



Press Release

MARLIN BUSINESS SERVICES CORP. (NASDAQ - MRLN)

Marlin Business Services Corp. Reports EPS of \$0.42 for the Second Quarter 2007

Company Release - 08/07/2007 18:43

- Finance receivables greater than 60 days delinquent improved from the prior quarter
- Strong liquidity based on committed bank lines
- Conservative leverage ratio of 4.41:1

MOUNT LAUREL, N.J., Aug. 7, 2007 (PRIME NEWSWIRE) -- Marlin Business Services Corp. (Nasdaq:MRLN) today reported net income of \$5.2 million for the second quarter ended June 30, 2007, compared with net income of \$5.3 million for the same period in 2006. Diluted earnings per share was \$0.42 for the second quarter of 2007, compared to \$0.44 for the same period in 2006. Excluding the impact of a one-time after-tax reduction of the allowance for credit losses of \$545,000 or \$0.045 per share in second quarter of 2006, due to better than expected collections in areas affected by Hurricane Katrina, net income and diluted earnings per share for the second quarter of 2007 increased 10.6% and 7.7%, respectively, compared to the second quarter of 2006.

For the six months ended June 30, 2007, net income was \$10.2 million compared to \$10.0 million for the same period in 2006. Diluted earnings per share was \$0.83 for both six-month periods ended June 30, 2007 and 2006. Net income and diluted earnings per share for the six-month period ended June 30, 2006 was impacted by the same reduction due to Hurricane Katrina of \$545,000 or \$0.045 diluted earnings per share. Adjusted to exclude this after-tax reduction, net income and diluted earnings per share for the first six months of 2007 increased 7.4% and 6.4%, respectively, compared to the same period in 2006.

"Marlin continues to perform with solid returns posted for the quarter," said Daniel P. Dyer, Chairman and CEO of Marlin Business Services Corp. "Asset quality continues to perform solidly in line with our key credit performance indicators."

Highlights for the quarter ended June 30, 2007 include:

Asset Origination

- * Based on initial equipment cost, lease production was \$97.3 million for the quarter ended June 30, 2007 compared to \$97.9 million for the second quarter of 2006.
- * Direct sales volume increased by 1.6% year over year, while indirect sales volume decreased by 4.9%.
- * Average net investment in leases was \$710.6 million at June 30, 2007 compared to \$591.9 million for the second quarter of 2006, representing growth of 20.1% year over year. Average net investment in leases was up 3.4% or \$23.1 million from the prior quarter.
- * Our end user customer base grew to more than 91,000 at June 30, 2007 compared with 85,000 for the second quarter of 2006 and 89,000 in the previous quarter. Growth in our end user customer base was 7.1% year over year and 2.2% from the previous quarter. The number of active leases in our portfolio was approximately 114,000 at June 30, 2007.
- * As of June 30, 2007 the Company had \$182,000 of outstanding purchased receivables balances for its factoring business "Marlin Trade Receivables."
- * As of June 30, 2007 the Company had \$7.7 million of loan balances outstanding for the new Business Capital Loan product compared to \$4.8 million at the end of the prior quarter and none for the second quarter of 2006.

Net Interest and Fee Margin and Cost of Funds

- * The average implicit yield on new leases was 13.04% for the quarter ended June 30, 2007 compared to 12.68% in the second quarter of 2006 and 12.80% for the first quarter ended March 31, 2007.
- * The portfolio yield was 12.34% as a percentage of average total finance receivables for the quarter ended June 30, 2007, a decrease of 20 basis points from the second quarter of 2006 and a decrease of 6 basis points from the first quarter ended March 31, 2007.
- * Fee income as a percentage of average net investment in finance receivables was 2.89% for the quarter ended June 30, 2007 compared to 3.44% for the second quarter of 2006 and 3.25% for the first quarter ended March 31, 2007. The decrease from the prior quarter is due primarily to a decrease in administrative and late fee income resulting from a decrease in the volume of late fee billings in the 0-30 day delinquency category and seasonal variation related to property tax fees.
- * The average cost of funds as a percentage of average total finance receivables was 4.60% for the quarter ended June 30, 2007. This was a 54 basis point increase from the second quarter of 2006 and a 14 basis point increase from the 4.46% reported in the first quarter ended March 31, 2007. The increase is due primarily to the changing vintage mix of our underlying term securitizations, along with higher average borrowings outstanding as a percentage of average total finance receivables.
- * Due to the factors discussed above, the net interest and fee margin was 10.63% as a percentage of average total finance receivables for the quarter ended June 30, 2007, a decrease of 56 basis points compared to 11.19% for the quarter ended March 31, 2007.
- * Included in interest income for the quarter ended June 30, 2007 is \$57,000 of interest income related to the Company's factoring product, compared to \$146,000 for the first quarter ended March 31, 2007 and none for the second quarter of 2006.
- * Included in interest income for the quarter ended June 30, 2007 is \$207,000 of interest income related to the Company's Business Capital Loan product, compared to \$79,000 for the first quarter ended March 31, 2007 and none for the second quarter of 2006.

Credit Quality

- * Net charge-offs totaled \$3.2 million for the quarter ended June 30, 2007 compared with \$3.0 million for the previous quarter. On an annualized basis, net charge-offs were 1.79% of average total finance receivables for the quarter ended June 30, 2007 compared to 1.44% for the second quarter of 2006 and 1.75% for the quarter ended March 31, 2007. Included in net charge-offs is \$14,000 related to the Business Capital Loan product.
- * As of June 30, 2007, 0.68% of our total lease portfolio was 60 or more days delinquent, up from 0.54% as of June 30, 2006 and a decrease compared to 0.76% as of March 31, 2007. As of June 30, 2007, 0.32% of the Business Capital Loan portfolio was 60 or more days delinquent, representing \$26,000 in loan balances.
- * The allowance for credit losses was \$8.8 million as of June 30, 2007, compared to \$7.4 million in the second quarter of 2006 and \$8.6 million in the previous quarter. Allowance for credit losses as a percentage of total finance receivables was 1.21% at June 30, 2007, June 30, 2006 and March 31, 2007.

- * At June 30, 2007, the allowance for credit losses was 151.6% of total finance receivables 60 or more days delinquent compared to 190.6% at June 30, 2006 and 135.4% at March 31, 2007.
- * In conjunction with this release, static pool loss statistics have been updated as supplemental information on the investor relations section of our website at <http://www.marlincorp.com>.

Operating Expenses

- * Salaries and benefits expense was \$5.1 million in the second quarter of 2007, down from \$5.3 million in the second quarter of 2006, and down from \$5.7 million in the previous quarter. Salaries and benefits were 2.85% as an annualized percentage of average finance receivables for the second quarter of 2007 versus 3.55% in the second quarter of 2006 and 3.31% in the previous quarter. Salaries and benefits were positively impacted \$389,000 in the second quarter due to lower incentive accruals.
- * Other general and administrative expenses were \$3.3 million in the second quarter of 2007 compared to \$3.1 million in the second quarter of 2006 and \$3.4 million in the prior quarter. Other general and administrative expenses as an annualized percentage of average finance receivables were 1.83% for the second quarter of 2007 compared to 2.08% in the second quarter of last year and 1.94% for the prior quarter.
- * Our efficiency ratio was 40.68% at June 30, 2007 compared to 44.16% for the quarter ended June 30, 2006 and 43.15% for the previous quarter.

Funding and Liquidity

- * Our debt to equity ratio was 4.41:1 at June 30, 2007 compared to 4.49:1 at March 31, 2007.

Conference Call and Webcast

We will host a conference call on Wednesday, August 8, 2007 at 9:00 a.m. EDT to discuss our second quarter 2007. If you wish to participate, please call 800-819-9193 (toll free) or 913-981-4910 (international) approximately 10 minutes in advance of the call time. The conference ID will be: "Marlin." The call will also be Webcast on the Investor Relations page of the Marlin Business Services Corp. website, <http://www.marlincorp.com>. An audio replay will also be available on the Investor Relations section of Marlin's website for approximately 90 days.

About Marlin Business Services Corp.

Marlin Business Services Corp. is a nationwide provider of equipment leasing and working capital solutions primarily to small businesses. The Company's principal operating subsidiary, Marlin Leasing Corporation, finances over 70 equipment categories in a segment of the market generally referred to as "small-ticket" leasing (i.e. leasing transactions less than \$250,000). The Company was founded in 1997 and completed its initial public offering of common stock on November 12, 2003. In addition to its executive offices in Mount Laurel, NJ, Marlin has regional offices in or near Atlanta, Chicago, Denver, Philadelphia and Salt Lake City. For more information, visit <http://www.marlincorp.com> or call toll free at (888) 479-9111.

The Marlin Business Services Corp. logo is available at <http://www.primenewswire.com/newsroom/prs/?pkgid=4087>

Forward-Looking Statements

This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward-looking statements (including statements regarding future financial and operating results) involve risks, uncertainties and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. All statements contained in this release that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "plan," "may," "intend," and similar expressions are generally intended to identify forward-looking statements. Economic, business, funding, market, competitive, legal and/or regulatory factors, among others, affecting our business are examples of factors that could cause actual results to differ materially from those described in the forward-looking statements. More detailed information about these factors is contained in our filings with the SEC, including the sections captioned "Risk Factors" and "Business" in the Company's Form 10-K filed with the Securities and Exchange Commission. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in thousands, except per-share data)

	June 30, 2007 ----	December 31, 2006 ----
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 8,060	\$ 26,663
Restricted cash	64,660	57,705
Net investment in leases and loans	748,139	693,911
Property and equipment, net	3,366	3,430
Property tax receivables	6,483	257
Fair value of cash flow hedge derivatives	243	456
Other assets	11,251	13,030
	-----	-----
Total assets	\$842,202	\$795,452
	=====	=====
Liabilities and Stockholders' Equity		
Revolving and term secured borrowings	\$651,771	\$616,322
Other liabilities:		
Fair value of cash flow hedge derivatives	6	1,607
Sales and property taxes payable	11,216	8,034
Accounts payable and accrued expenses	10,451	12,269
Deferred income tax liability	21,107	22,931
	-----	-----
Total liabilities	694,551	661,163
	-----	-----
Commitments and Contingencies		
Stockholders' equity:		
Common Stock, \$0.01 par value; 75,000,000		
shares authorized; 12,279,967 and 12,030,259		
shares issued and outstanding, respectively	123	120
Preferred Stock, \$0.01 par value; 5,000,000		
shares authorized; none issued	--	--
Additional paid-in capital	84,934	81,850
Stock subscription receivable	(11)	(18)
Cumulative other comprehensive income	1,955	1,892
Retained earnings	60,650	50,445
	-----	-----
Total stockholders' equity	147,651	134,289
	-----	-----
Total liabilities and stockholders' equity	\$842,202	\$795,452
	=====	=====

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations
(Dollars in thousands, except per-share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	----	----	----	----
Income:				

Interest income	\$22,151	\$18,549	\$43,588	\$36,368
Fee income	5,186	5,097	10,801	10,004
	-----	-----	-----	-----
Interest and fee income	27,337	23,646	54,389	46,372
Interest expense	8,256	6,006	15,967	11,501
	-----	-----	-----	-----
Net interest and fee income	19,081	17,640	38,422	34,871
Provision for credit losses	3,468	1,599	6,860	4,014
	-----	-----	-----	-----
Net interest and fee income after provision for credit losses	15,613	16,041	31,562	30,857
Insurance and other income	1,553	1,229	3,228	2,584
	-----	-----	-----	-----
Operating income	17,166	17,270	34,790	33,441
	-----	-----	-----	-----
Non-interest expense:				
Salaries and benefits	5,113	5,254	10,830	10,399
General and administrative	3,281	3,078	6,633	5,824
Financing related costs	213	198	459	653
	-----	-----	-----	-----
Non-interest expense	8,607	8,530	17,922	16,876
	-----	-----	-----	-----
Income before income taxes	8,559	8,740	16,868	16,565
Income taxes	3,381	3,452	6,663	6,543
	-----	-----	-----	-----
Net income	\$ 5,178	\$ 5,288	\$10,205	\$10,022
	=====	=====	=====	=====
Basic earnings per share	\$ 0.43	\$ 0.45	\$ 0.85	\$ 0.85
Diluted earnings per share	\$ 0.42	\$ 0.44	\$ 0.83	\$ 0.83
Shares used in computing basic earnings per share	12,106,482	11,780,018	12,030,155	11,740,989
Shares used in computing diluted earnings per share	12,341,182	12,092,752	12,297,097	12,074,066

SUPPLEMENTAL QUARTERLY DATA
(Dollars in thousands, except share amounts)
(unaudited)

Quarter Ended:	6/30/2006	9/30/2006	12/31/2006	3/31/2007	6/30/2007
	-----	-----	-----	-----	-----
New Asset Production:					
# of Sales					
Reps	103	100	100	96	97
# of Leases	8,553	8,824	8,985	8,639	8,423
Leased Equipment Volume	\$ 97,871	\$100,950	\$105,639	\$102,652	\$ 97,260

Average monthly sources	1,333	1,321	1,309	1,337	1,279
Implicit Yield on New Leases	12.68%	12.73%	12.67%	12.80%	13.04%
Net interest and fee margin					
Interest Income Yield	12.54%	12.57%	13.11%	12.40%	12.34%
Fee Income Yield	3.44%	3.35%	3.07%	3.25%	2.89%
Interest and Fee Income Yield	15.98%	15.92%	16.18%	15.65%	15.23%
Cost of Funds	4.06%	4.41%	4.95%	4.46%	4.60%
Net interest and Fee Margin	11.92%	11.51%	11.23%	11.19%	10.63%
Average Total Finance Receivables	\$591,905	\$624,711	\$660,529	\$691,253	\$717,893
Average Net Investment in Leases	\$591,905	\$623,999	\$658,120	\$687,442	\$710,587
End of period Net Investment in Leases	\$622,815	\$655,871	\$691,932	\$717,882	\$740,021
End of period Loans	\$ 0	\$ 971	\$ 1,979	\$ 5,175	\$ 8,118
End of period Factoring Receivables	\$ 0	\$ 296	\$ 1,760	\$ 386	\$ 182
Total loan and lease sales personnel	103	102	103	100	101
Portfolio Asset Quality:					
Total Finance Receivables					
60+ Days Past Due Delinquencies	0.54%	0.58%	0.71%	0.76%	0.68%
60+ Days Past Due Delinquen-					

cies	\$ 3,867	\$ 4,411	\$ 5,715	\$ 6,329	\$ 5,824
Leasing					
60+ Days Past Due Delinquencies					
	0.54%	0.58%	0.71%	0.76%	0.68%
60+ Days Past Due Delinquencies					
	\$ 3,867	\$ 4,411	\$ 5,676	\$ 6,288	\$ 5,798
Loans					
60+ Days Past Due Delinquencies					
	0.00%	0.00%	0.00%	0.28%	0.32%
60+ Days Past Due Delinquencies					
	\$ 0	\$ 0	\$ 0	\$ 15	\$ 26
Factoring Receivables					
60+ Days Past Due Delinquencies					
	0.00%	0.00%	2.20%	6.57%	0.00%
60+ Days Past Due Delinquencies					
	\$ 0	\$ 0	\$ 39	\$ 26	\$ 0
Net Charge-offs - Leasing					
	\$ 2,132	\$ 2,685	\$ 2,405	\$ 2,907	\$ 3,176
% on Average Net Investment in Leases Annualized					
	1.44%	1.72%	1.46%	1.69%	1.79%
Net Charge-offs - Other Finance Receivables					
	\$ 0	\$ 0	\$ 0	\$ 118	\$ 31
% on Average Other Finance Receivables Annualized					
	0.00%	0.00%	0.00%	12.38%	1.70%
Allowance for Credit Losses					
	\$ 7,370	\$ 7,767	\$ 8,201	\$ 8,568	\$ 8,829
% of 60+ Delinquencies					
	190.59%	176.08%	143.50%	135.38%	151.60%
90+ Day					

Delinquen- cies (Non- earning)	\$ 1,648	\$ 1,876	\$ 2,250	\$ 2,976	\$ 2,449
Balance Sheet:					
Assets					
Investment in Leases and Loans	\$609,359	\$642,113	\$677,848	\$705,739	\$730,316
Initial Direct Costs and Fees	20,826	22,496	24,264	25,886	26,652
Reserve for Credit Losses	(7,370)	(7,767)	(8,201)	(8,568)	(8,829)
Net Investment in Leases and Loans	\$622,815	\$656,842	\$693,911	\$723,057	\$748,139
Cash and Cash Equivalents	3,168	34,159	26,663	7,429	8,060
Restricted Cash	54,457	179,964	57,705	63,640	64,660
Other Assets	17,667	15,954	17,173	23,277	21,343
Total Assets	\$698,107	\$886,919	\$795,452	\$817,403	\$842,202
Liabilities					
Total Debt	\$526,286	\$712,355	\$616,322	\$632,197	\$651,771
Other Liabili- ties	45,580	44,963	44,841	44,303	42,780
Total Liabili- ties	\$571,866	\$757,318	\$661,163	\$676,500	\$694,551
Stockholders' Equity					
Common Stock	\$ 120	\$ 120	\$ 120	\$ 123	\$ 123
Paid-in Capital, net	79,583	80,548	81,832	84,381	84,923
Other Comprehensive Income	4,705	2,370	1,892	927	1,955
Retained Earnings	41,833	46,563	50,445	55,472	60,650
Total Stockholders' Equity	\$126,241	\$129,601	\$134,289	\$140,903	\$147,651
Total Liabilities and Stockholders' Equity	\$698,107	\$886,919	\$795,452	\$817,403	\$842,202

Capital and
Leverage:

Tangible Equity	\$126,241	\$129,601	\$134,289	\$140,903	\$147,651
Debt to Tangible Equity	4.17	5.50	4.59	4.49	4.41

Expense
Ratios:

Salaries and Benefits Expense	\$ 5,254	\$ 5,171	\$ 6,898	\$ 5,716	\$ 5,113
Salaries and Benefits Expense annualized % of Avg Fin. Recbl	3.55%	3.31%	4.18%	3.31%	2.85%

Total personnel end of quarter	319	310	314	311	324
---	-----	-----	-----	-----	-----

General and Administrative Expense	\$ 3,078	\$ 2,868	\$ 3,264	\$ 3,352	\$ 3,281
General and Administrative Expense annualized % of Avg Fin. Recbl	2.08%	1.84%	1.98%	1.94%	1.83%

Efficiency Ratio	44.16%	41.55%	50.58%	43.15%	40.68%
---------------------	--------	--------	--------	--------	--------

Net Income: Net Income	\$ 5,288	\$ 4,730	\$ 3,882	\$ 5,027	\$ 5,178
---------------------------	----------	----------	----------	----------	----------

Annualized
Performance
Measures:

Return on Average Assets	3.09%	2.55%	1.86%	2.52%	2.49%
--------------------------------	-------	-------	-------	-------	-------

Return on Average Stockholders' Equity	17.24%	14.79%	11.77%	14.61%	14.36%
---	--------	--------	--------	--------	--------

Per Share
Data:

Number of Shares - Basic	11,780,018	11,838,677	11,889,262	11,957,024	12,106,482
EPS- Basic	\$ 0.45	\$ 0.40	\$ 0.33	\$ 0.42	\$ 0.43

Number of
Shares -

Diluted	12,092,752	12,154,889	12,231,808	12,257,484	12,341,182
EPS-					
Diluted	\$ 0.44	\$ 0.39	\$ 0.32	\$ 0.41	\$ 0.42

* Net investment in total finance receivables includes net investment in direct financing leases, loans, and factoring receivables

CONTACT: Marlin Business Services Corp. Lynne Wilson, CFO
888-479-9111, ext. 4108
<http://www.marlinleasing.com>

[Click here for Printer-Friendly Version](#)