share was $0.08 versus $0.08 for the previous period
- Total assets increased by 43% over the immediately previous quarter to $2.5 billion from both organic growth and the acquisition of the GE Fleet portfolio.

TORONTO, August 13, 2013 - Element Financial Corporation (TSX:EFN) ("Element" or "the Company"), one of North America's leading independent equipment finance companies, today reported financial results for the three and six month periods ending June 30, 2013 showing strong growth in origination volumes across all of the Company's business verticals. New originations increased 34% to $397.9 million for the three month period versus $296.3 million in the previous period.

Financial revenue increased to $33.96 million versus $31.84 million in the previous period generating net financial income of $24.7 million versus $22.8 million in the previous period. Adjusted operating expenses were $10.3 million for the period versus $10.8 million in the previous period resulting in adjusted operating income of $14.5 million for the current three month period versus $12.0 million for the previous period. After tax adjusted operating income was $10.5 million or $0.08 per share for the current period versus $$8.6 million or $0.08 per share for the previous period. Total assets increased 43% to $2.5 billion at the end of the period versus $1.8 billion at the end of the previous period and book value per share increased to $5.67 versus $4.75 reported at the end of the previous period.

Element Finance accounted for $230.9 million or 58% of the $397.9 million originated during the period. Element Capital accounted for $86.6 million or 22% of the new business volume while Element Fleet originated $80.4 million or 20% of the period's new business volume. The acquisition of the GE Fleet portfolio also added a further $488.7 million to the Company's portfolio of finance assets during the period. Finance receivables increased 45.9% to $2.1 billion at the end of the period versus $1.5 billion reported at the end of the previous period. Average finance receivables for the period were $1.5 billion versus $1.4 billion for the previous period. The slight increase resulted from the acquisition of the GE Fleet portfolio on the last day of the quarter.

On June 18th, the Company closed a $300.6 million private placement bought deal equity financing and on June 28th used proceeds from this financing to close the acquisition of GE Capital Canada's Canadian fleet management business and portfolio (the "GE Fleet portfolio") of $488.7 finance receivables. During the period the Company also announced that it had commenced funding through the previously announced Element Equipment Finance Fund with the purchase of US$48.5 million of unrated notes by a US-based investment management firm.

"We've seen strong originations across all our business verticals during the period with a notable increase in our US business which originated $64.2 million of new business volume in Q2," said Steven Hudson, Element's Chairman and CEO. "Even after backing out approximately $7 million of volume related to one-time transactions, I'm pleased to see that this business, which we acquired in December of last year, is tracking in line with expectations. We are also on track with our plans for the integration of the Canadian fleet management business that we acquired from GE Capital during the period and continue to expect to deliver on the anticipated earnings accretion from this transaction," noted Mr. Hudson.

Delinquencies continue to perform as expected and represented 0.15% of total finance receivables as at June 30, 2013 compared to 0.28% as at March 31, 2013. The improvement resulted from the acquisition of the GE Fleet portfolio which had lower delinquency rates than the average portfolio.

Element's financial leverage ratio increased slightly to 1.75:1 at the end of the second quarter from 1.73:1 at the end of the previous period. Average leverage during the period declined from 2.36:1 in the first quarter to 1.72:1 in the second quarter resulting mainly from the issuance of additional equity in two separate tranches in March and June of this year. "We remain focused on delivering the continued quality growth to our balance sheet that will bring us in line with our target leverage ratio," said Steven Hudson.

The weighted average number of shares outstanding during the period, including special warrants, increased to 129.4 million from 107.7 million in the previous period. At the end of the period, the company had 155.1 million shares outstanding including special warrants.

Selected Financial Information and Financial Ratios

The following table summarizes key financial data to be read in conjunction with the consolidated financial statements of the Company as at and for the three and six month periods ended June 30, 2013

	As at and for the three months ended			As at and for the six months ended	
(in $000's for stated values, except ratios and per share amounts)	**June 30, 2013** $	March 31, 2013 $	June 30, 2012 $	**June 30, 2013** $	June 30, 2012 $
After tax adjusted operating income (loss) per share (basic and diluted) (1)	**0.08**	**0.08**	**0.02**	**0.16**	**0.03**
Financial revenue (1)	**33,960**	31,838	7,445	**65,798**	12,978
Adjusted operating income (1)	**14,497**	12,043	1,936	**26,540**	2,840
After tax adjusted operating income (1)	**10,451**	8,644	1,421	**19,095**	2,084
Income/(loss) before taxes	**(14,164)**	7,252	(7,686)	**(6,912)**	(7,702)
Net income/(loss)	**(13,882)**	4,685	(5,795)	**(9,197)**	(6,056)
Total assets	**2,533,370**	1,766,353	1,006,397	**2,533,370**	1,006,397
Finance Receivables, net	**2,143,133**	1,468,639	809,891	**2,143,133**	809,891
Loan originations					
New originations	**397,896**	296,251	79,406	**694,147**	236,012
Loan acquisition	**488,692**	84,043	457,085	**572,735**	457,085
Secured borrowings	**1,539,011**	1,033,181	627,916	**1,539,011**	627,916
Average finance receivables	**1,546,145**	1,396,197	360,745	**1,471,585**	304,976
Average debt outstanding	**1,093,655**	1,085,630	205,973	**1,089,666**	182,476
Number of Shares outstanding (including Special Warrants)	**155,116**	125,414	82,980	**155,116**	82,980
Weighted average number of shares outstanding (including Special Warrants)	**129,362**	107,711	71,916	**118,597**	69,133
Total Shareholders' equity	**879,560**	595,913	312,756	**879,560**	312,756
Average total shareholders' equity	**635,079**	460,946	264,914	**548,494**	251,602

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company:

		As at and for the three months ended			As at and for the six months ended	
$ thousands (except % and per share amounts)		**June 30, 2013**	March 31, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
Reported and adjusted income measures						
Net income (loss)	A	**(13,882)**	4,685	(5,795)	**(9,197)**	(6,056)
Adjustments:						
Share-based compensation		**2,818**	1,452	572	**4,270**	1,492
Amortization of intangible assets from acquisitions		**343**	339	—	**682**	—
Integration costs		**5,000**	3,000	2,750	**8,000**	2,750
Transaction costs		**20,500**	—	6,300	**20,500**	6,300
Provision (recovery) of income taxes		**(282)**	2,567	(1,891)	**2,285**	(1,646)
Adjusted operating income	B	**14,497**	12,043	1,936	**26,540**	2,840
Provision for taxes applicable to adjusted operating income		**(4,046)**	(3,399)	(515)	**(7,445)**	(756)
After tax adjusted operating income	C	**10,451**	8,644	1,421	**19,095**	2,084
Selected statement of financial position amounts						
Finance receivables, before allowance for credit losses	D	**2,154,106**	1,478,649	813,773	**2,154,106**	813,773
Allowance for credit losses	E	**10,973**	10,010	3,882	**10,973**	3,882
Finance receivables, net	F	**2,143,133**	1,468,639	809,891	**2,143,133**	809,891
Average finance receivables, net	G	**1,546,145**	1,396,197	360,745	**1,471,585**	304,976
Secured borrowings	H	**1,539,011**	1,033,181	627,916	**1,539,011**	627,916
Average Secured Borrowings	I	**1,093,655**	1,085,630	205,973	**1,089,666**	182,476
Total shareholders' equity	J	**879,560**	595,913	312,756	**879,560**	312,756
Average shareholders' equity	K	**635,079**	460,946	264,914	**548,494**	251,602
Key annualized operating ratios						
Financial leverage ratio	H/J	**1.75**	1.73	2.00	**1.75**	2.00
Allowance for credit losses as a percentage of finance receivables	E/D	**0.51%**	0.68%	0.48%	**0.51%**	0.48%
Adjusted operating income on average shareholders’ equity	B/K	**9.13%**	10.45%	2.92%	**9.68%**	2.26%
Adjusted operating income on average finance receivables	B/G	**3.75%**	3.45%	2.15%	**3.61%**	1.80%
After-tax adjusted operating income on average shareholders’ equity	C/K	**6.58%**	7.50%	2.15%	**6.96%**	1.66%
After-tax adjusted operating income on average finance receivables	C/G	**2.70%**	2.48%	1.58%	**2.60%**	1.37%
Per share information						
Number of shares outstanding (including special warrants)	L	**155,116**	125,414	82,980	**155,116**	82,980
Weighted average number of shares outstanding	M	**129,362**	107,711	71,916	**118,597**	69,133
Net income (loss) per share [basic and diluted]	A/M	**(0.11)**	0.04	(0.08)	**(0.08)**	(0.09)
After-tax adjusted operating income per share [basic and diluted]	C/M	**0.08**	0.08	0.02	**0.16**	0.03
Book value per share	J/L	**5.67**	4.75	3.76	**5.67**	3.76

Results of Operations for the three-month periods ended June 30, 2013, March 31, 2013 and June 30, 2012

	For the three-month periods ended		
(in 000's for stated values, except per unit amounts)	**June 30, 2013** $	March 31, 2013 $	June 30, 2012 $
Net Financial Income			
Interest income	**29,165**	26,444	7,037
Interest expense	**9,212**	9,043	2,086
Net interest income before provision for credit loss	**19,953**	17,401	4,951
Provision for credit losses	**1,099**	1,571	39
Net interest income	**18,854**	15,830	4,912
Other revenue items	**5,894**	6,965	447
Net Financial Income	**24,748**	22,795	5,359
Operating Expenses			
Salaries, wages and benefits	**7,994**	7,162	2,265
General and administration expenses	**2,257**	3,590	1,158
Share-based compensation	**2,818**	1,452	572
	13,069	12,204	3,995
Business acquisition costs			
Amortization of intangibles from acquisition	**343**	339	—
Integration costs	**5,000**	3,000	2,750
Transaction costs	**20,500**	—	6,300
	25,843	3,339	9,050
Net income/(loss) before taxes	**(14,164)**	7,252	(7,686)
Tax expense/(recovery)	**(282)**	2,567	(1,891)
Net income/(loss) for the period	**(13,882)**	4,685	(5,795)
Earnings per Share - basic	**($0.11)**	$0.04	($0.08)

Results of Operations for the six-month periods ended June 30, 2013 and June 30, 2012

	For the six-month periods ended	
(in 000's for stated values, except per unit amounts)	**June 30, 2013** $	June 30, 2012 $
Net Financial Income		
Interest income	**55,609**	12,430
Interest expense	**18,255**	3,649
Net interest income before provision for credit loss	**37,354**	8,781
Provision for credit losses	**2,670**	330
Net interest income	**34,684**	8,451
Other revenue items	**12,859**	878
Net Financial Income	**47,543**	9,329
Operating Expenses		
Salaries, wages and benefits	**15,156**	4,133
General and administration expenses	**5,847**	2,356
Share-based compensation	**4,270**	1,492
	25,273	7,981
Business acquisition costs		
Amortization of intangibles from acquisition	**682**	—
Integration costs	**8,000**	2,750
Transaction costs	**20,500**	6,300
	29,182	9,050
Net income/(loss) before taxes	**(6,912)**	(7,702)
Tax expense/(recovery)	**2,285**	(1,646)
Net income/(loss) for the period	**(9,197)**	(6,056)
Loss per Share - basic	**($0.08)**	($0.09)

The Company continued to execute on its growth plan and strategy during the quarter ended June 30, 2013 and is reporting improved performance from operations (net income before business acquisition costs and taxes) both over the comparable period of the previous year and the immediate previous quarter. The improved performance is in part the result of the acquisition of TLS, CoActiv and NexCap that were completed on June 30, 2012, November 30, 2012 and January 18, 2013, respectively, and their integration into the Company.

The Company is reporting a net loss of $13.9 million for the quarter ended June 30, 2013 compared to a loss of $5.8 million for the same comparative quarter ended June 30, 2012 and compared to a net income of $4.7 million reported during the previous quarter ended March 31, 2013. The net loss being reported is the direct consequence of the inclusion of business acquisition costs for $25.8 million related to the GE Portfolio acquisition completed during the current quarter. Business acquisition costs will continue to provide volatility to the net income of the Company as it continues on its acquisitive path.

As indicated previously, management believes that adjusted operating income (the Company had previously referred to this non-IFRS measure as operating income) is the most appropriate operating measure of the Company's performance as it excludes non-cash items related to share-based compensation and business acquisition costs which do not relate to sustainable operating activities. The Company is reporting adjusted operating income of $0.08 per share for the quarter ended June 30, 2013 compared to $0.02 per share for the quarter ended June 30, 2012 and $0.08 per share for the immediate preceding quarter ended March 31, 2013 on a total average number of shares outstanding of 129.4 million during the quarter ended June 30, 2013, compared to 107.7 million shares outstanding for the quarter ended March 31, 2013.

Adjusted operating income for the three month period ended June 30, 2013 was $14.5 million, an increase of $12.6 million or 648.8% over the amount reported during the comparative quarter ended June 30, 2012 or an increase of $2.5 million or 20.4% over the amount reported during the immediate previous quarter ended March 31, 2013. The increase over the quarter ended March 31, 2013 reflects impact of the continued impact of the organic growth on the Company's finance receivable portfolio. Management believes that readers should focus on the adjusted operating income as the better performance indicator as it removes the adverse non-recurring impacts associated with acquisition transaction accounting under IFRS.

Adjusted operating income on average receivable was 3.75% during the quarter ended June 30, 2013 compared to 2.15% for the quarter ended June 30, 2012 and 3.45% for the prior quarter ended March 31, 2013, reflecting the substantial improvement of the Company's performance year over year and quarter over quarter resulting from a larger balance sheet and from integration initiatives.

Financial revenue for the three month period ended June 30, 2013 was $34.0 million, an increase of $26.5 million or 356.2% over the amount of $7.4 million reported during the quarter ended June 30, 2012, and an increase of $2.1 million or 6.7% over the amount of $31.8 million reported during the immediate preceding quarter ended March 31, 2013. These increases result from increases in average finance receivables outstanding during the periods which grew to $1,546.1 million during quarter ended June 30, 2013, from $360.7 million during the quarter ended June 30, 2012 and from $1,396.2 million during the immediate preceding quarter ended March 31, 2013. Finance receivables have increased to $2,143.1 million as at June 30, 2013 compared to $809.9 million as at June 30, 2012 and $1,468.6 million at March 31, 2013 reflecting respective increases of 164.6% and 45.9% resulting from a combination of (i) the acquisition of TLS on June 29, 2012, (ii) the acquisition of CoActiv on November 30, 2012, (iii) the acquisition of NexCap on January 18, 2013, (iv) the acquisition of GE Portfolio on June 28, 2013, and (v) the continued organic growth in originations which reached a total of $397.9 million during the quarter ended June 30, 2013, compared to $296.3 million during the immediate preceding quarter ended March 31, 2013 and compared to originations of $79.4 million during the quarter ended June 30, 2012.

Gross average yield was 9.07% for the quarter ended June 30, 2013 compared to 9.57% for the immediate preceding quarter ended March 31, 2013 and 8.30% for the comparable quarter ended June 30, 2012. A proper comparison against the results for the quarter ended June 30, 2012 is not meaningful as a result of the numerous acquisitions completed subsequent to that comparative quarter and the resulting different mix of businesses. The decrease in gross yields of 0.50% compared to the immediate preceding quarter ended March 31, 2013 was impacted from a decrease in other non-interest revenues during the quarter ended June 30, 2013. Other non-interest revenue is primarily ancillary service revenues and will fluctuate period to period based on the number of transactions and is not necessarily correlated to average finance receivables.

Interest expense were $9.2 million for the quarter ended June 30, 2013 compared to $2.1 million for the quarter ended June 30, 2012 and $9.0 million for the immediate preceding quarter ended March 31, 2013, reflecting respective increases of $7.1 million and $0.2 million. These increases are the result of increases in the average outstanding debt during the periods which increased to $1,093.7 million during the quarter ended June 30, 2013 from $1,085.6 million during the quarter ended March 31, 2013 and $206.0 million during the quarter ended June 30, 2012. The average cost of borrowing has however remained relatively stable at 3.37% for the quarter ended June 30, 2013 versus 3.33% for the immediate preceding quarter ended March 31, 2013 reflecting, a change in mix of borrowings and new debt structures entered into during the period. The average cost of borrowing has decreased from the 4.05% reported for the comparative quarter ended June 30, 2012 reflecting the general improvement in borrowing costs as the Company continues its expansion and is able to negotiate better rates.

Operating expenses were $13.1 million for the quarter ended June 30, 2013, compared to $4.0 million for the comparative period in 2012, and $12.2 million for the prior quarter ended March 31, 2013. Adjusted operating expenses were $10.3 million for the quarter ended June 30, 2013 compared to $10.8 million for the immediate preceding quarter ended March 31, 2013 and $3.4 million for the quarter ended June 30, 2012 reflecting a reduction of 5% over the amount reported during the previous quarter ended March 31, 2013 and an increase of 199.5% over the amount reported during the comparative period ended June 30, 2012 reflecting respectively improved operating efficiencies and growth in the business activities

Share-based compensation, which consists of non-cash expenses related to the fair value of options granted under the Company stock option plan and deferred share units issued (“DSU”) granted during the period, was $2.8 million during the three months ended June 30, 2013 compared to $1.5 million during the three months ended March 31, 2013 and $0.6 million reported in the comparative quarter ended June 30, 2012. The increase is directly attributed to the additional grant of options and the increasing estimated fair value of those options as the Company continues to expand and its share price also continues to grow.

Business acquisition costs, which consist of the amortization of certain acquired intangibles from the acquisition of TLS, and transaction and integration costs associated with the GE Portfolio acquisition were $25.8 million during the quarter ended June 30, 2013. As we have noted previously, these types of expenses will continue to negatively impact the Company’s performance going forward as it continues on its growth plan and where such costs will continue to be expensed as incurred under IFRS.

Net loss before income taxes for the three months ended June 30, 2013 was $14.2 million compared to net loss before taxes of $7.7 million reported for the three months ended June 30, 2012 and net income before income taxes of $7.3 million reported in the immediate preceding quarter ended March 31, 2013. The net loss before income taxes for the three months ended June 30, 2013 was negatively impacted by the one-time transaction and integration costs associated with the acquisition of the GE Portfolio. The net income before income taxes during the quarter ended March 31, 2013 was impacted by integration costs associated with the acquisition NexCap during that quarter.

Consolidated Financial Position

The following table sets forth a summary of the Company's consolidated financial position as at March 31, 2013 and December 31, 2012:

			As at
(in 000's for stated values, except per unit amounts)	**June 30, 2013** **$**	March 31, 2013 $	December 31, 2012 $
Cash	**41,534**	68,442	9,997
Restricted cash	**64,142**	53,092	51,279
Finance receivables	**2,143,133**	1,468,639	1,294,591
Deferred tax assets	**25,272**	18,018	16,152
Non-portfolio assets	**259,289**	158,162	136,873
Total assets	**2,533,370**	1,766,353	1,508,892
Accounts payable and accrued liabilities	**83,883**	106,727	70,057
Secured borrowings	**1,539,011**	1,033,181	989,128
Derivative financial instruments	**2,562**	1,134	645
Deferred tax liabilities	**28,354**	29,398	25,637
Total liabilities	**1,653,810**	1,170,440	1,085,467
Shareholders' equity	**879,560**	595,913	423,425
Total liabilities and shareholders' equity	**2,533,370**	1,766,353	1,508,892

About Element Financial Corporation

With total assets of approximately $2.5 billion, Element Financial Corporation is one of North America's leading independent equipment finance companies. Element operates across North America in three verticals of the equipment finance market - Element Capital provides large ticket equipment leasing, Element Finance serves the mid-ticket equipment finance market and Element Fleet provides vehicle fleet leasing and management solutions.

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Forward Looking Statements

This release includes forward-looking statements regarding Element and its business. Such statements are based on the current expectations and views of future events of Element's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the company. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.