EQUIPMENT LEASING AND FINANCE ASSOCIATION

Financing a Growing Economy

MLFI-25 and Beige Book
Quarterly Review
1Q '10

ELFA Research

April 2010

Quarterly MLFI Review

MLFI-25 Participants

ADP Credit Corporation
Bank of America
Bank of the West
Canon Financial Services
Caterpillar Financial Services Corp
CIT
De Lage Landen Financial Services
Dell Financial Services
Fifth Third Bank
First American Equipment Finance
Great America
Hitachi Credit America
HP Financial Services
John Deere Credit Corporation
Key Equipment Finance
Marlin Leasing Corporation
National City Commercial Corp.
RBS Asset Finance
Regions Equipment Finance
Siemens Financial Services
Susquehanna Commercial Finance
US Bancorp
US Express Leasing
Verizon Capital Corp
Volvo Financial Services
Wells Fargo Equipment Finance

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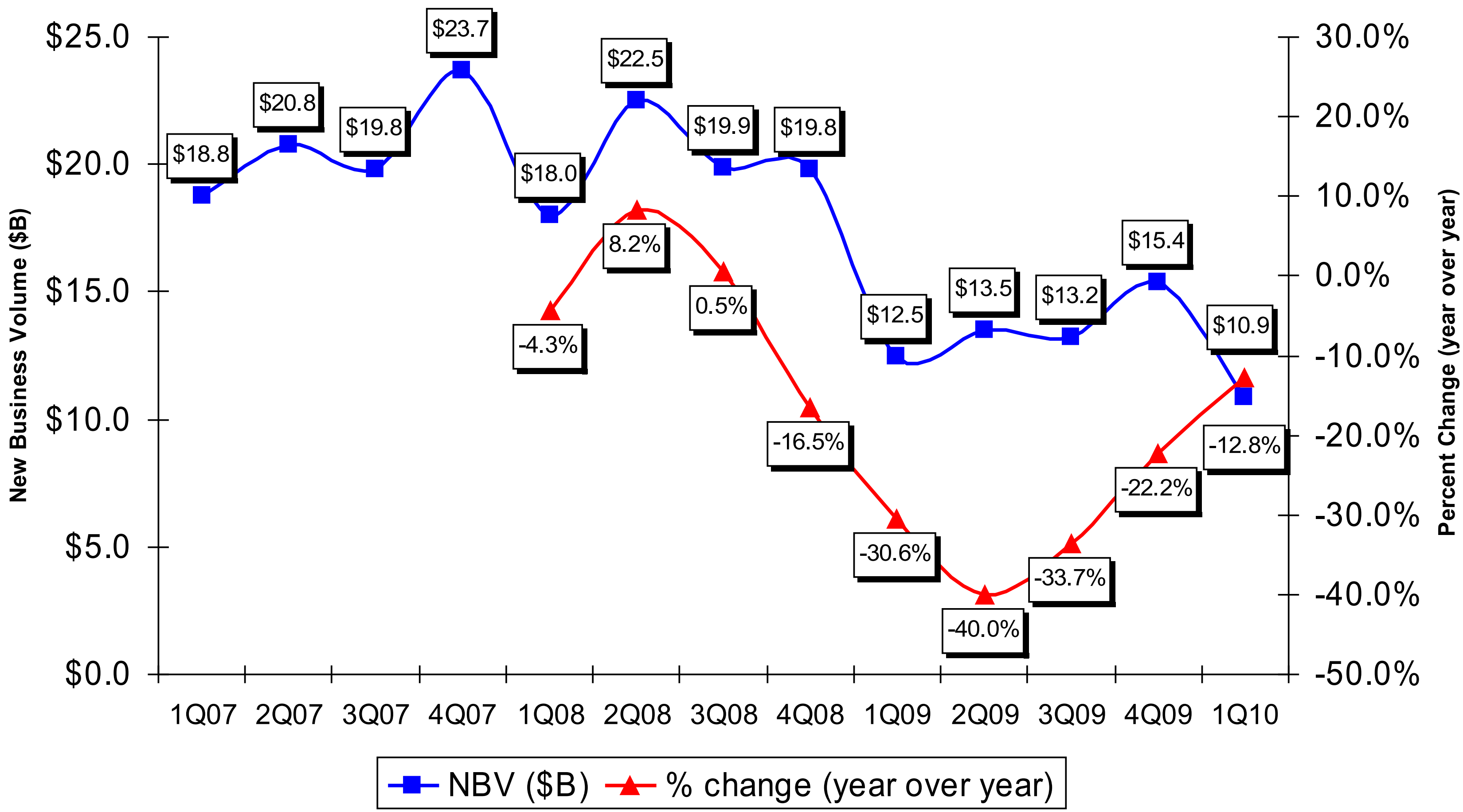
Quarterly MLFI Review

New Business Volume

- In 1Q ‘10, overall new business volume (NBV) showed a 13% decline compared to the 1Q ‘09
- New business volume is starting to show signs of improvement in the second half of ‘09 thru first quarter ‘10
- In March 2010, on average, only 44% of respondents reported a downturn in new business volume, lowest number since December 2008.
- For organizations experiencing a downturn in NBV March, declining customer demand was the #1 reason (100%).
- NBV was flat for the Independents and Captives in 1Q ’10; Banks’ NBV showed a decline.

New Business Volume by Quarter (2007-2010)



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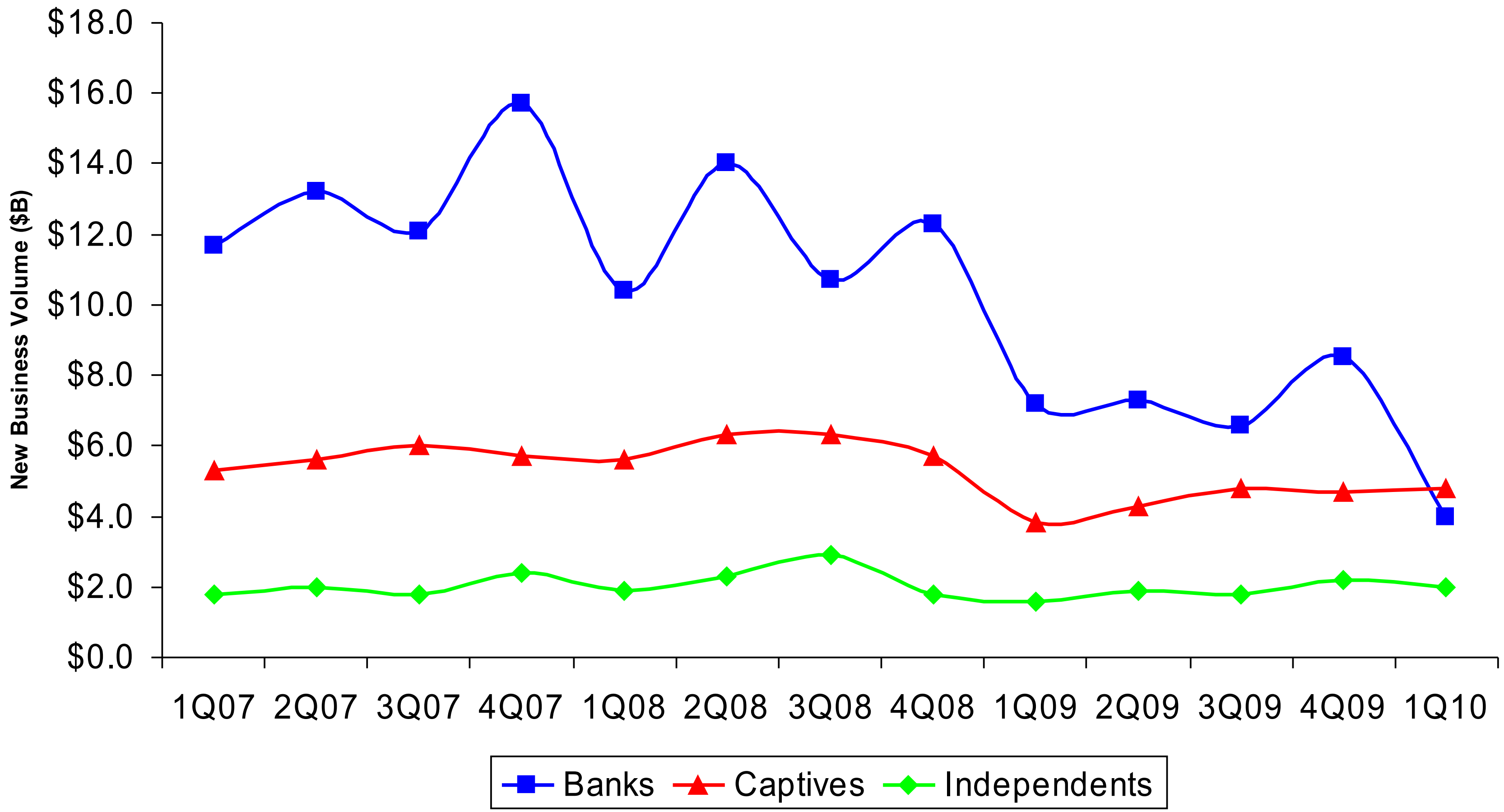
New Business Volume by Quarter by Organization Type (2007-2010)



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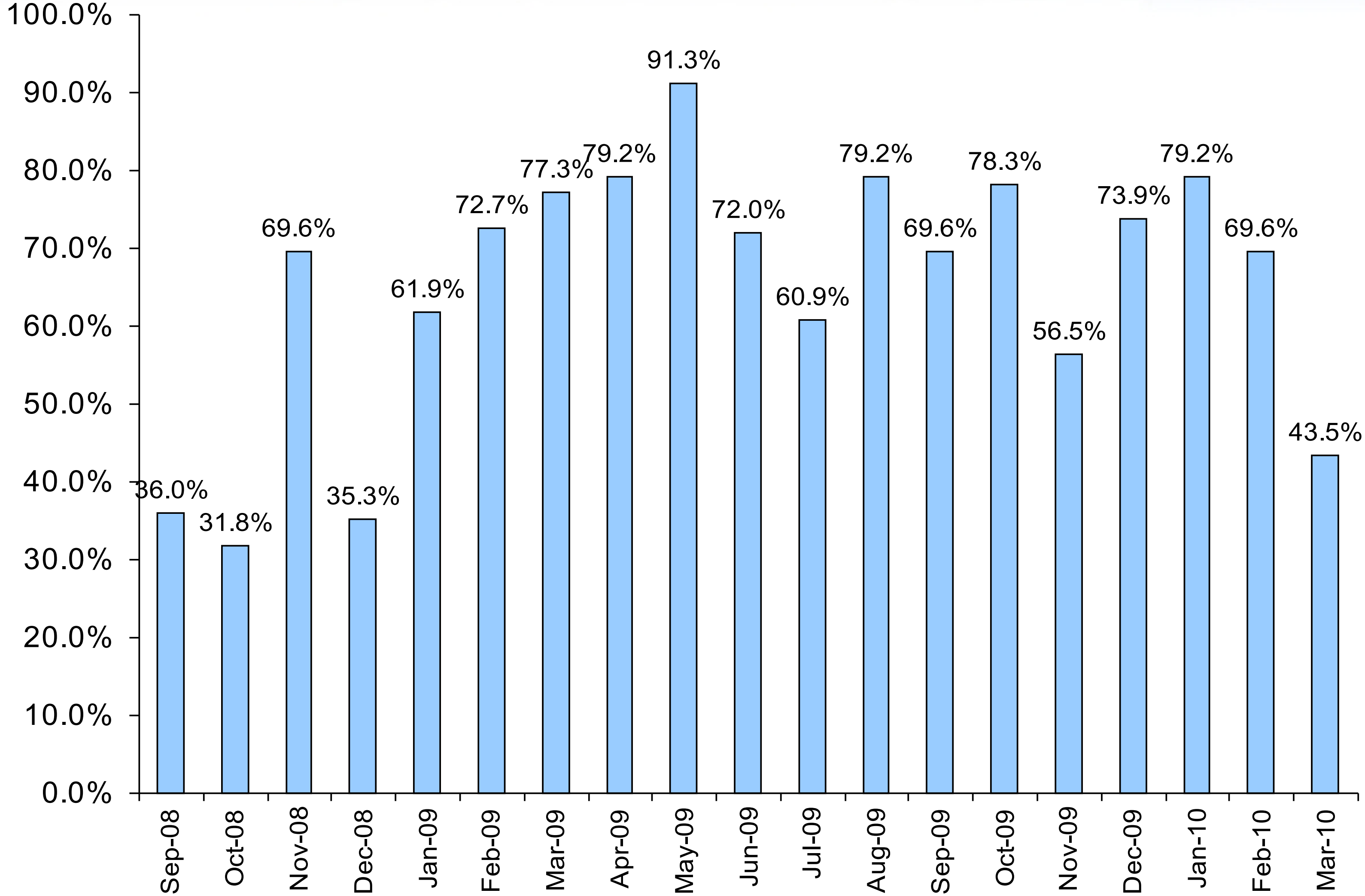
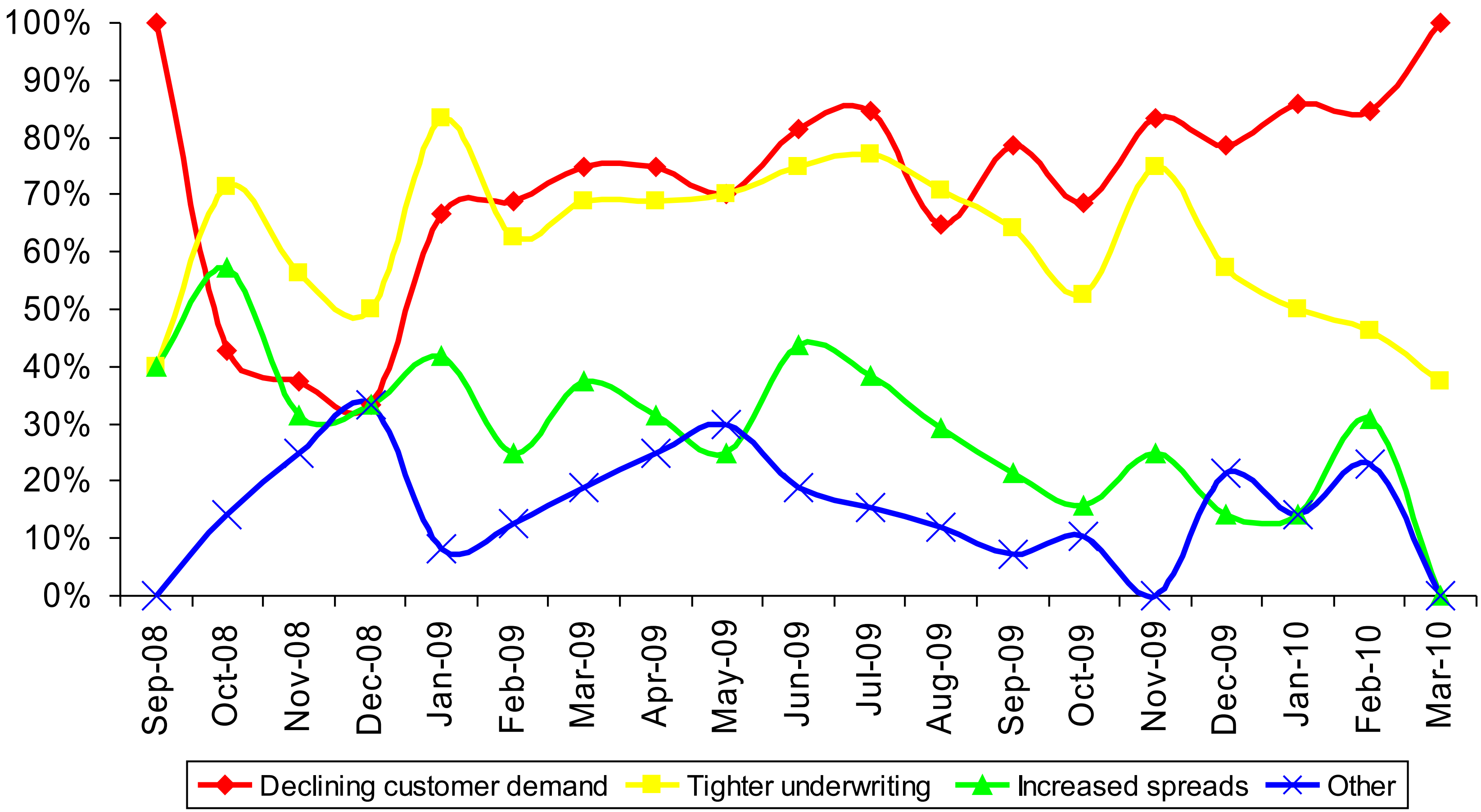
Did your organization see a downturn in New Business Volume Year over Year?

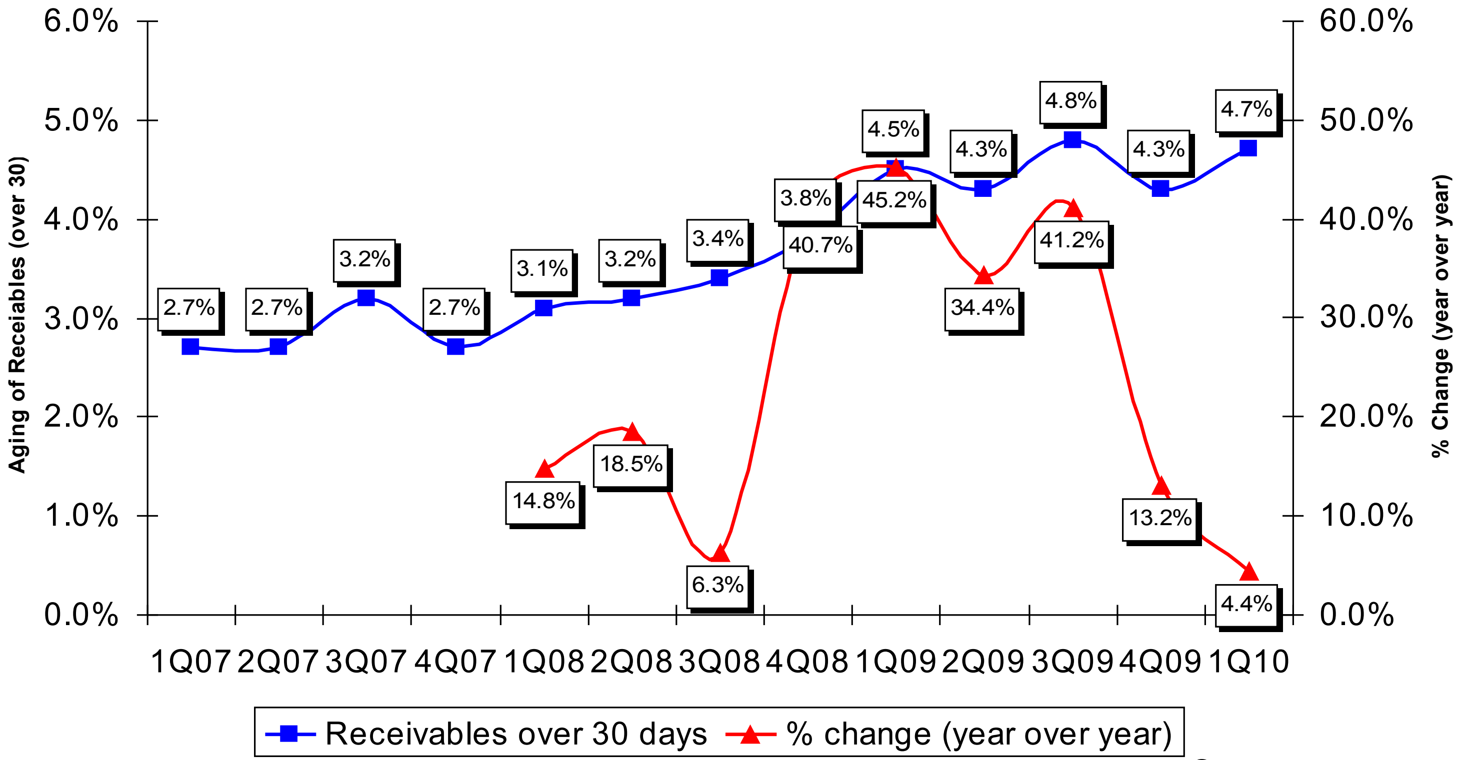


If yes, can you attribute the downturn to something specific (check all that apply)?



Receivables Over 30 days by Quarter (2007-2010)

- Receivables over 30 days climbed steadily throughout 2008
- In 2009, receivables leveled off in the 4.3%-4.8% range
- In 1Q ‘10, receivables over 30 days increased by 4.4% compared to 1Q ’09: This is the smallest YOY increase during the entire survey period.



* Aging of Receivables represented as a percentage of organizations on-balance sheet and securitized portfolio net investment risk

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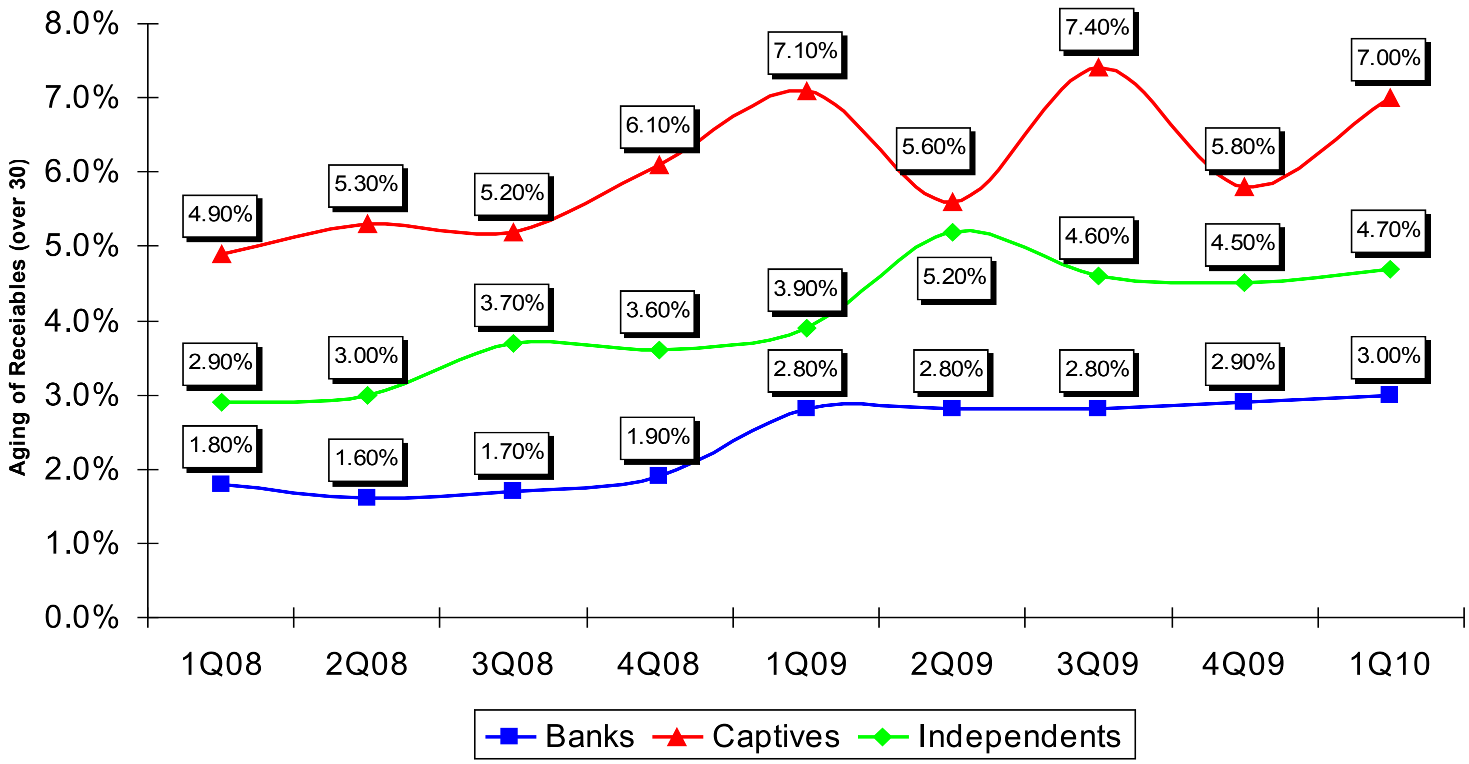
Receivables Over 30 days by Quarter by Organization Type (2008-2010)

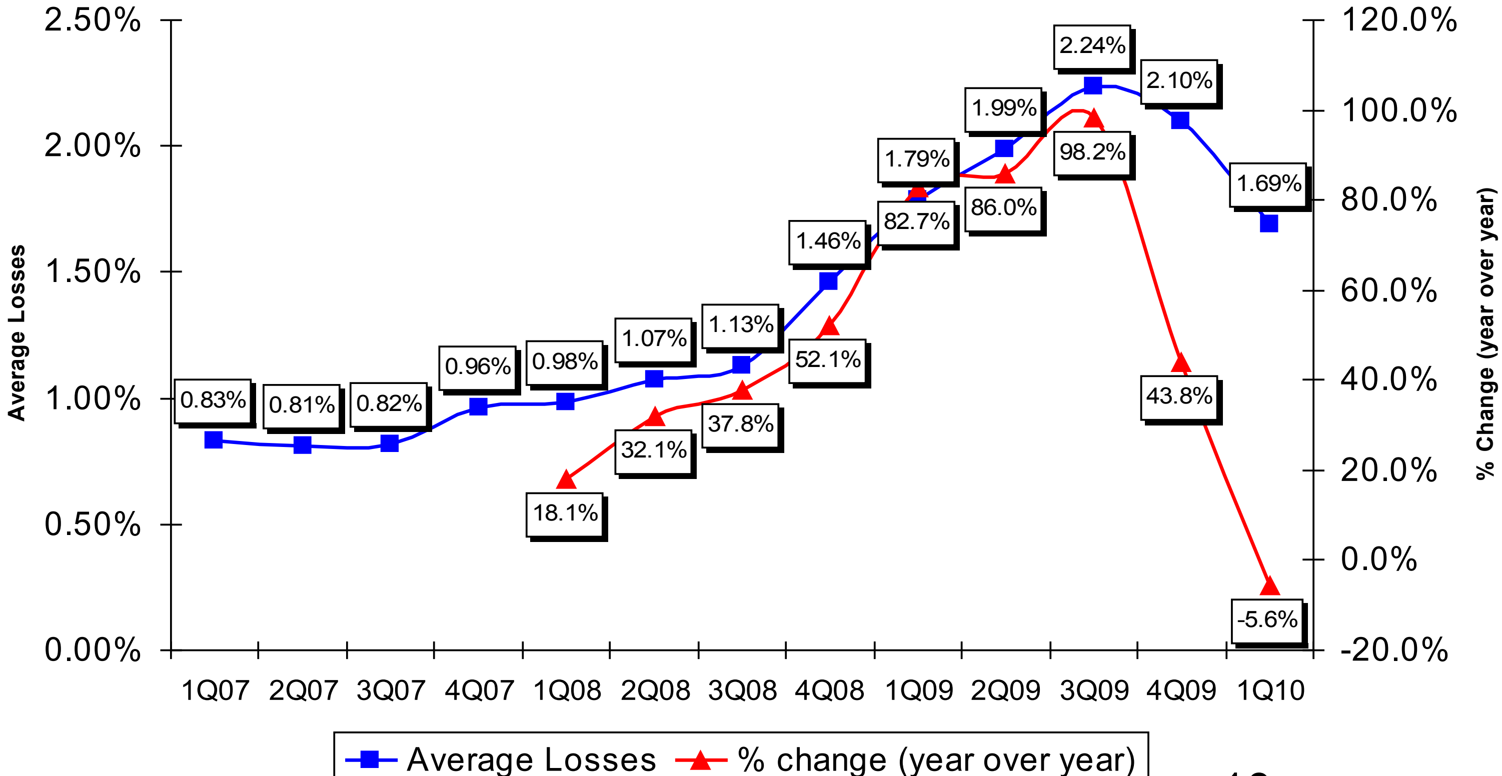
- Results are mixed when comparing by organization type: Banks and Independents are flattening out; however, Captives' increased rather sharply



* Aging of Receivables represented as a percentage of organizations on-balance sheet and securitized portfolio net investment risk

Average Losses (Charge offs) by Quarter (2007-2010)

- Average losses have steadily increased since 2Q'07.
- In 4Q '09, losses declined for the first time since 1Q'08. Trend continues in 1Q'10.
- First time in 2 years we have seen a YOY decline in charge offs



* Average Losses are annualized actual losses (charge-offs) as a percentage of average net receivables

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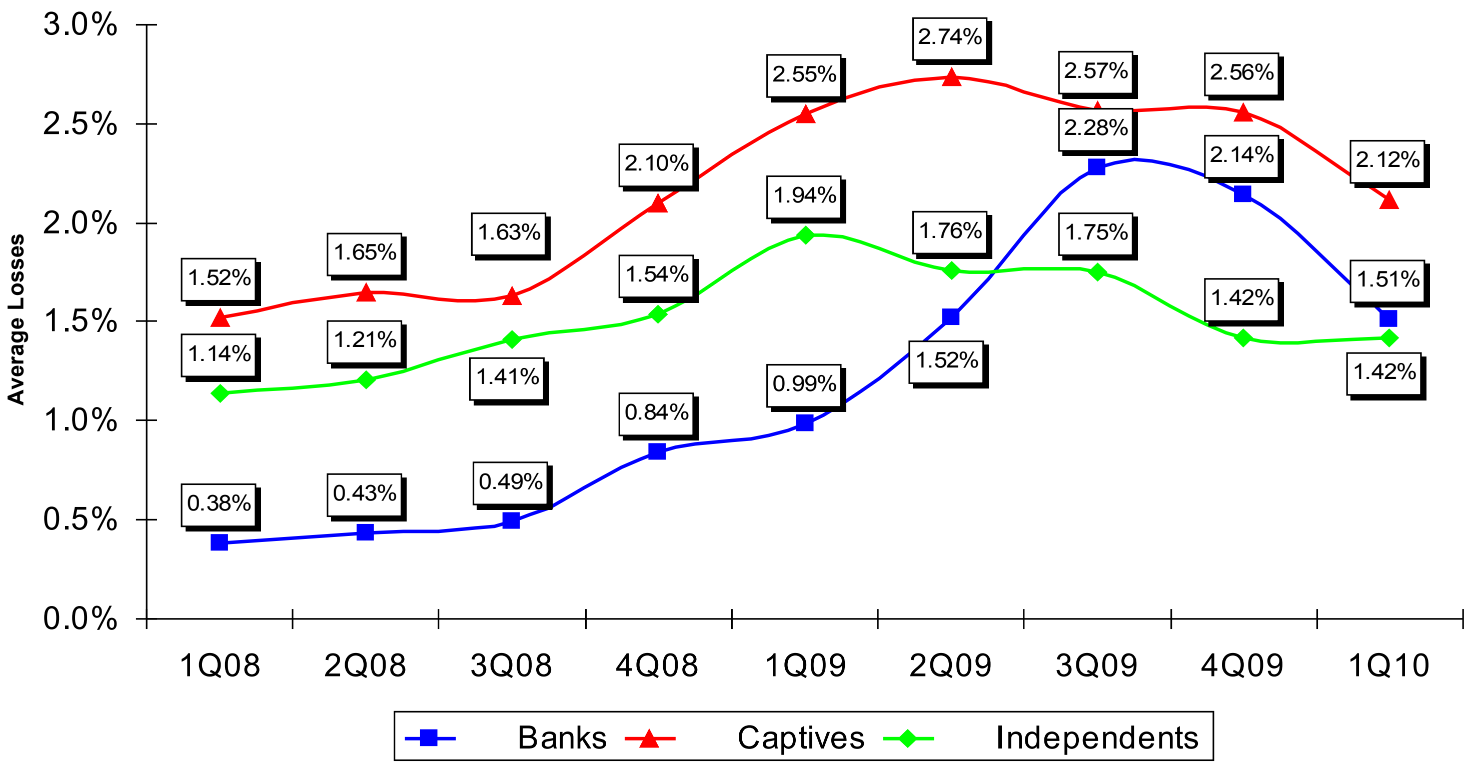
Average Losses (Charge offs) by Quarter by Organization Type (2008-2010)

- Charge-offs for Banks and Captives declined in 1Q'10
- Independents' charge-offs stabilized in 1Q'10



* Average Losses are annualized actual losses (charge-offs) as a percentage of average net receivables

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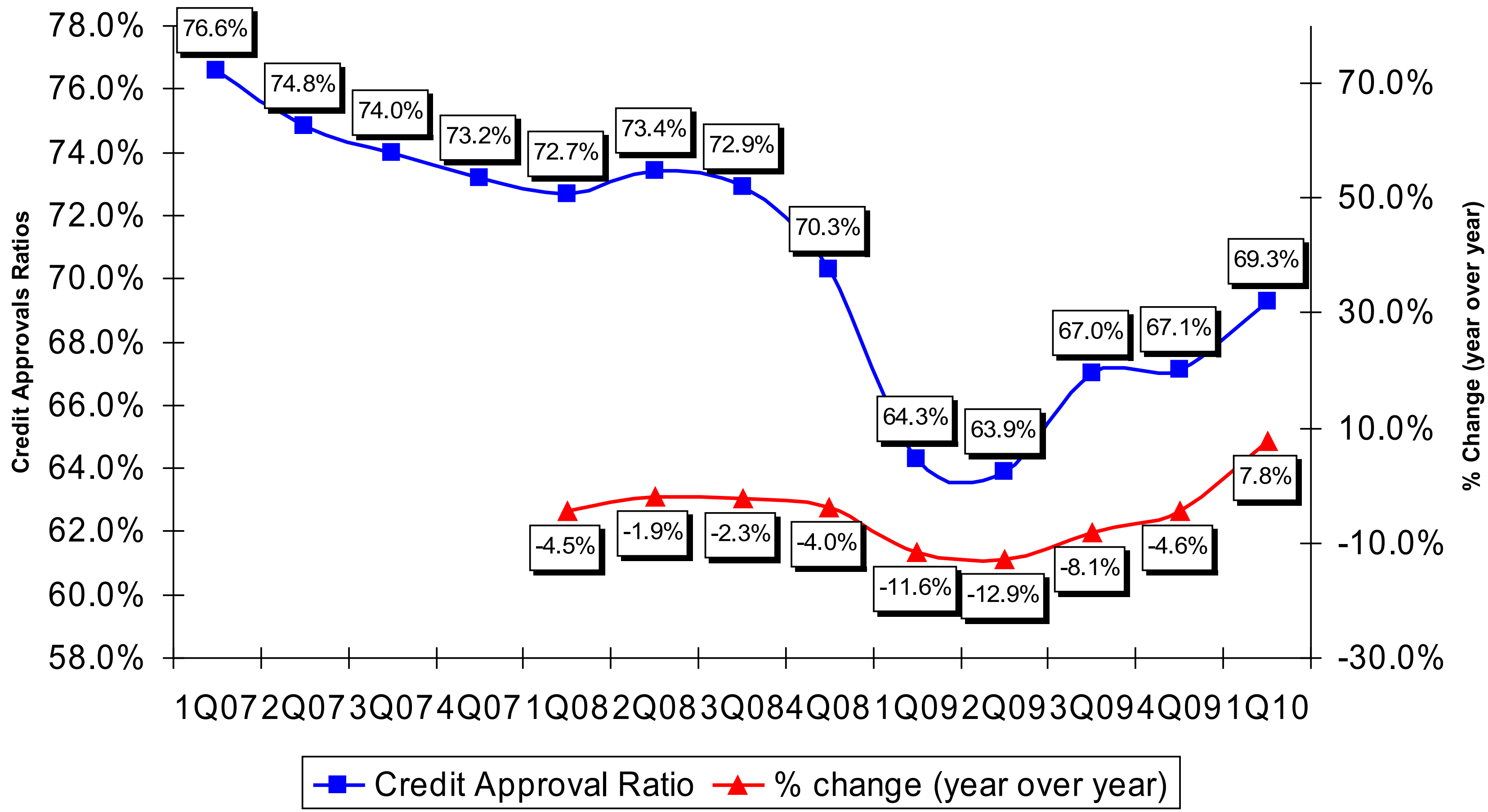
Quarterly MLFI Review

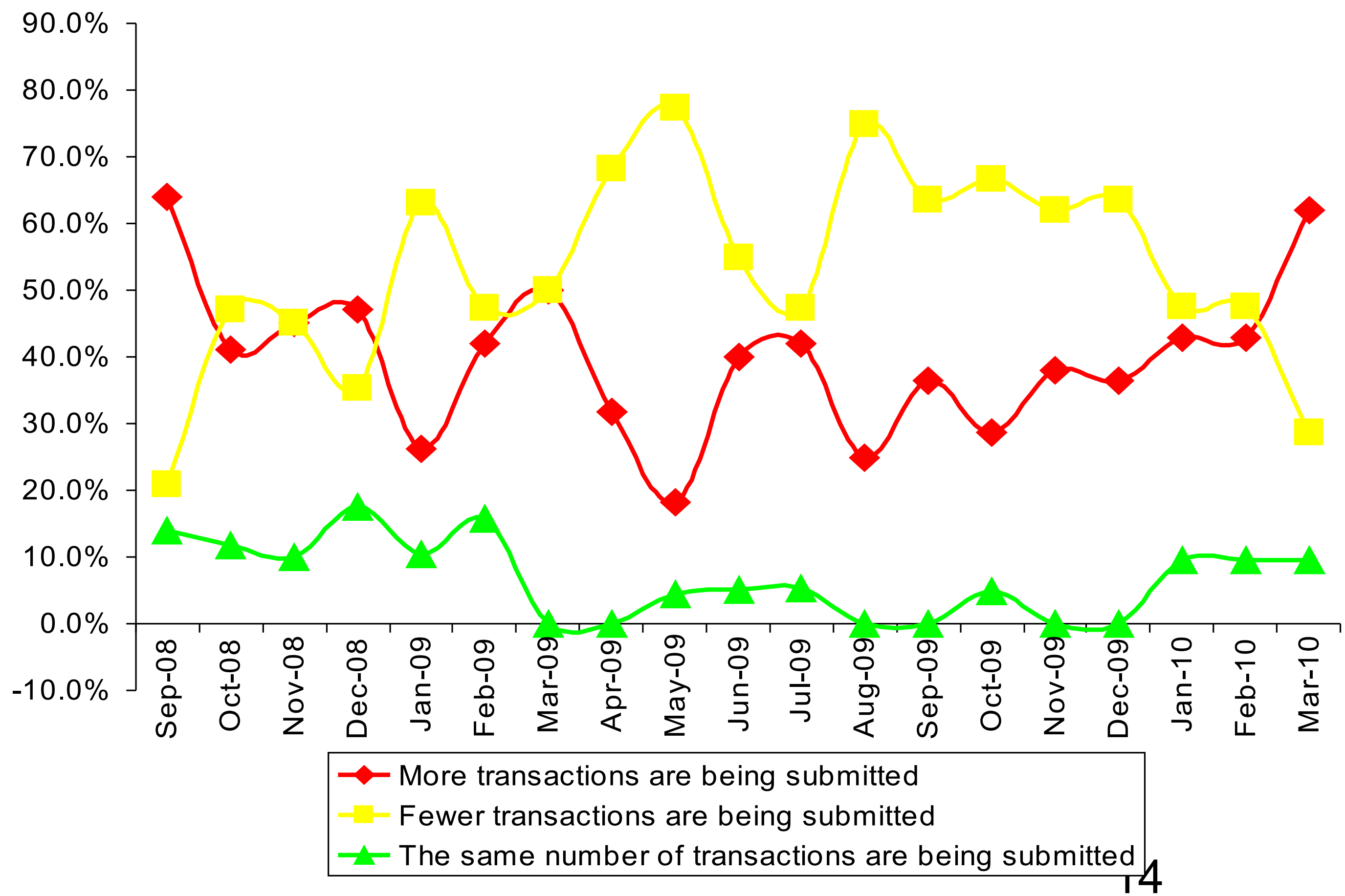
- Credit Approvals
  - Since 3Q’08, credit approval ratios steadily declined until the second half of 2009.
  - Credit Approval ratios have reached their highest levels since 4Q’08
  - In March 2010, 62% of participating organizations report more transactions moving through the credit approval process, the highest level since September 2008.
  - Credit approval levels for Captives and Independents were flat in Q1 ‘10, while Banks’ increased.

Credit Approvals by Quarter (2007-2010)

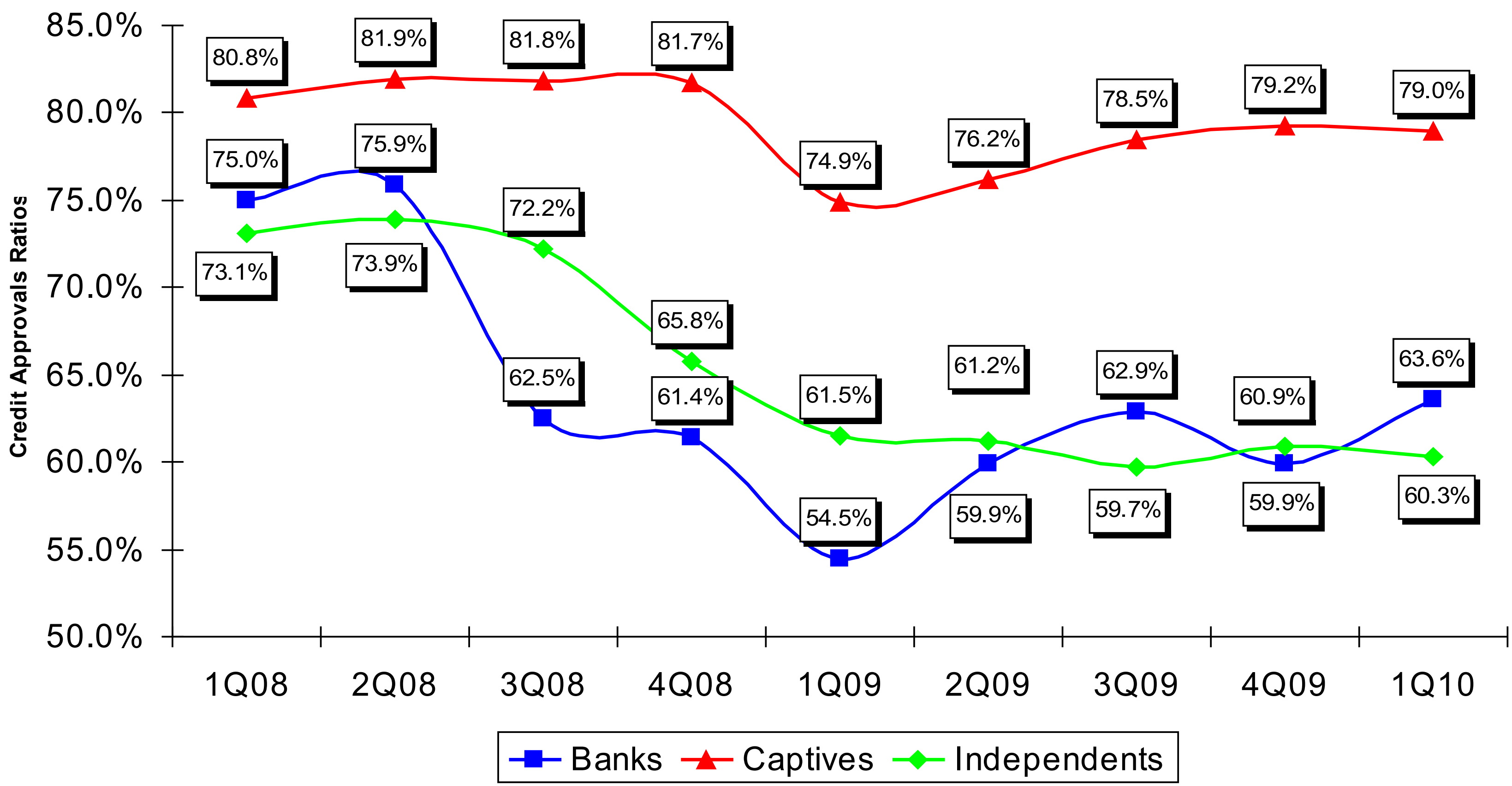


* Credit Approvals defined as # of total applications approved as a percentage of total credit decisions submitted

Is your organization putting more, less or the same number of transactions through the credit approval process?



Credit Approvals by Quarter by Organization Type (2008-2010)



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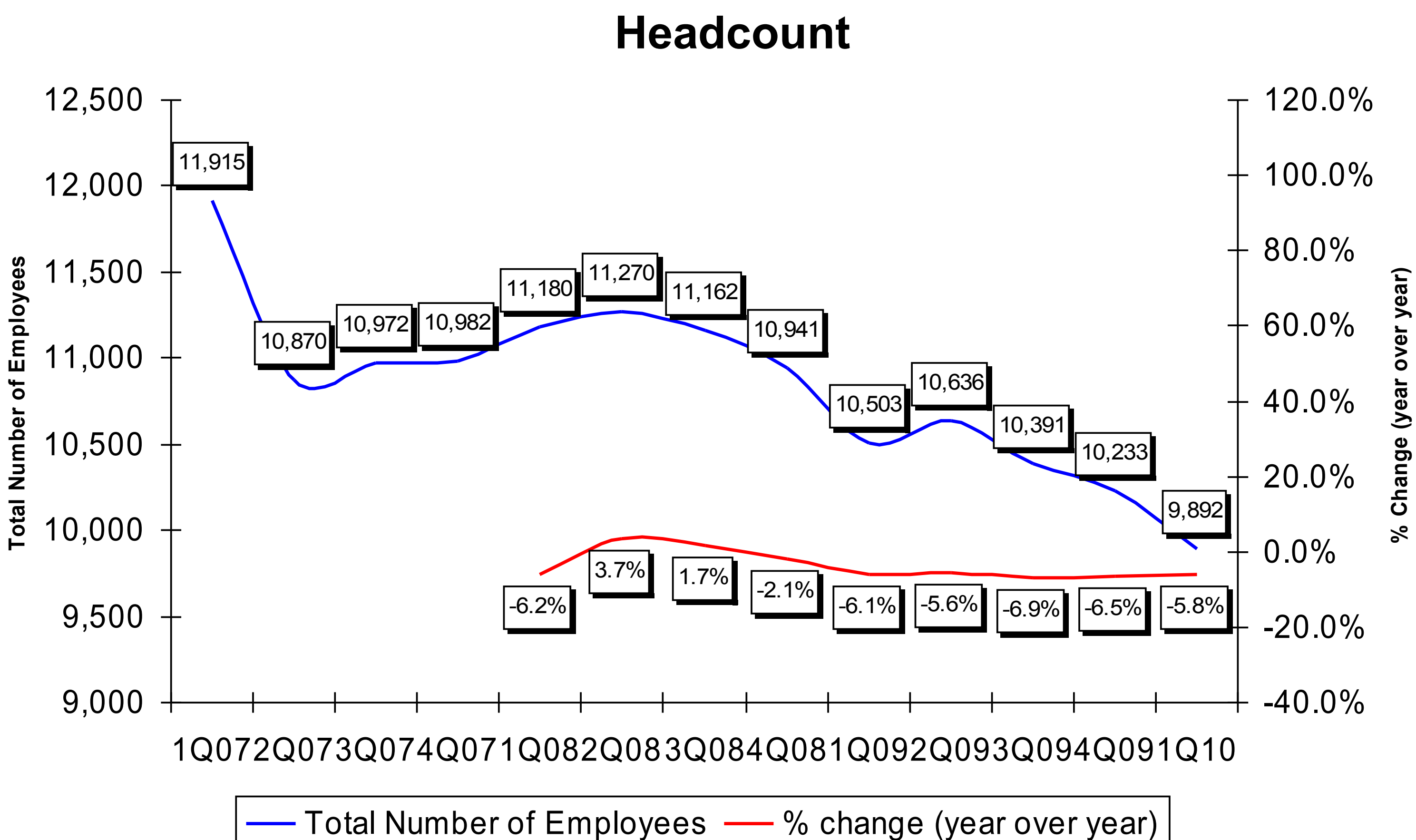
Total Number of Employees by Quarter (2007-2010)

- Employment in the equipment finance industry is down 5.8% in 1Q10 year over year



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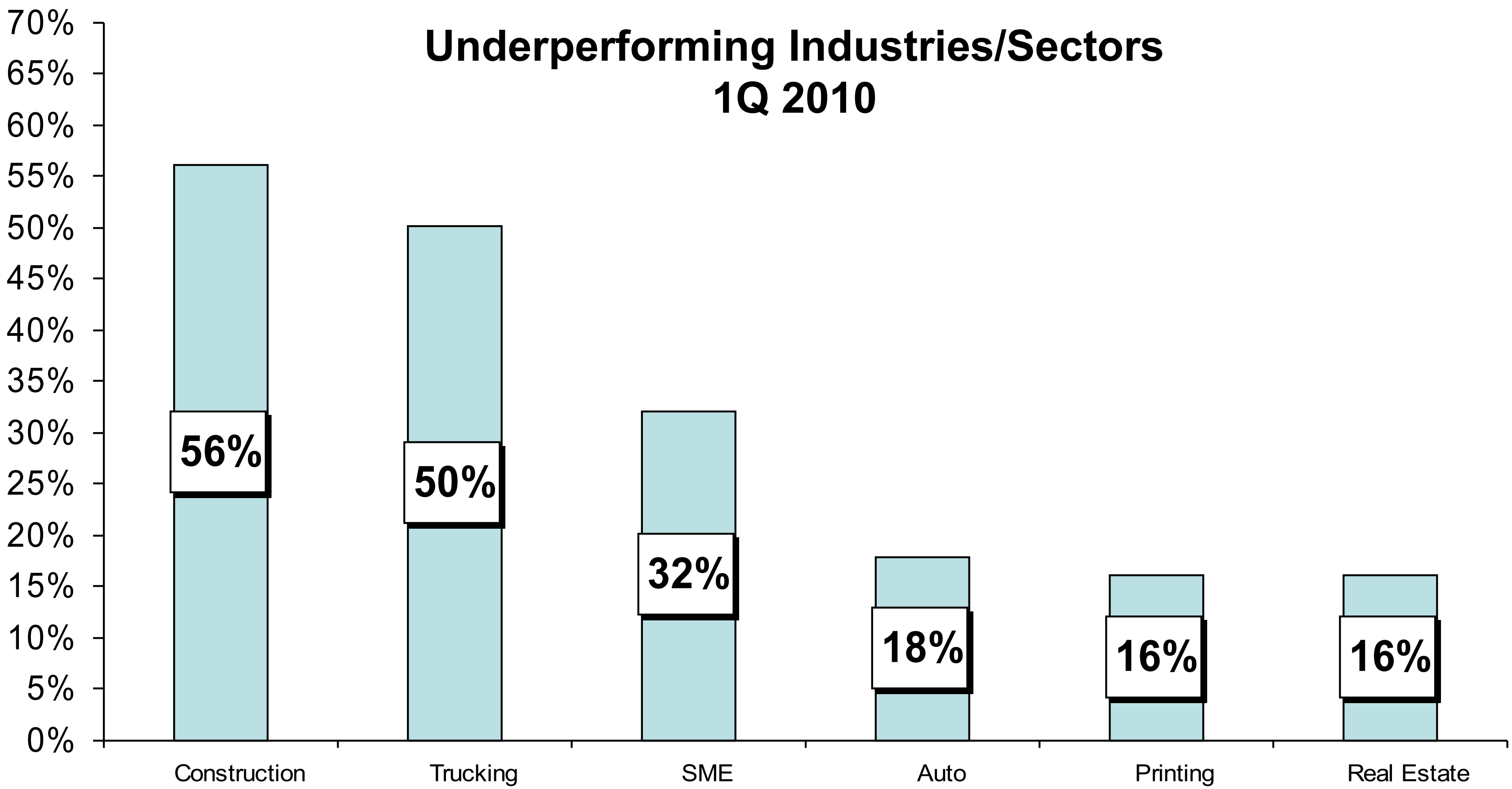
* Full-Time Equivalents dedicated exclusively to the ELFA member entity

Within your portfolio, what industries or sectors are underperforming ?

- The trucking and construction industries continue to underperform
- Small businesses (SMEs) are under some stress as well



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Financing a Growing Economy

Beige Book
Quarterly Review
(1Q '10)

Survey of

ELFA Business Council Steering Committees

Beige Book
Captive & Vendor Finance (100% Response)
Executive Summary

- **New Business Volume:**
  - 57% of captive & vendor finance organizations experienced a year over year decline in new business volume in the first quarter 2010
    - Of the companies showing decline in new business volume, 57% cited lower customer demand as the main reason their new business volume declined year over year.
    - Of the few companies showing an increase in new business volume,100% attribute this to an increase in customer demand.

- **Availability of Capital:** 21.4% of captive & vendor finance organizations experienced capital constraints on funding new transactions

- **Spreads:** Only 31% of all captive & vendor finance organizations are seeing spreads widen (highest among all Business Councils)

- **Delinquencies & Losses:** 15% of captive & vendor finance companies are showing an increase in delinquencies & losses in their portfolio

Beige Book
Captive & Vendor Finance
Executive Summary

- **Number of Transactions Through the Credit Approval Process:** 29% of captive & vendor finance organizations are submitting fewer transactions through the credit approval process (lowest among all Business Councils)

- **Best Performing Industries:** The Best Performing Industries for captive & vendor finance organizations is Healthcare (41.7%).

- **Worst Performing Industries:** The Worst Performing Industries for captive & vendor finance organizations are Construction (72.7%), Transportation-Trucking (27.3%) and Finance, Insurance, Real Estate (27.3)

- **Headcount:** 29% of captive & vendor finance companies have increased their headcount in 1Q 2010.

Beige Book
Small Ticket (90.9% Response)
Executive Summary

- **New Business Volume:**
  - 60% of small ticket organizations experienced a year over year decline in new business volume in the first quarter 2010 (highest among all the Business Councils)
    - Of the companies showing decline in new business volume, 60% cited customer demand as the main reason their new business volume declined year over year.
  - Of the few companies showing an increase in new business volume,100% attribute this to an increase in customer demand.

- **Availability of Capital:** 10% of small ticket organizations experienced capital constraints on funding new transactions

- **Spreads:** 30% of all small ticket organizations are seeing spreads widen (highest among all the Business Councils)

- **Delinquencies & Losses:** 70% of small ticket organizations are showing an increase in delinquencies & losses in their portfolio (highest among all the Business Councils)

Beige Book
Small Ticket
Executive Summary

- **Number of Transactions Through the Credit Approval Process:** 33% of small ticket organizations are submitting fewer transactions through the credit approval process
- **Best Performing Industries:** The Best Performing Industries for small ticket organizations are Services -Health (60.0%), Services – Other (40.0%), and Government – State & Local (20.0%)
- **Worst Performing Industries:** The Worst Performing Industries for small ticket organizations are Construction (70.0%), Transportation – Truck (60.0%), and Wholesale / Retail (30.0%)
- **Headcount:** 10% of small ticket organizations increased headcount in 1Q 2010 (lowest among all the Business Councils)

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Beige Book
Independent Middle Market (90.9% Response)
Executive Summary

- **New Business Volume:**
  - 60% of Independent Middle Market organizations experienced a year over year decline in new business volume in the first quarter 2010 (the highest for all Business Councils)
    - Of the companies showing decline in new business volume, 43% cited customer demand (the lowest for all Business Councils) & 43% cited tighter underwriting standards (the highest for all Business Councils) as the main reason their new business volume declined year over year.
  - Of the few companies showing an increase in new business volume,100% attribute this to an increase in customer demand.

- **Availability of Capital:** 50% of Independent Middle Market organizations experienced capital constraints on funding new transactions (the highest for all Business Councils)

- **Spreads:** 10% of all Independent Middle Market organizations are seeing spreads widen (the lowest for all Business Councils)

- **Delinquencies & Losses:** 10% of Independent Middle Market organizations are showing an increase in delinquencies & losses in their portfolio (the highest for all Business Councils)

Beige Book
Independent Middle Market
Executive Summary

- **Number of Transactions Through the Credit Approval Process:** 60% of Independent Middle Market organizations are submitting more transactions through the credit approval process (the highest for all Business Councils)
- **Best Performing Industries:** The Best Performing Industries for Independent Middle Market organizations are Industrial, Manufacturing (66.7%) and Services – Health (44.4%)
- **Worst Performing Industries:** The Worst Performing Industries for Independent Middle Market organizations are Construction (72.7%) and Printing, Publishing, Newspapers, Periodicals (37.5%)
- **Headcount:** 20% of Independent Middle Market organizations increased headcount in 1Q 2010.

Beige Book
Financial Institutions (92.3% Response)
Executive Summary

- **New Business Volume:**
  - 54% of Financial Institutions experienced a year over year decrease in new business volume in the first quarter 2010 (the lowest for all Business Councils)
    - Of the companies showing a decrease in new business volume, 83% attribute this to decline in customer demand (the highest for all Business Councils)
  - Of the few companies showing an increase in new business volume,100% attribute this to an increase in customer demand.

- **Availability of Capital:** No Financial Institutions respondents experienced capital constraints on funding new transactions (the lowest for all Business Councils)

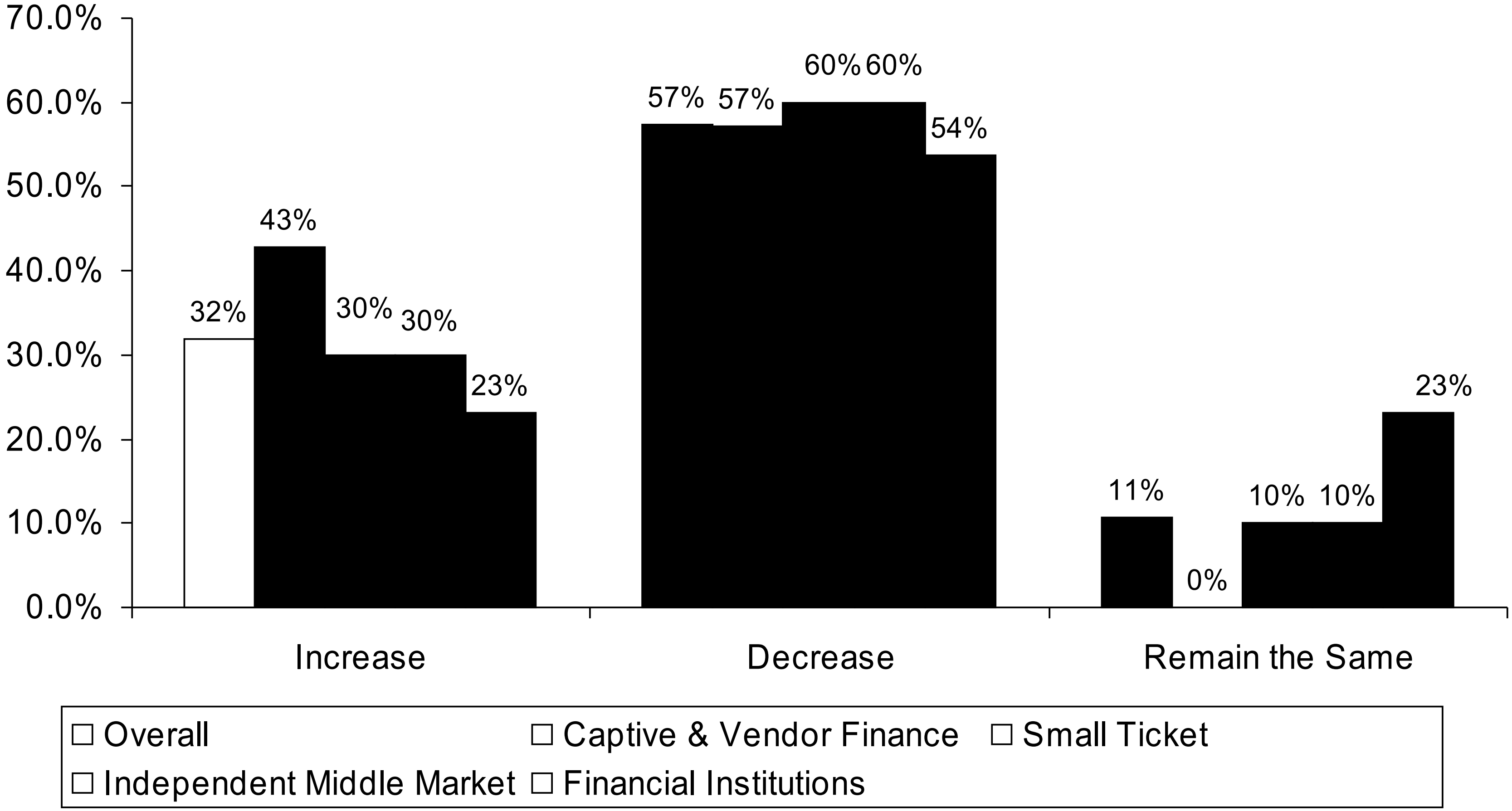
- **Spreads:** 15% of all Financial Institutions are seeing spreads widen

- **Delinquencies & Losses:** 0% of Financial Institutions are showing an increase in delinquencies & losses in their portfolio (the lowest for all Business Councils)

Beige Book
Financial Institutions
Executive Summary

- **Number of Transactions Through the Credit Approval Process:** 46% of Financial Institutions are submitting more transactions through the credit approval process
- **Best Performing Industries:** The Best Performing Industries for Financial Institutions are Services – Health (66.7%), Government – State & Local (33.3%), Mining / Oil & Gas Extraction (25.0%), and Utilities (62.5%)
- **Worst Performing Industries:** The Worst Performing Industries for are Construction (92.3%), Printing, Publishing, Newspapers, Periodicals (53.8%) and Transportation-Trucking (38.5%).
- **Headcount:** 39% of Financial Institutions increased headcount in 1Q 2010 (the highest percentage of all Business Councils)

New Business Volume (year over year)



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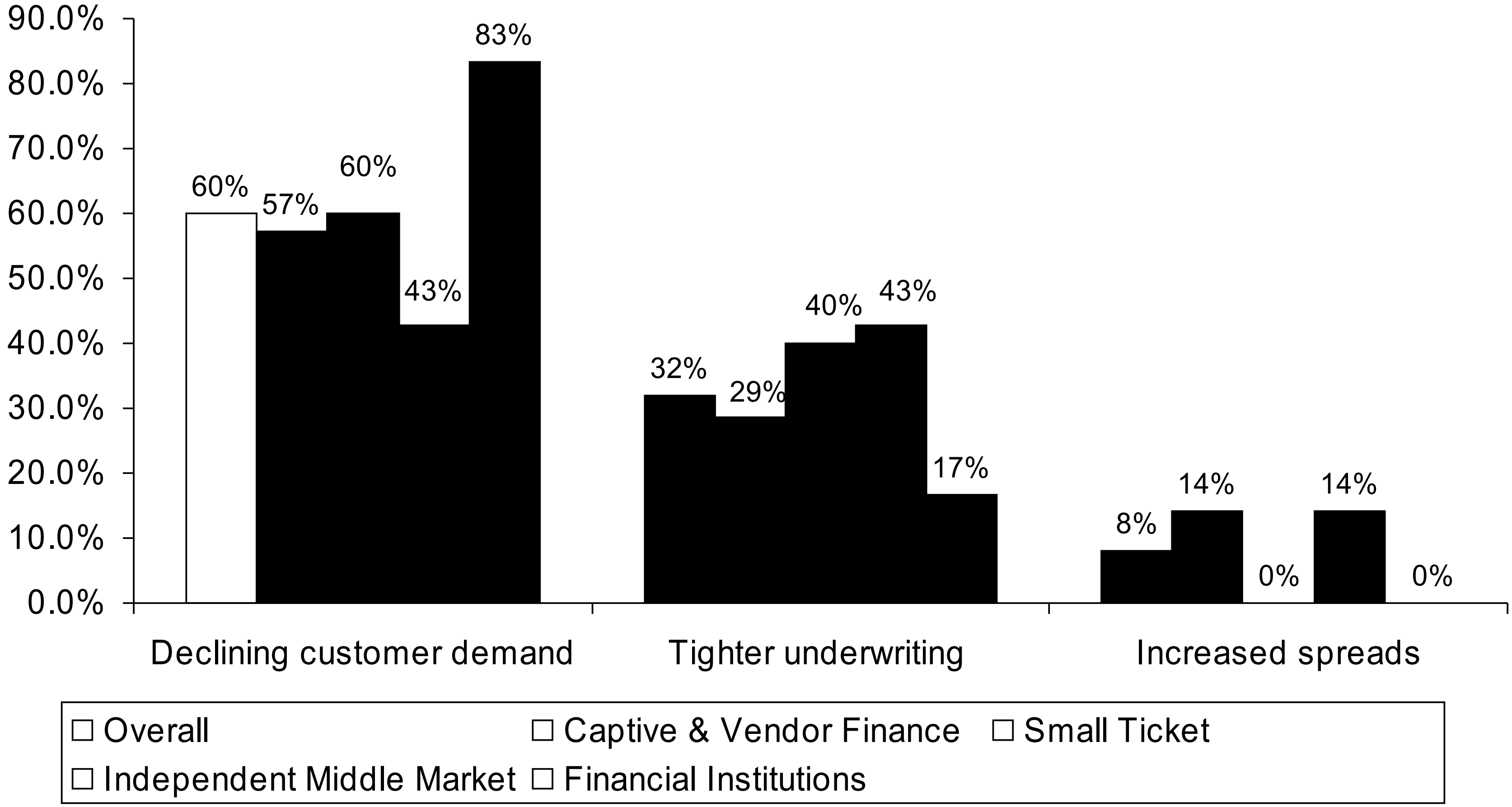
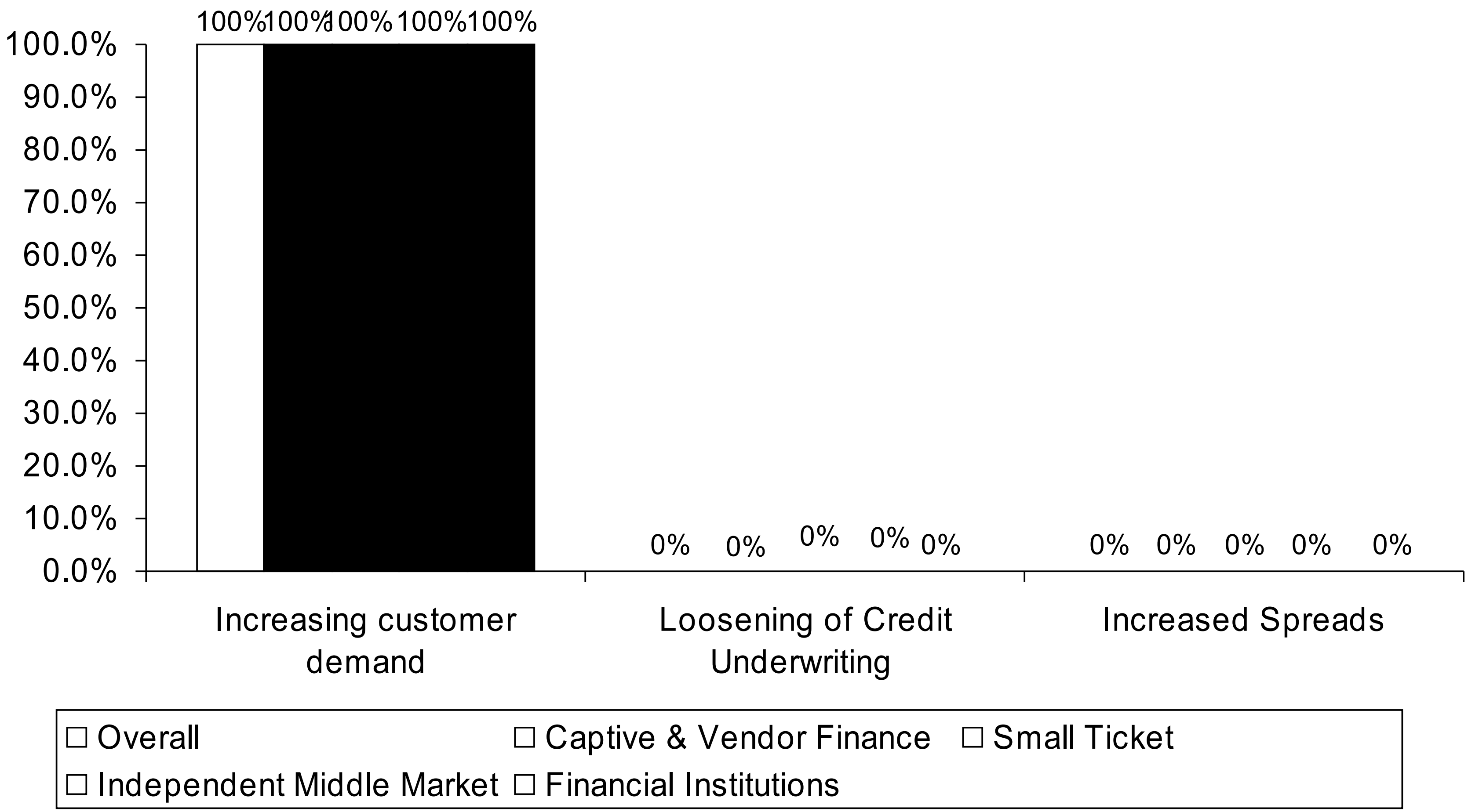
If New Business Volume Declined, To What Do You Attribute This?



If New Business Volume Increased, To What Do You Attribute This?



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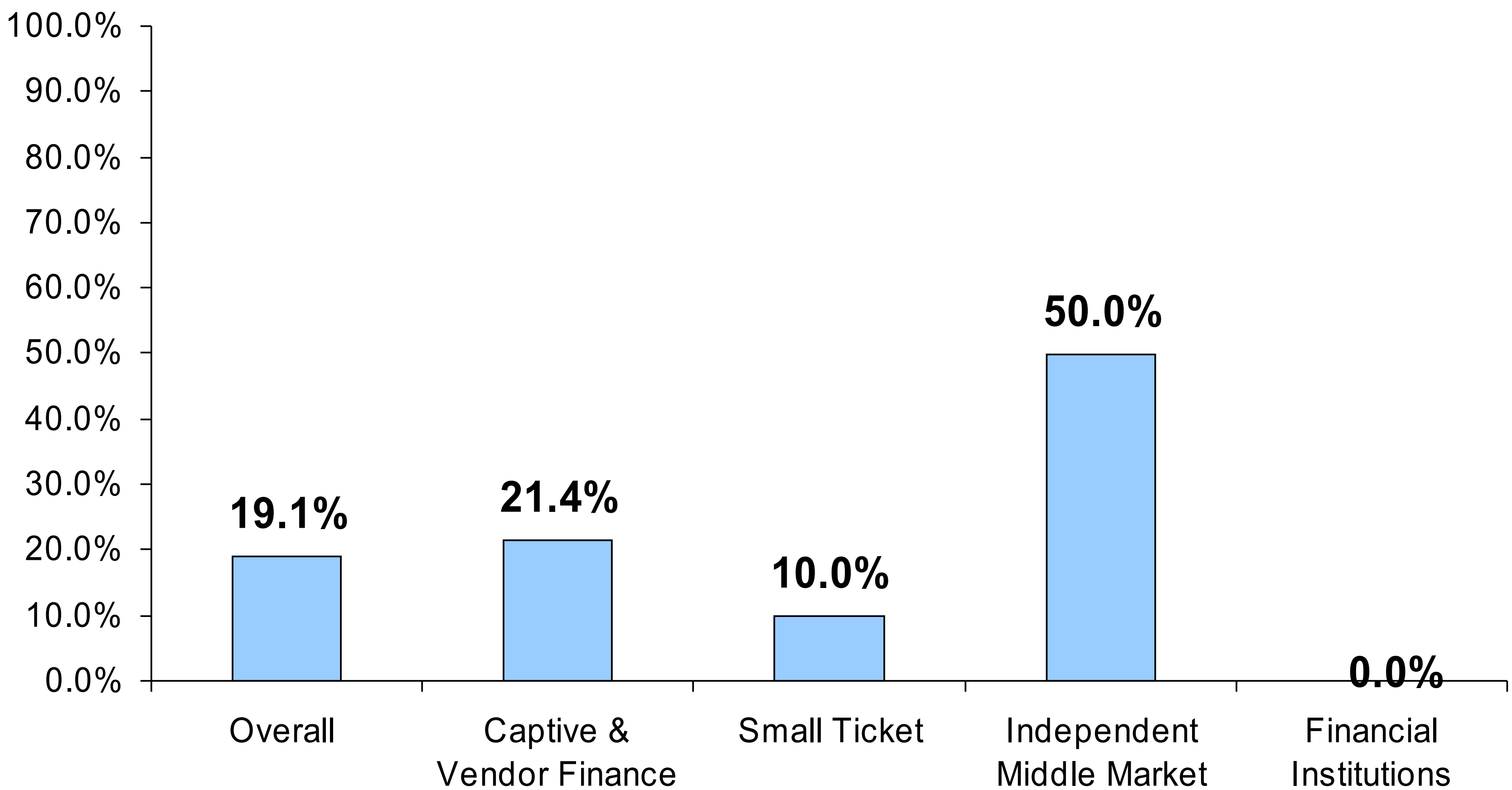
Availability of Capital Materially Affecting Ability to Fund New Transactions



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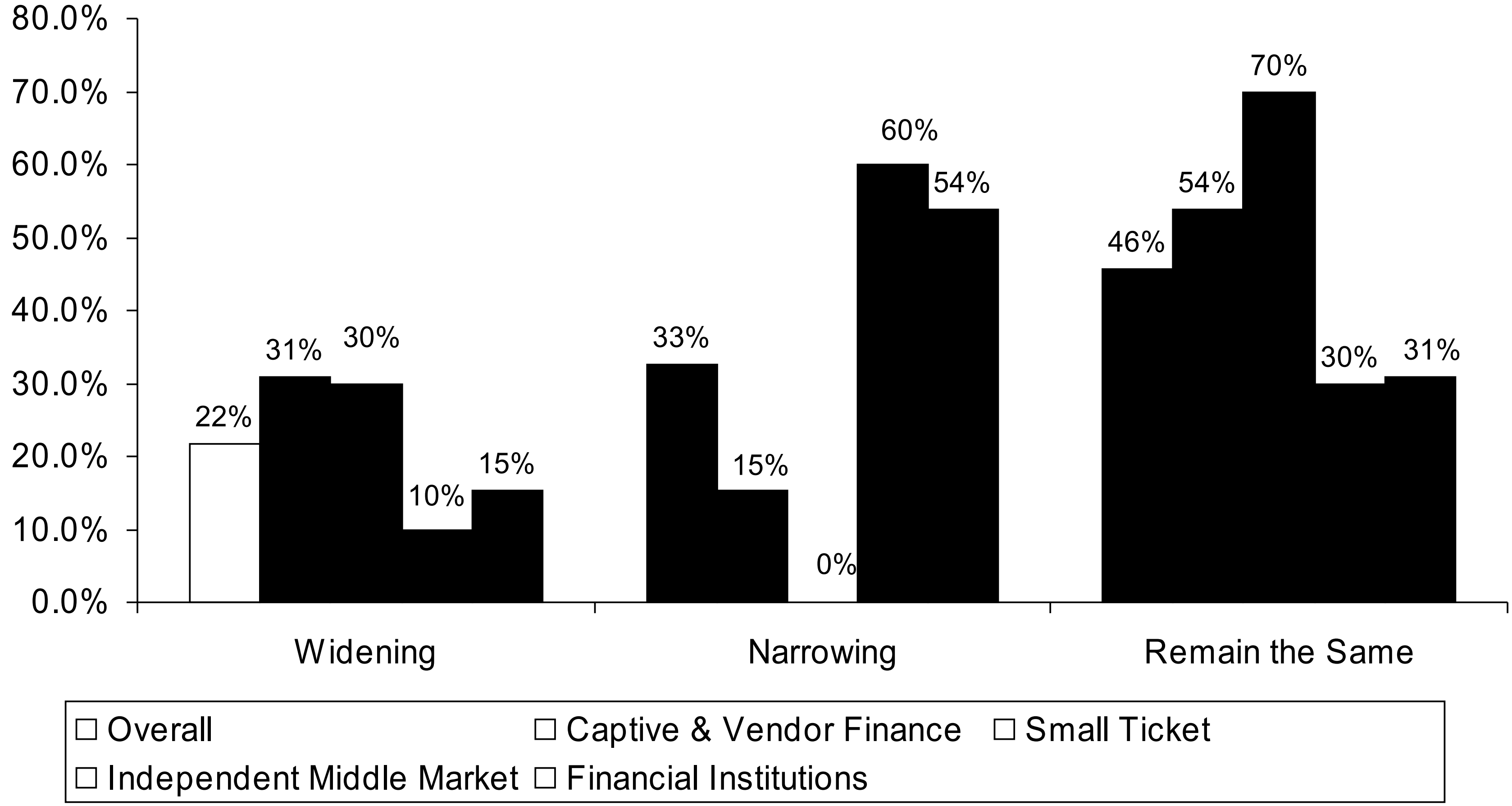
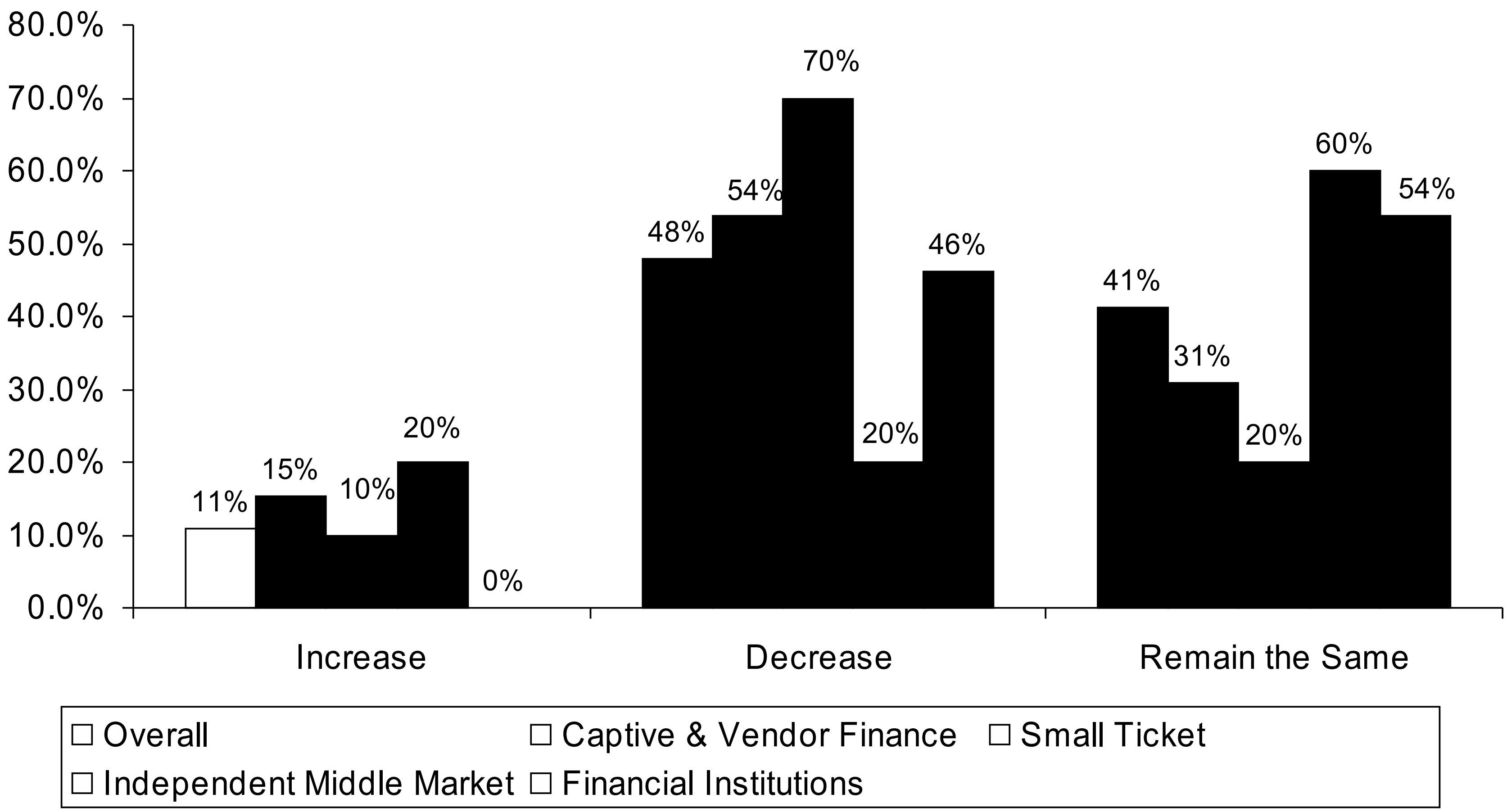
Spreads Widening, Narrowing, or Remain the Same?



Delinquencies & Losses: Increase, Decrease, or Remain the Same?



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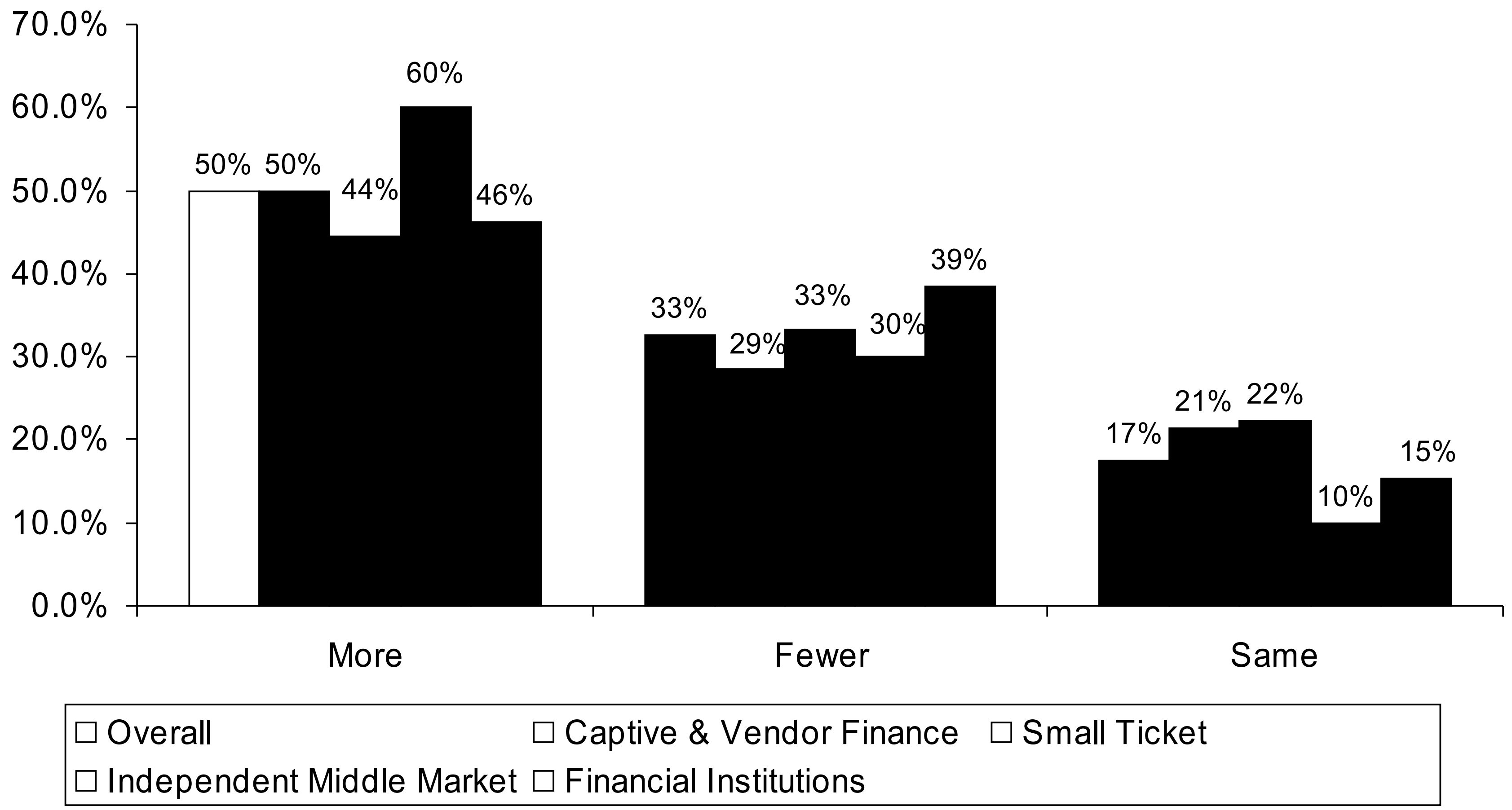
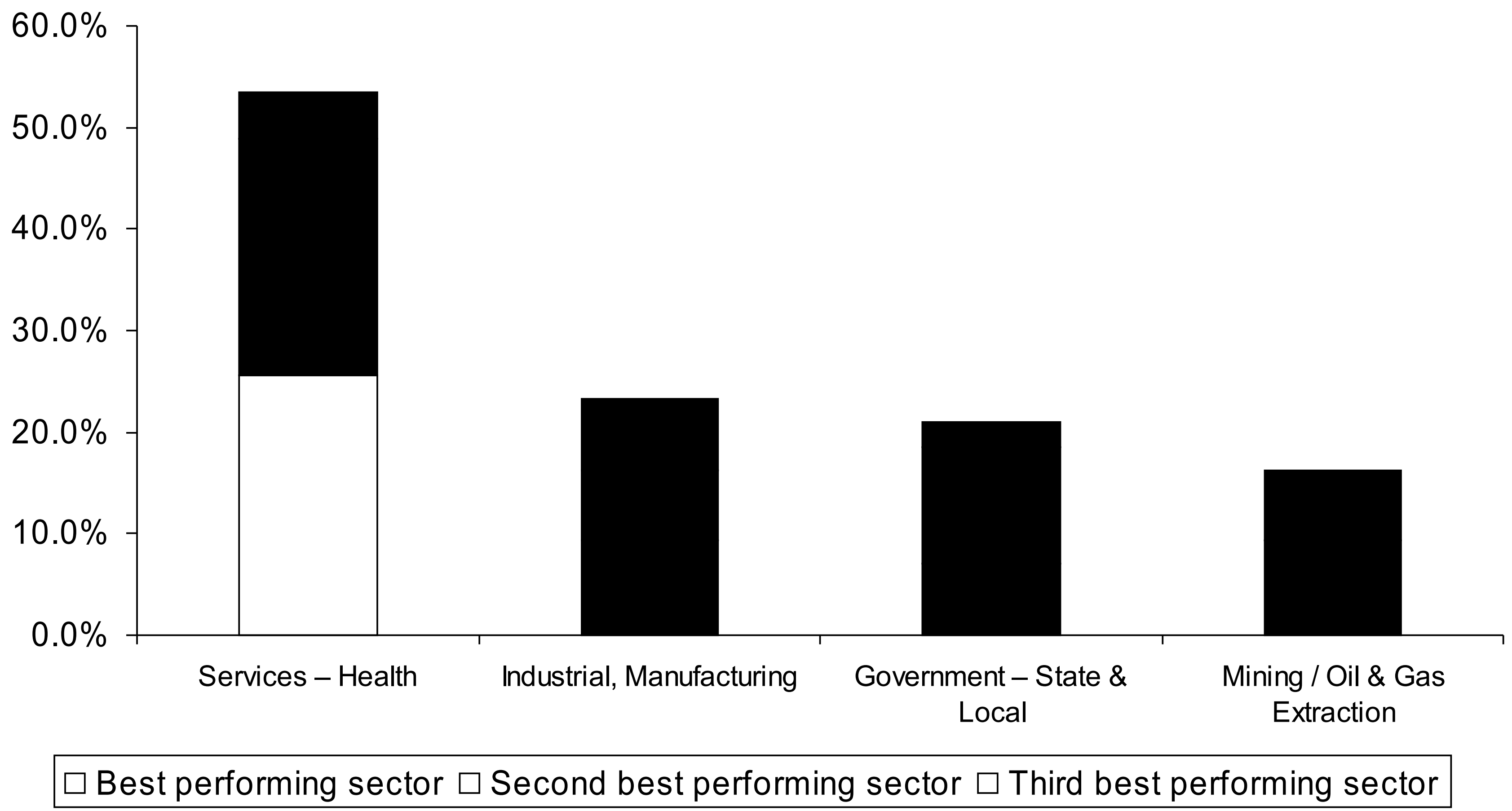
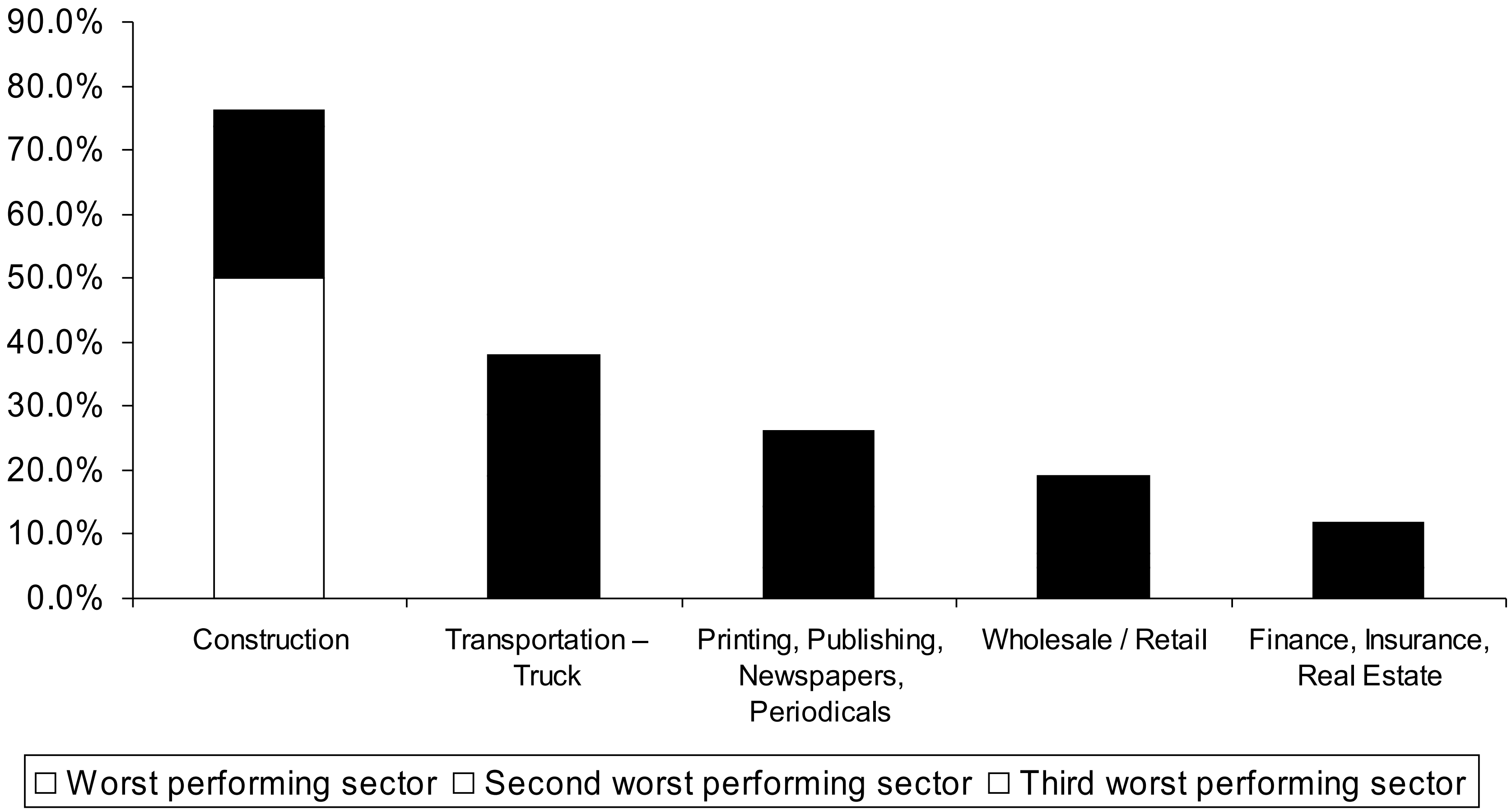
of Transactions Through the Credit Approval Process: More, Fewer, or the Same?



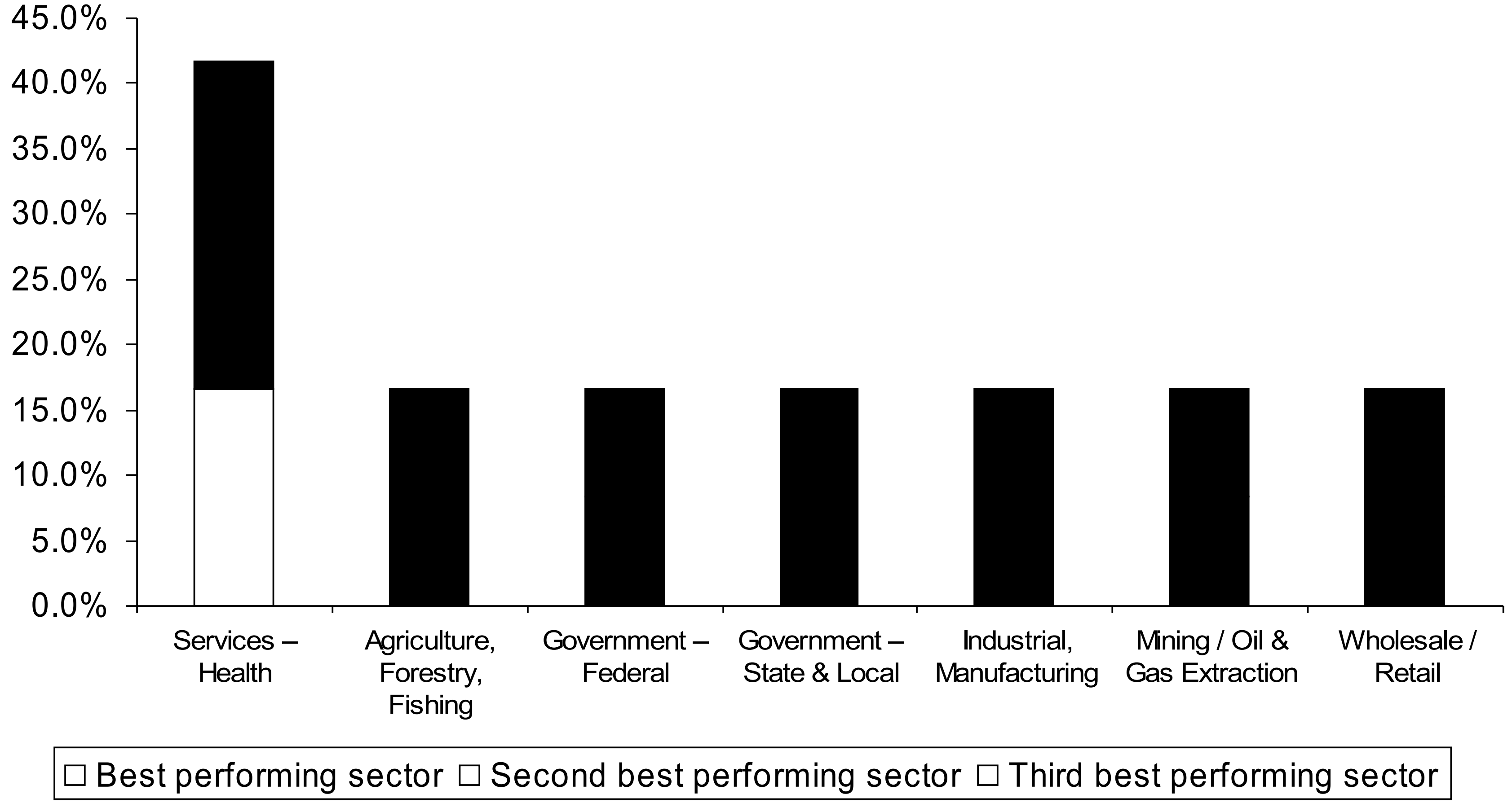
Best Performing Sectors (Overall)



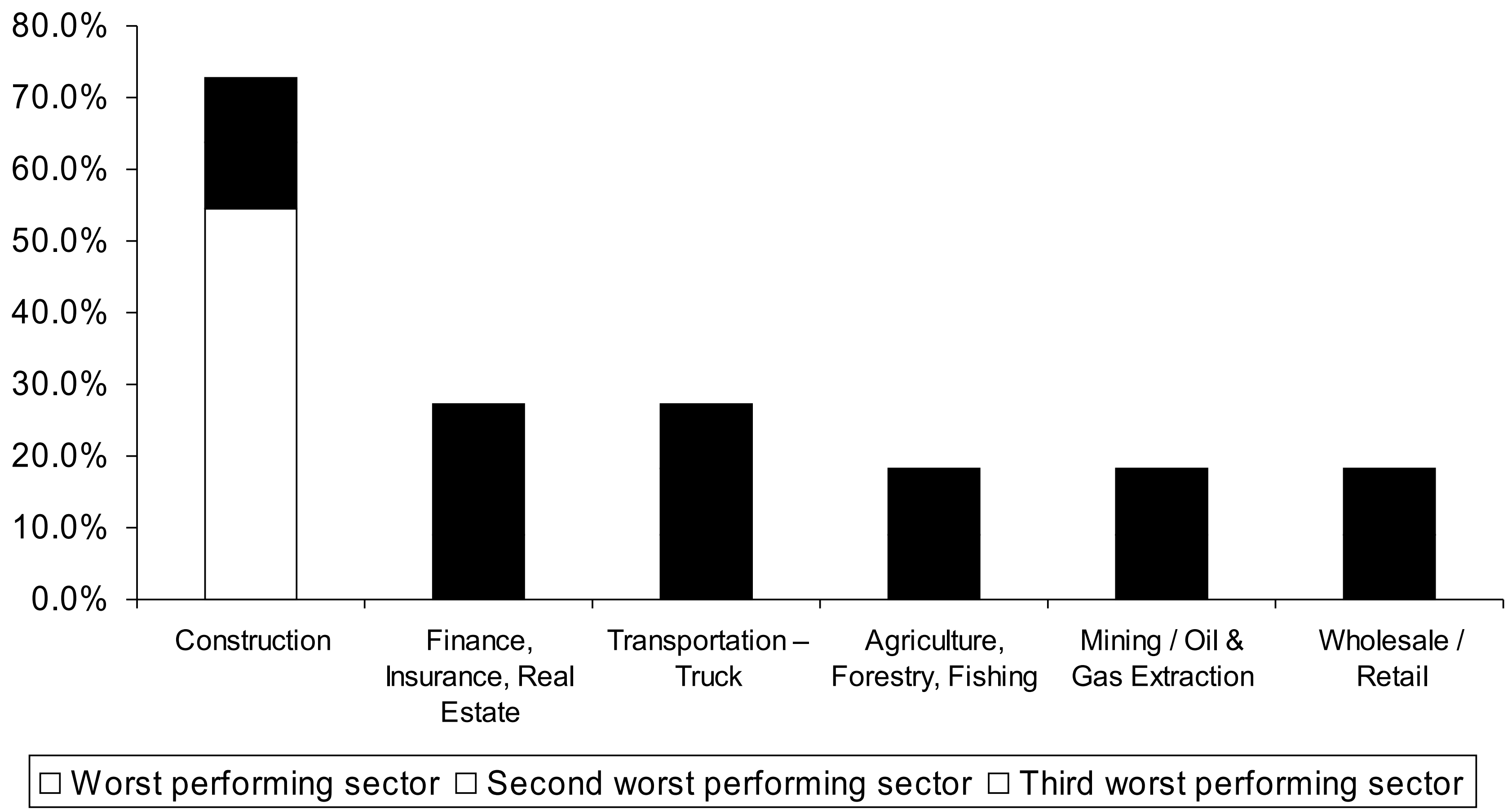
Worst Performing Sectors (Overall)



Best Performing Sectors (Captive & Vendor Finance)



Worst Performing Sectors (Captive & Vendor Finance)



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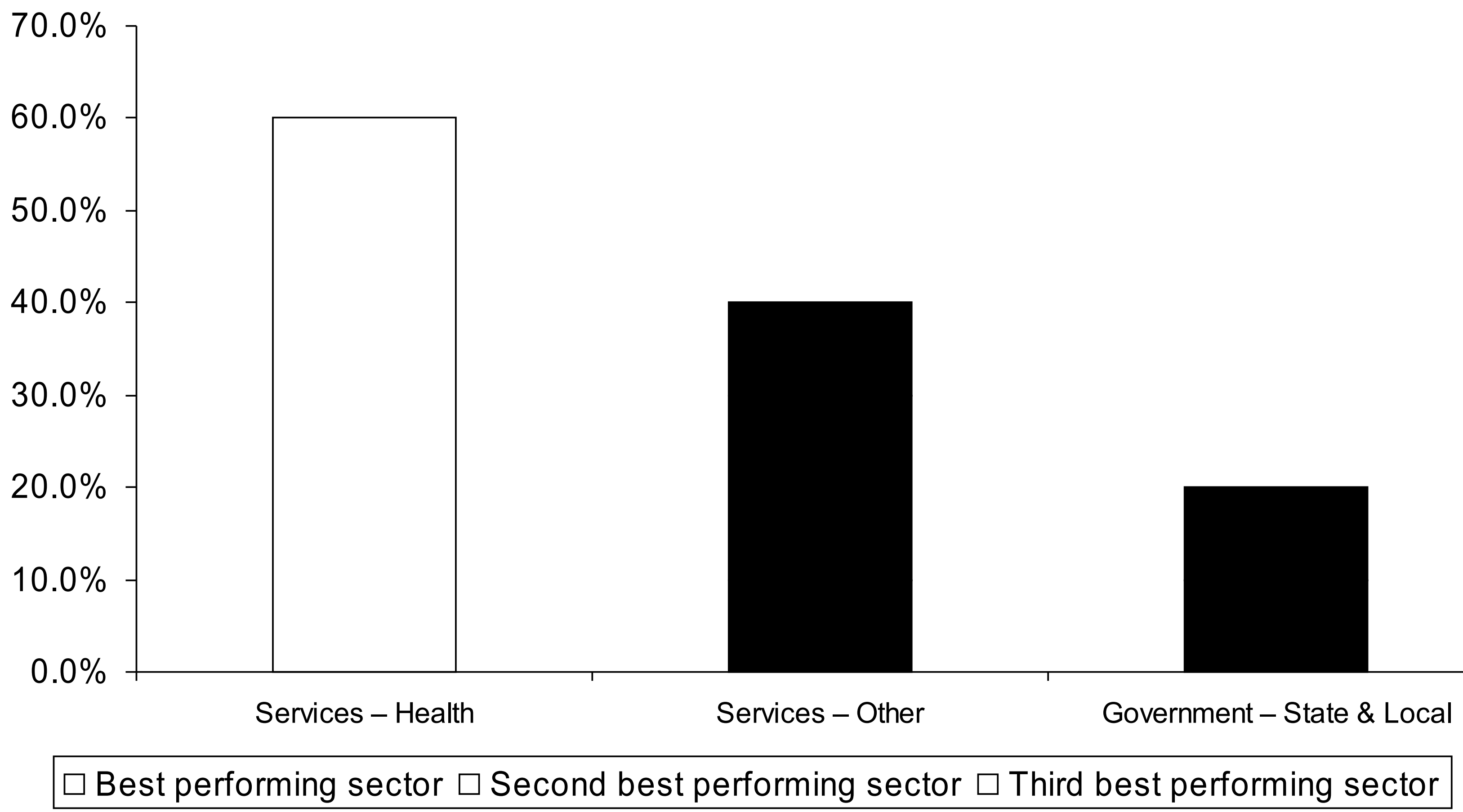
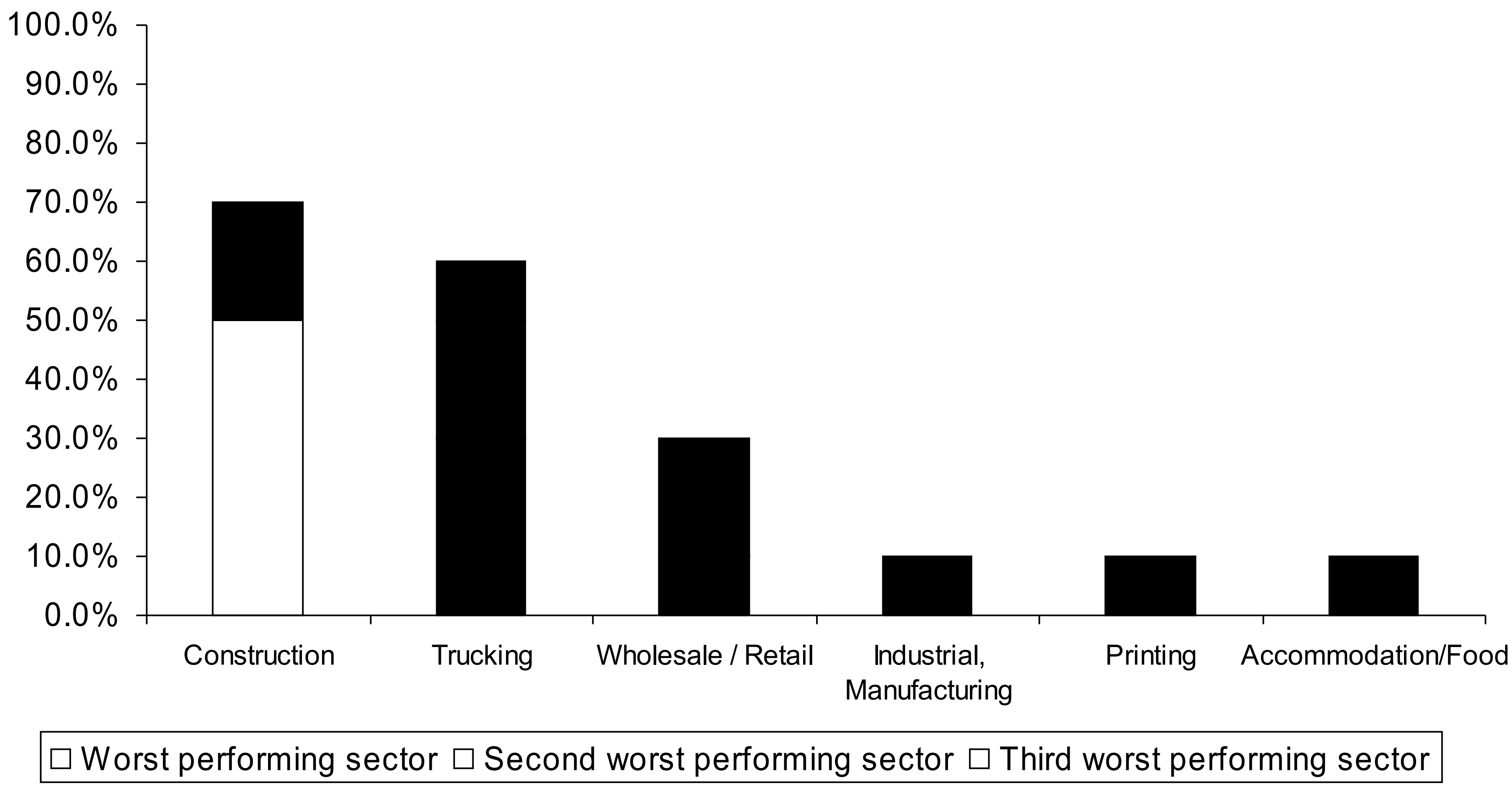
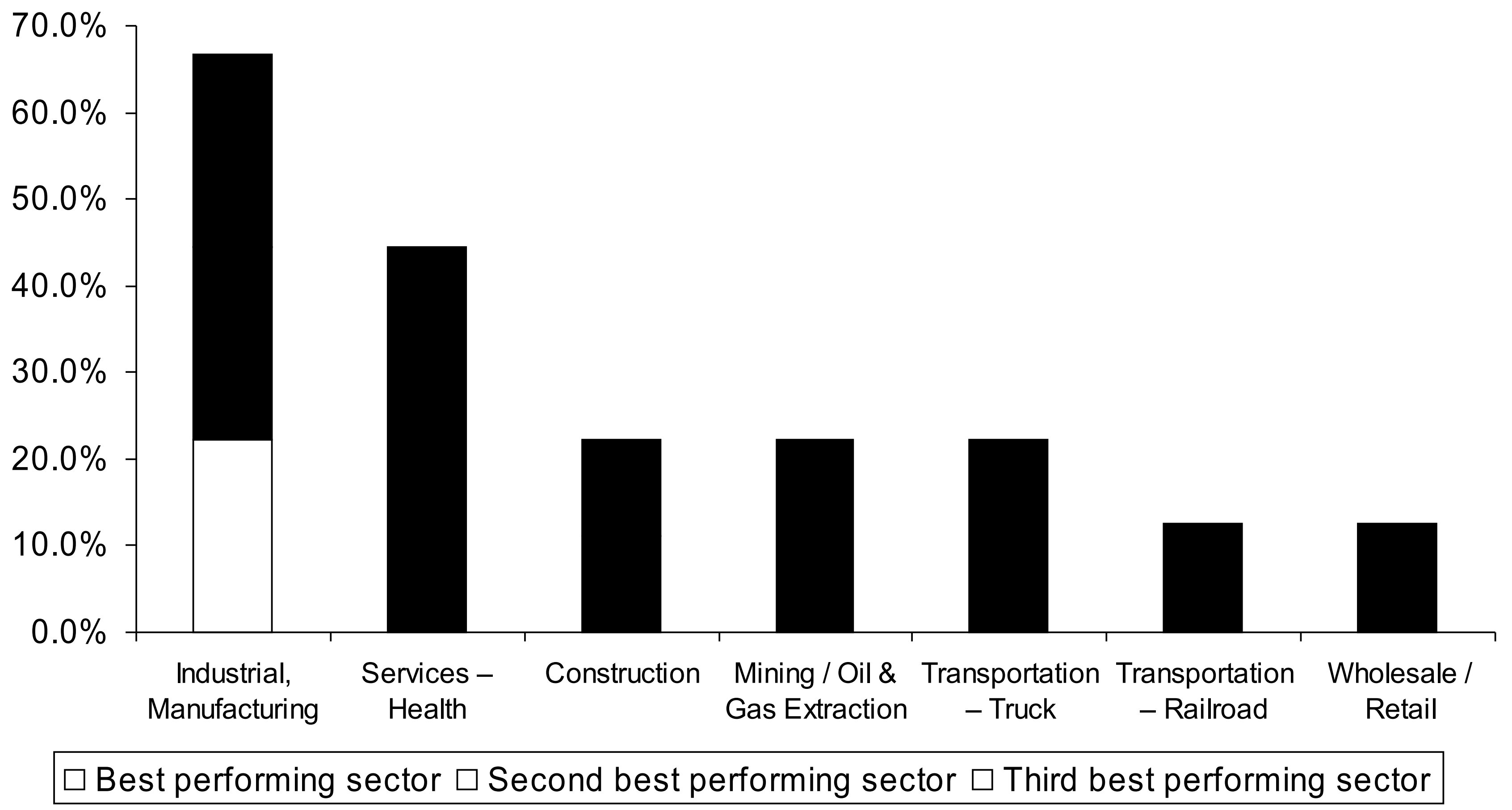
Best Performing Sectors (Small Ticket)



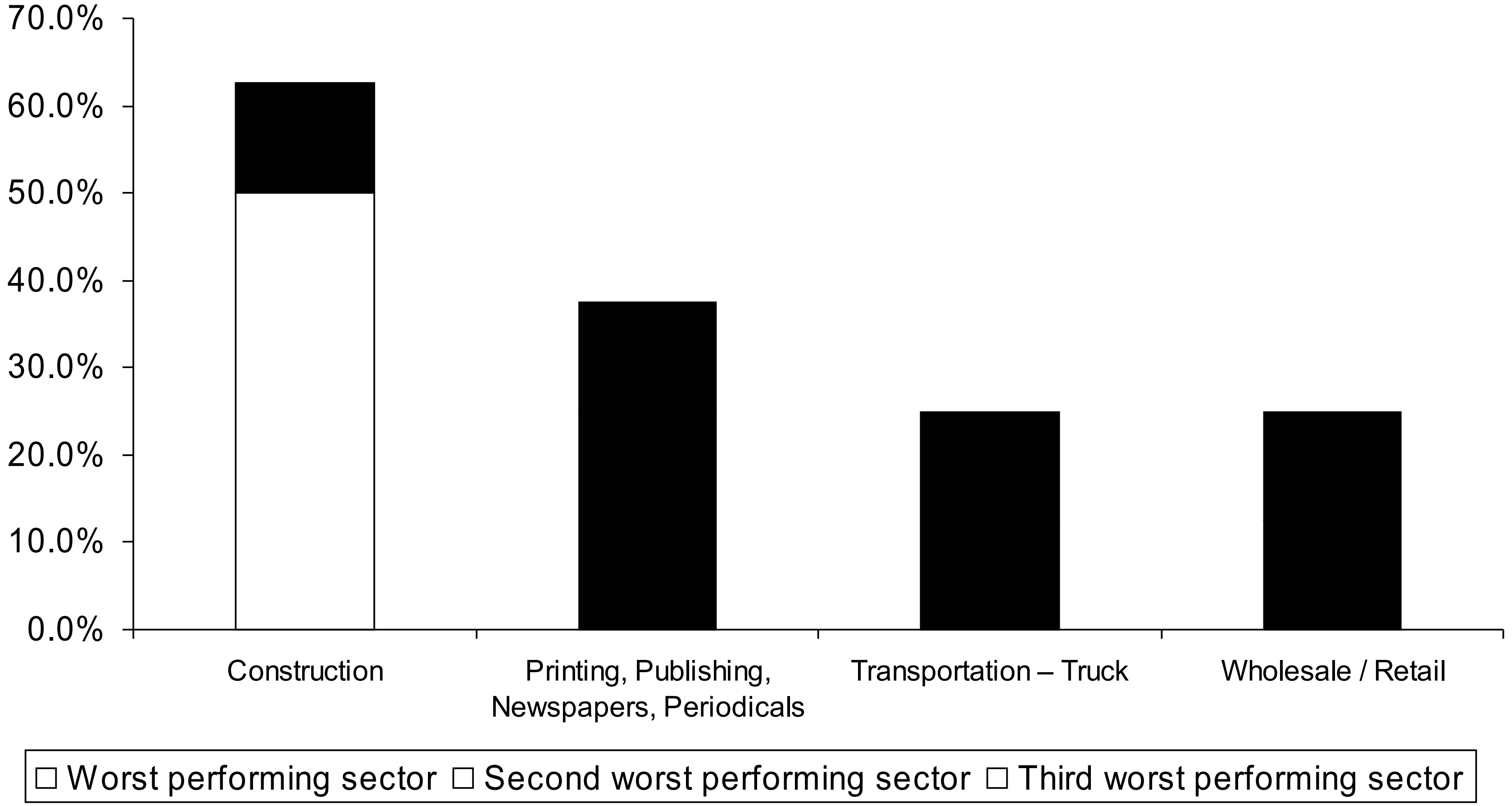
Worst Performing Sectors (Small Ticket)



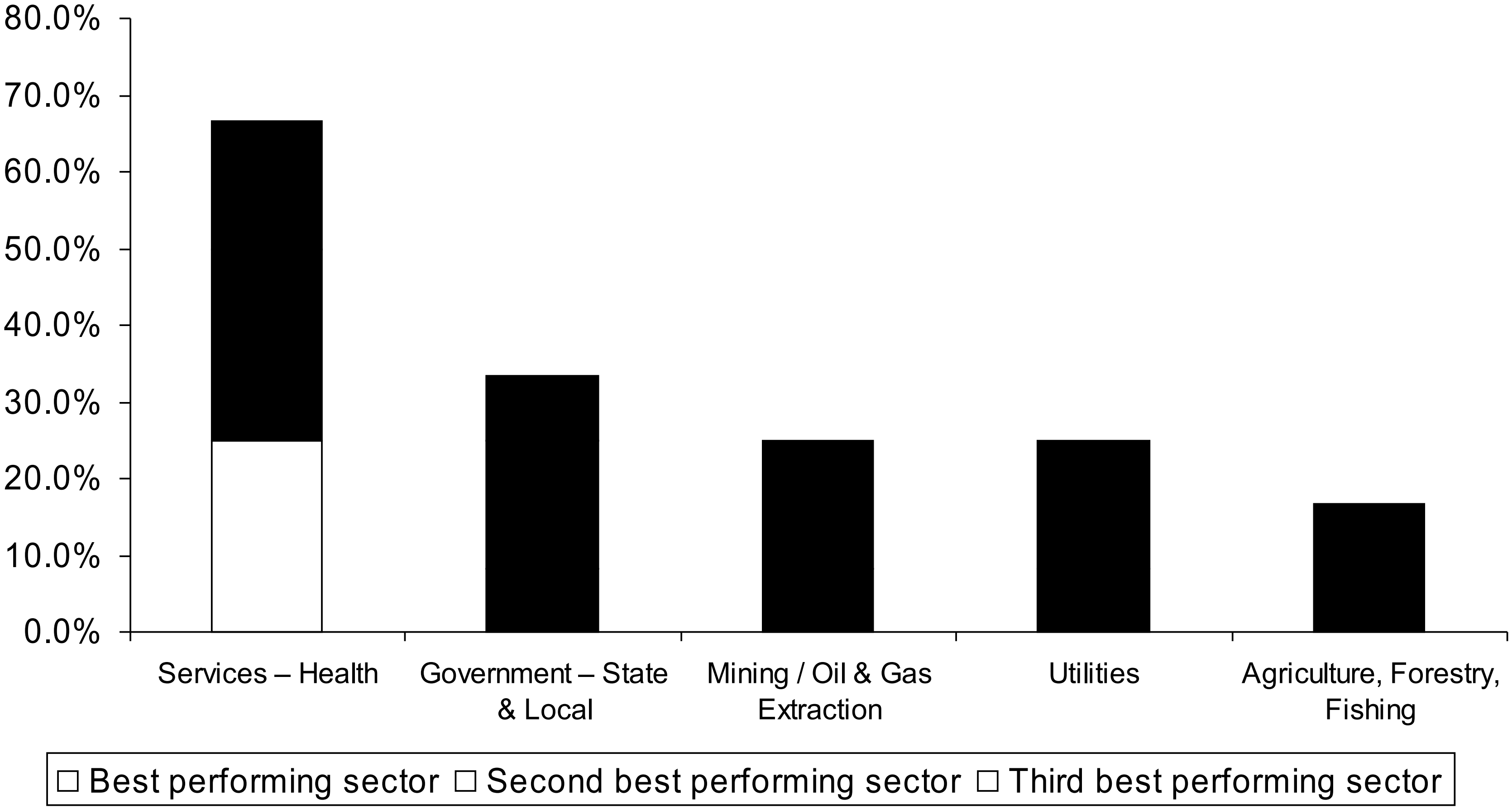
Best Performing Sectors (Independent Middle Market)



Worst Performing Sectors (Independent Middle Market)



Best Performing Sectors (Financial Institutions)



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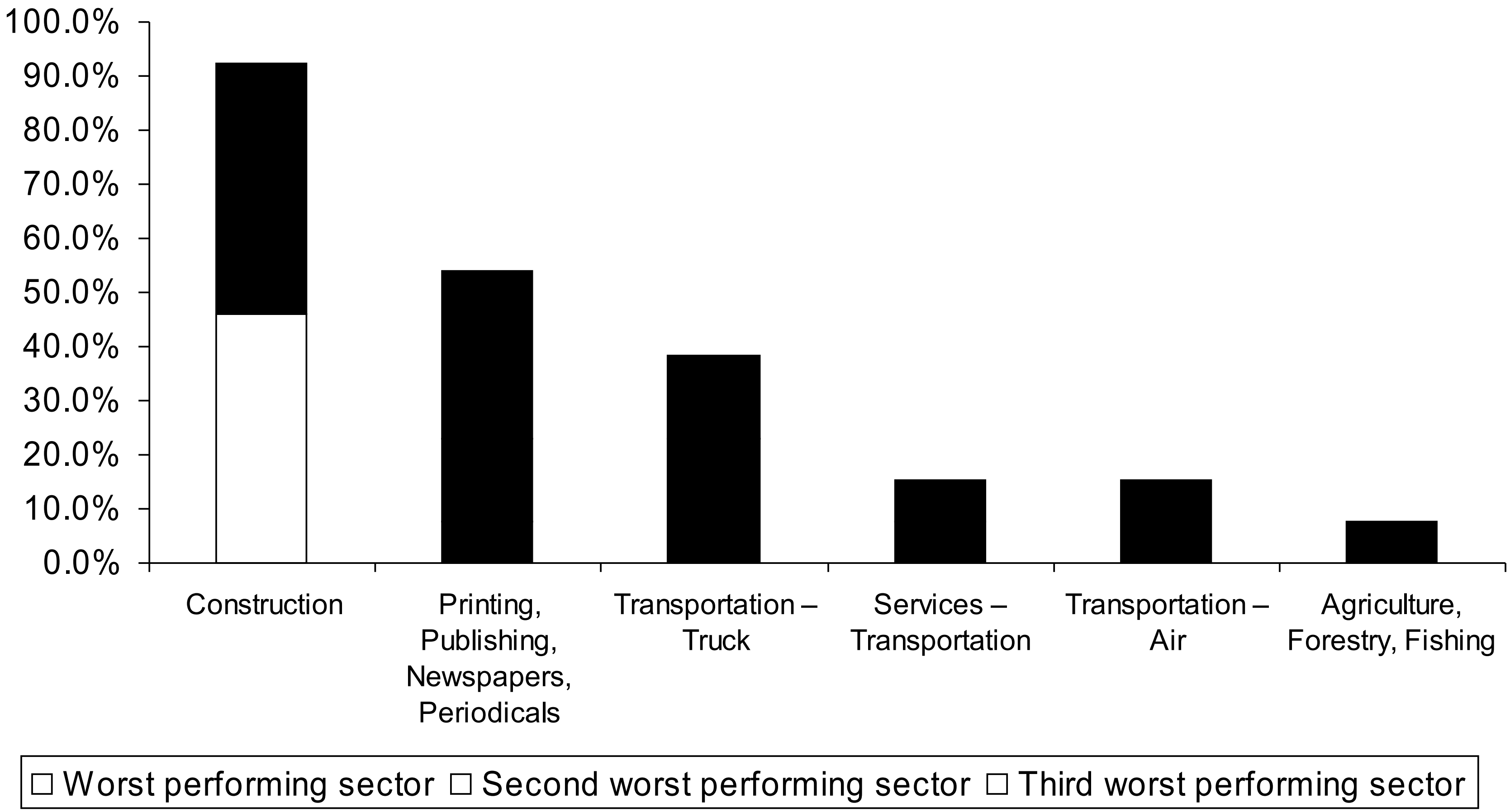
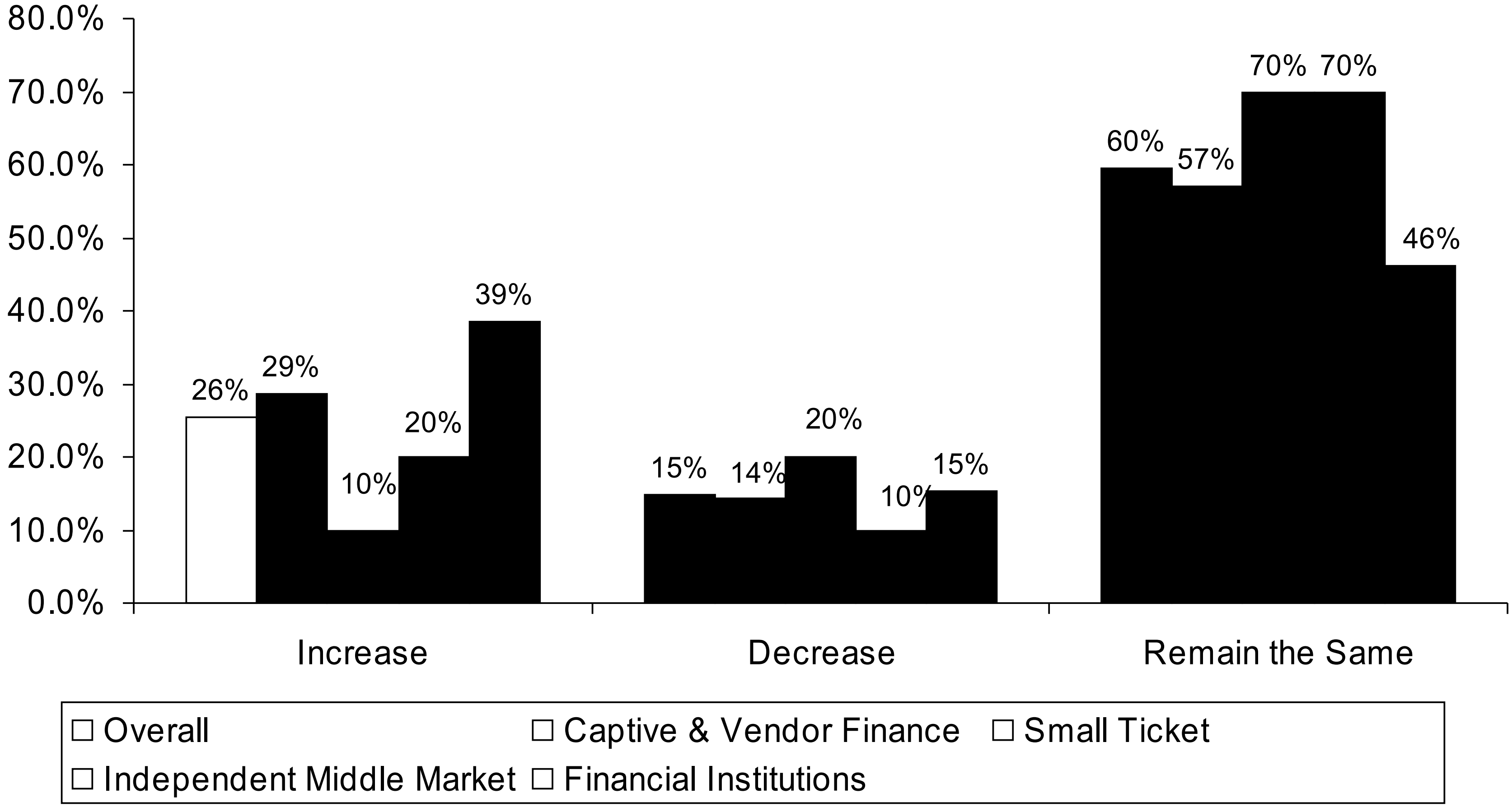
Worst Performing Sectors (Financial Institutions)



Headcount: Increase, Decrease, or Remain the Same?



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