Marlin Business Services Corp. Reports Third Quarter Results

- Strong liquidity position, $160 million of undrawn capacity in credit facilities
- Strong capital position, leverage of 4.0:1; Equity to assets ratio of 19%
- Pricing on new originations improved 81 basis points year over year
- Marlin Business Bank operational; issued $47 million in insured deposits at a fixed rate of 4.15%
- Marlin Business Bank filed an application to convert to a state chartered Commercial Bank

MOUNT LAUREL, N.J., Nov. 3, 2008 (GLOBE NEWSWIRE) -- Marlin Business Services Corp. (Nasdaq:MRLN) today reported a third quarter 2008 net loss of $941,000 or $0.08 per diluted share. Excluding the losses on hedging related activities of $2.0 million, net income from operations was $1.1 million or $0.09 per share.

For the nine months ended September 30, 2008, net income was $2.1 million or $0.18 per diluted share. Net income and diluted earnings per share for the nine-month period ended September 30, 2008 were impacted by the same loss related to derivative and hedging activities. Adjusted to exclude this loss, net income for the nine-month period ended September 30, 2008 was $4.1 million, or $0.34 per diluted share.

"Against the backdrop of a weak economy and the ongoing turmoil in the capital markets, our business continues to demonstrate resiliency and profitable results," says Daniel P. Dyer, Marlin's Chairman and CEO. "The Company's proven business model combined with being well-capitalized and conservatively leveraged are essential ingredients for success during these challenging times. Our strategic focus remains on maintaining a well diversified portfolio of lease assets, adhering to stringent underwriting standards and generating attractive risk-adjusted margins. Marlin's recent filing to become a commercial bank will further diversify our sources of funding and reduce borrowing rates," says Dyer.

For the third quarter of 2008, the average net investment in leases was $691.0 million, compared to $713.2 million for the second quarter of 2008 and $724.9 million for the third quarter of 2007. Third quarter 2008 lease production was $59.0 million, based on initial equipment cost, compared to $62.5 million for the second quarter of 2008 and $86.2 million for the third quarter of 2007. Approval rates on lease originations were 49% for both the second and third quarter of 2008 versus 60% for the third quarter of 2007. Direct sales volume decreased 12.7% year over year, while indirect sales volume decreased by 67.1%.

The combination of conservative underwriting, price discipline and caution by businesses to invest in capital equipment are drivers of the quarter-over-quarter decline in both average net investment and lease production.

Demonstrating our pricing discipline, the average implicit yield on new lease production was 13.87% in the quarter, flat from the second quarter of 2008 and up 81 basis points from the third quarter of 2007. The yields achieved in this quarter and the prior quarter are the Company's highest yields on new originations since second quarter 2004.

The net interest and fee margin for the quarter ended September 30, 2008 was 10.26%, up 36 basis points from 9.90% in the second quarter of 2008. The increase is primarily due to an improvement in fee income and a decrease in interest expense as a percentage of average total finance receivables.

Fee income improved to 3.32% for the quarter ended September 30, 2008 from 3.05% in the second quarter of 2008 due to a higher number of late fee billings.

Interest expense as a percentage of average total finance receivables declined 15 basis points to 4.98% in the third quarter of 2008 versus 5.13% in the second quarter of 2008. The decrease is primarily due to the change in the funding mix between term funding, warehouse borrowings and Marlin Business Bank, combined with the lower cost of borrowings associated with our warehouse lines and insured deposits.

Effective July 1, 2008, the Company discontinued the use of hedge accounting for its derivative financial instruments. By discontinuing hedge accounting, subsequent changes to the fair value of derivative instruments are recognized immediately in earnings. These changes to fair value are reflected for the first time in third quarter net income. Included in net income for the quarter ended September 30, 2008, is a pretax mark-to-market loss of $2.2 million relating to the Company's derivative instruments.

In addition, the Company has concluded that certain forecasted borrowings will not occur within the timeframe allowed under hedge accounting. We therefore reclassified $1.1 million of pretax loss from accumulated other comprehensive income to loss on derivatives.

Credit performance continues to reflect the pressure from a weakened economy. Leases over 30 days delinquent were 3.52% as of September 30, 2008, an increase compared to 3.04% as of June 30, 2008. On a dollar basis, leases in the 30+ delinquency category were $27.7 million at September 30, 2008, up from $24.9 million at June 30, 2008 and down from $29.1 million at December 31, 2007. Leases over 60 days delinquent were 1.36% as of September 30, 2008, an increase from 1.12% as of June 30, 2008. On a dollar basis, leases over 60 days delinquent were $10.7 million at September 30, 2008, an increase compared to $9.2 million at June 30, 2008 and an increase compared to $8.2 million at December 31, 2007.

Net lease charge-offs in the third quarter were $6.7 million, or 3.85% of average net investment in leases on an annualized basis, compared to $5.4 million or 3.06% of average net investment in leases on an annualized basis during second quarter 2008.

The provision for credit losses was $8.6 million for the quarter ended September 30, 2008, up from $6.5 million for the second quarter 2008. The provision increase is due primarily to estimated higher net charge-offs in future periods, and the impact of increasing delinquencies on provision estimates.

The Company strengthened its allowance for credit losses to $14.3 million as of September 30, 2008, raising the allowance as a percentage of total finance receivables to 2.07% from 1.79% at June 30, 2008.

Salaries and benefits were $5.6 million for the third quarter ended September 30, 2008, down from $6.3 million for the second quarter 2008. Included in second quarter salaries and benefits are one-time costs of $501,000 associated with a previously announced workforce reduction.

General and administrative expenses were $3.3 million for the third quarter ended September 30, 2008, compared to $4.0 million for the second quarter 2008. The improvement over the second quarter is primarily related to a reduction in marketing investment and professional fees and continued focus on discretionary spending.

The Company opened its Utah Industrial Bank, Marlin Business Bank, on March 12, 2008. The Bank has funded $59.3 million of leases and loans through its initial capitalization of $12 million and its issuance of $47.2 million in FDIC insured deposits at an average borrowing rate of 4.15%. Quarterly average deposit outstandings were $43.9 million at a weighted average interest rate of 4.13%.

On Oct. 21, 2008, Marlin Business Bank filed an application with the Utah Department of Financial Institutions to convert its charter from an Industrial Bank to a state chartered Commercial Bank. It is our intent to file an application for membership in the Federal Reserve System, and the Company intends to file an application with the Federal Reserve to become a Bank Holding Company.

In conjunction with this release, static pool loss statistics have been updated as supplemental information on the investor relations section of our website at www.marlincorp.com.

Conference Call and Webcast

We will host a conference call on Tuesday, November 4, 2008 at 10:00 a.m. ET to discuss our third quarter 2008 results. If you wish to participate, please call (877)545-1490 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, 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 www.marlincorp.com or call toll free at (888) 479-9111.

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

	September 30, 2008	December 31, 2007
	(Dollars in thousands, except per-share data)	
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 17,151	$ 34,347
Restricted cash	64,294	141,070
Net investment in leases and loans	702,095	765,938
Property and equipment, net	2,953	3,266
Property tax receivables	562	539
Fair value of cash flow hedge derivatives	0	4
Other assets	16,863	14,490
Total assets	$ 803,918	$ 959,654
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving and term secured borrowings	$ 565,914	$ 773,085
Deposits	47,172	—
Other liabilities:		
Fair value of cash flow hedge derivatives	4,727	4,760
Sales and property taxes payable	8,716	5,756
Accounts payable and accrued expenses	10,079	10,226
Deferred income tax liability	14,861	15,682
Total liabilities	651,469	809,509
Commitments and contingencies		
Stockholders' equity:		
Common Stock, $0.01 par value; 75,000,000 shares authorized; 12,227,391and 12,201,304 shares issued and outstanding, respectively	122	122
Preferred Stock, $0.01 par value; 5,000,000 shares authorized; none issued	—	—
Additional paid-in capital	83,666	84,429
Stock subscription receivable	(5)	(7)
Accumulated other comprehensive loss	(2,182)	(3,130)
Retained earnings	70,848	68,731
Total stockholders' equity	152,449	150,145
Total liabilities and stockholders' equity	$ 803,918	$ 959,654

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(Dollars in thousands, except per-share data)			
	(Unaudited)			
Income:				
Interest income	$ 21,062	$ 22,622	$ 65,884	$ 66,210
Fee income	5,855	5,685	17,013	16,486
Interest and fee income	26,917	28,307	82,897	82,696
Interest expense	8,790	8,768	28,396	24,735
Net interest and fee income	18,127	19,539	54,501	57,961
Provision for credit losses	8,602	3,966	22,137	10,826
Net interest and fee income after provision for credit losses	9,525	15,573	32,364	47,135
Insurance and other income	1,712	1,659	5,182	4,888
Net interest and other revenue after provision for credit losses	11,237	17,232	37,546	52,023
Gain (loss) on derivatives and hedging activities	(3,280)	—	(3,280)	—
Non-interest expense				
Salaries and benefits	5,620	5,257	17,835	16,087
General and administrative	3,333	3,447	11,629	10,080
Financing related costs	370	202	967	662
Non-interest expense	9,323	8,906	30,431	26,829
Income (loss) before income taxes	(1,366)	8,326	3,835	25,194
Income taxes	(425)	3,298	1,718	9,961
Net income (loss)	$ (941)	$ 5,028	$ 2,117	$ 15,233
Basic earnings (loss) per share	$ (0.08)	$ 0.41	$ 0.18	$ 1.26
Diluted earnings (loss) per share	$ (0.08)	$ 0.41	$ 0.18	$ 1.24
Weighted average shares used in computing basic earnings (loss) per share	11,843,300	12,155,152	11,899,731	12,066,077
Weighted average shares used in computing diluted earnings (loss) per share	11,843,300	12,355,484	12,013,961	12,310,198

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

Quarter Ended:	9/30/2007	12/31/2007	3/31/2008	6/30/2008	9/30/2008
New Asset Production:					
# of Sales Reps	105	118	108	92	91
# of Leases	7,609	7,615	6,836	6,276	5,837
Leased Equipment Volume	$86,167	$87,670	$70,550	$62,467	$59,005
Approval Percentage	60%	56%	50%	49%	49%
Average Monthly Sources	1,180	1,186	1,091	1,047	981
Implicit Yield on New Leases	13.06%	12.98%	13.29%	13.90%	13.87%
Net Interest and Fee Margin:					
Interest Income Yield	12.34%	12.89%	12.32%	11.98%	11.92%
Fee Income Yield	3.10%	2.96%	3.00%	3.05%	3.32%
Interest and Fee Income Yield	15.44%	15.85%	15.32%	15.03%	15.24%
Cost of Funds	4.78%	5.68%	5.50%	5.13%	4.98%
Net Interest and Fee Margin	10.66%	10.17%	9.82%	9.90%	10.26%
Average Total Finance Receivables	$733,304	$745,150	$745,175	$730,267	$706,508
Average Net Investment in Leases	$724,933	$733,461	$729,951	$713,171	$690,973
End of Period Net Investment in Leases	$746,889	$752,562	$737,301	$715,677	$688,488
End of Period Loans	$9,038	$13,376	$16,234	$15,750	$13,607
End of Period Factoring Receivables	$95	$26	$0	$0	$0
Total Loan and Lease Sales Personnel	114	124	117	95	94
Portfolio Asset Quality:					
Total Finance Receivables					
30+ Days Past Due Delinquencies	3.08%	3.36%	3.07%	3.13%	3.58%
30+ Days Past Due Delinquencies	$26,770	$29,548	$26,535	$26,195	$28,734
60+ Days Past Due Delinquencies	0.91%	0.95%	1.10%	1.16%	1.41%
60+ Days Past Due Delinquencies	$7,951	$8,377	$9,527	$9,687	$11,320
Leasing					
30+ Days Past Due Delinquencies	3.03%	3.37%	3.05%	3.04%	3.52%
30+ Days Past Due Delinquencies	$26,054	$29,101	$25,831	$24,930	$27,739
60+ Days Past Due Delinquencies	0.91%	0.95%	1.09%	1.12%	1.36%
60+ Days Past Due Delinquencies	$7,795	$8,195	$9,230	$9,156	$10,735
Loans					
30+ Days Past Due Delinquencies	7.74%	3.03%	4.24%	7.62%	6.87%
30+ Days Past Due Delinquencies	$715	$426	$704	$1,265	$995
60+ Days Past Due Delinquencies	1.69%	1.23%	1.79%	3.20%	4.04%
60+ Days Past Due Delinquencies	$156	$173	$297	$531	$585
Factoring Receivables					
30+ Days Past Due Delinquencies	1.01%	70.00%	0.00%	0.00%	0.00%
30+ Days Past Due Delinquencies	$1	$21	$0	$0	$0
60+ Days Past Due Delinquencies	0.00%	30.00%	0.00%	0.00%	0.00%
60+ Days Past Due Delinquencies	$0	$9	$0	$0	$0
Net Charge-offs - Leasing	$3,351	$4,680	$5,289	$5,448	$6,653
% on Average Net Investment in Leases Annualized	1.85%	2.55%	2.90%	3.06%	3.85%
Net Charge-offs - Other Finance Receivables	$49	$122	$631	$283	$483
% on Average Other Finance Receivables Annualized	2.34%	4.17%	16.58%	6.62%	12.44%
Allowance for Credit Losses	$9,395	$10,988	$12,074	$12,873	$14,339
% of 60+ Delinquencies	118.16%	131.17%	126.73%	132.89%	126.67%
90+ Day Delinquencies (Non-earning total finance receivables)	$3,438	$3,695	$3,940	$4,704	$5,370

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

Quarter Ended:	9/30/2007	12/31/2007	3/31/2008	6/30/2008	9/30/2008
Balance Sheet:					
Assets					
Investment in Leases and Loans	$738,275	$749,543	$739,393	$719,873	$693,626
Initial Direct Costs and Fees	27,048	27,383	26,216	24,517	22,808
Reserve for Credit Losses	(9,395)	(10,988)	(12,074)	(12,873)	(14,339)
Net Investment in Leases and Loans	$755,928	$765,938	$753,535	$731,427	$702,095
Cash and Cash Equivalents	10,964	34,347	24,089	36,798	17,151
Restricted Cash	68,634	141,070	64,894	65,136	64,294
Other Assets	16,031	18,299	30,315	22,216	20,378
Total Assets	$851,557	$959,654	$872,833	$855,577	$803,918
Liabilities					
Total Debt	$659,561	$773,085	$680,256	$618,330	$565,914
Deposits	$0	$0	$0	$43,618	$47,172
Other Liabilities	41,563	36,424	44,975	41,234	38,383
Total Liabilities	$701,124	$809,509	$725,231	$703,182	$651,469
Stockholders' Equity					
Common Stock	$123	$122	$122	$122	$122
Paid-in Capital, net	85,638	84,422	83,792	83,319	83,661
Other Comprehensive Income	(1,006)	(3,130)	(6,402)	(2,836)	(2,182)
Retained Earnings	65,678	68,731	70,090	71,790	70,848
Total Stockholders' Equity	$150,433	$150,145	$147,602	$152,395	$152,449
Total Liabilities and Stockholders' Equity	$851,557	$959,654	$872,833	$855,577	$803,918
Capital and Leverage:					
Tangible Equity	$150,433	$150,145	$147,602	$152,395	$152,449
Debt to Tangible Equity	4.38	5.15	4.61	4.34	4.02
Equity to Assets	17.67%	15.65%	16.91%	17.81%	18.96%
Expense Ratios:					
Salaries and Benefits Expense	$5,257	$5,243	$5,870	$6,344	$5,620
Salaries and Benefits Expense Annualized % of Avg. Fin. Recbl.	2.87%	2.81%	3.15%	3.47%	3.18%
Total personnel end of quarter	331	357	354	291	286
General and Administrative Expense	$3,447	$3,553	$4,303	$3,994	$3,333
General and Administrative Expense Annualized % of Avg. Fin. Recbl.	1.88%	1.91%	2.31%	2.19%	1.89%
Efficiency Ratio	41.06%	42.41%	50.71%	52.25%	45.13%
Net Income:					
Net Income (Loss)	$5,028	$3,053	$1,359	$1,700	($941)
Annualized Performance Measures:					
Return on Average Assets	2.38%	1.25%	0.60%	0.79%	-0.46%
Return on Average Stockholders' Equity	13.49%	8.10%	3.66%	4.50%	-2.47%
Per Share Data:					
Number of Shares - Basic	12,155,152	12,138,824	12,033,523	11,987,220	11,843,300
Basic Earnings (Loss) per Share	$0.41	$0.25	$0.11	$0.14	($0.08)
Number of Shares - Diluted	12,355,484	12,283,142	12,133,159	12,061,843	11,843,300
Diluted Earnings (Loss) per Share	$0.41	$0.25	$0.11	$0.14	($0.08)

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