



Marlin Business Services Corp. Reports Second Quarter 2009 Results

- Net income of \$946,000
- Net income on an adjusted basis of \$555,000, which excludes the impact of derivatives
- Strong capital position, equity to assets leverage ratio of 21.24%
- Total risk-based capital of 25.63%
- Pricing on new originations improved 193 basis points year over year
- Lower 30+ lease delinquencies and charge-offs quarter-over-quarter reflect the Company's credit discipline

Mount Laurel, NJ, August 6, 2009 – Marlin Business Services Corp. (NASDAQ: MRLN) today reported a second quarter 2009 GAAP net income of \$946,000 or \$0.08 per diluted share and net income on an adjusted basis of \$555,000 or \$0.04 per share.

Included in net income and net income on an adjusted basis is an after-tax severance charge of \$424,000 related to a previously announced workforce reduction.

“Despite the economy’s poor fundamentals, I am encouraged with the positive strides taken to strengthen our business franchise and position Marlin to capitalize on growth once the economy and capital markets return to a more normal state,” says Daniel P. Dyer, Marlin’s CEO. “Our disciplined operating approach along with the decision to tighten credit standards early in the credit cycle is working, evidenced by lower delinquencies and charge-offs and positive financial results posted this quarter.”

Second quarter 2009 lease production was \$15.8 million, based on initial equipment cost, compared to \$36.3 million for the first quarter of 2009 and \$62.5 million for the second quarter of 2008. The company’s conservative underwriting standards are reflected in lease approval rates which were 36% for the second quarter of 2009, versus 41% for the first quarter of 2009 and 49% for the second quarter a year ago.

The reduction in approval rates and leasing volumes reflects management's actions to maintain tighter underwriting standards and disciplined pricing practices in this current period of limited funding visibility and uncertain economic conditions. Weaker demand for equipment was also a contributor to the volume reduction.

The average implicit yield on new lease production continues to improve and was 15.83% for the second quarter of 2009, up 143 basis points from the first quarter of 2009 and up 193 basis points from the second quarter of 2008.

The net interest and fee margin for the quarter ended June 30, 2009 was 9.69%, down 39 basis points from the first quarter of 2009 and down 4 basis points from 9.73% for the quarter ended June 30, 2008. The reduction from first quarter 2009 was driven by fee income and interest expense. Fee income as a percentage of average total finance receivables was 2.99% for the quarter ended June 30, 2009, down 13 basis points from the first quarter of 2009 due to lower late fee billings and up 11 basis points from 2.88% for the quarter ended June 30, 2008. Interest expense as a percentage of average total finance receivables was 5.08% for the second quarter of 2009 versus 4.86% for the first quarter of 2009 and 5.13% for the quarter ended June 30, 2008. The increase from first quarter 2009 was primarily due to higher conduit pricing partially offset by a shift in mix between long term fixed-rate term securitizations and shorter term variable-rate facilities.

30+ day delinquencies demonstrated improvement in the second quarter of 2009. Leases over 30 days delinquent were 4.41% as of June 30, 2009, a decrease compared to 4.87% at March 31, 2009 and an increase compared to 3.04% at June 30, 2008. On a dollar basis, leases in the 30+ delinquency category totaled \$27.4 million at June 30, 2009, down from \$33.9 million at March 31, 2009 and up from \$24.9 million at June 30, 2008. Leases over 60 days delinquent were 2.26% as of June 30, 2009, a decrease from 2.34% as of March 31, 2009 and an increase from 1.12% at June 30, 2008. On a dollar basis, leases over 60 days delinquent totaled \$14.1 million at June 30, 2009, a decrease compared to \$16.3 million at March 31, 2009 and an increase compared to \$9.2 million at June 30, 2008.

Net lease charge-offs in the second quarter of 2009 were \$7.6 million, or 5.26% of average net investment in leases on an annualized basis, compared to \$8.0 million or 5.03% of average net investment in leases on an annualized basis during first quarter 2009.

The provision for credit losses was \$6.8 million for the quarter ended June 30, 2009, down from \$8.7 million for the first quarter of 2009, due to improvements in the credit migration of the lease portfolio and the declining portfolio. The allowance as a percentage of total finance receivables, which reflects management's estimate of future losses inherent in the portfolio, was strengthened to 2.52% at June 30, 2009 versus 2.47% at March 31, 2009 and 1.79% at June 30, 2008.

A \$646,000 gain was reported on derivatives for the second quarter of 2009 due to a reclassification from accumulated other comprehensive income of \$409,000 related to a change in a forecasted transaction and \$237,000 representing a mark-to-market increase in the fair value of derivative contracts.

Salaries and benefits were \$5.1 million for the second quarter ended June 30, 2009, down from \$5.9 million for the first quarter of 2009. The decrease is primarily due to previously announced reductions in work force occurring in both the first and second quarters of 2009. In the second quarter ended June 30, 2009 the Company recorded a pre-tax severance adjustment of \$700,000 versus a pretax severance adjustment of \$500,000 in the first quarter of 2009.

General and administrative expenses were \$3.3 million for the second quarter ended June 30, 2009, compared to \$3.4 million for the first quarter 2009. The decrease from the first quarter is primarily related to continued reductions in discretionary spending.

At June 30, 2009, the Company has outstanding \$89.3 million of leases and loans funded through its banking subsidiary, Marlin Business Bank, and has \$77.3 million in FDIC insured deposits outstanding at an average borrowing rate of 3.41% with a weighted average term to maturity of 2.39 years. Second quarter 2009 average deposit outstandings were \$74.4 million at a weighted average interest rate of 3.75%.

In conjunction with this release, static pool loss statistics and vintage delinquency analysis 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 Friday, August 7, 2009 at 9:00 a.m. ET to discuss our second quarter 2009 results. If you wish to participate, please call 888-208-1332 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 90 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. 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**
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008 (as restated) ⁽¹⁾</u>
(Dollars in thousands, except per-share data)		
ASSETS		
Cash and due from banks	\$ 3,242	\$ 1,604
Interest-earning deposits with banks	<u>50,287</u>	<u>38,666</u>
Total cash and cash equivalents	53,529	40,270
Restricted interest-earning deposits with banks	67,751	66,212
Net investment in leases and loans	555,082	669,109
Property and equipment, net	2,816	2,961
Property tax receivables	1,855	3,120
Other assets	<u>9,613</u>	<u>12,759</u>
Total assets	<u>\$ 690,646</u>	<u>\$ 794,431</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	\$ 98,132	\$ 101,923
Long-term borrowings	328,071	441,385
Deposits	77,305	63,385
Other liabilities:		
Fair value of derivatives	9,693	11,528
Sales and property taxes payable	9,413	6,540
Accounts payable and accrued expenses	8,392	7,926
Net deferred income tax liability	<u>12,979</u>	<u>15,119</u>
Total liabilities	<u>543,985</u>	<u>647,806</u>
Commitments and contingencies		
Stockholders' equity:		
Common Stock, \$0.01 par value; 75,000,000 shares authorized; 12,595,437 and 12,246,405 shares issued and outstanding, respectively	126	122
Preferred Stock, \$0.01 par value; 5,000,000 shares authorized; none issued	—	—
Additional paid-in capital	83,841	83,671
Stock subscription receivable	(3)	(5)
Accumulated other comprehensive income (loss)	(40)	167
Retained earnings	<u>62,737</u>	<u>62,670</u>
Total stockholders' equity	<u>146,661</u>	<u>146,625</u>
Total liabilities and stockholders' equity	<u>\$ 690,646</u>	<u>\$ 794,431</u>

⁽¹⁾ Certain items have been restated from amounts previously reported, to reflect the impact of correcting an immaterial error in previously filed Consolidated Financial Statements. This adjustment is described in Note 15 to the Company's Consolidated Financial Statements to be filed as part of its Form 10-Q for the quarterly period ended June 30, 2009.



**MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES**
Condensed Consolidated Statements of Operations
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(Dollars in thousands, except per-share data)			
Interest income	\$ 17,281	\$ 21,870	\$ 36,353	\$ 44,823
Fee income	4,380	5,252	9,414	10,487
Interest and fee income	<u>21,661</u>	<u>27,122</u>	<u>45,767</u>	<u>55,310</u>
Interest expense	7,444	9,359	15,276	19,606
Net interest and fee income	14,217	17,763	30,491	35,704
Provision for credit losses	<u>6,793</u>	<u>6,530</u>	<u>15,542</u>	<u>13,536</u>
Net interest and fee income after provision for credit losses	<u>7,424</u>	<u>11,233</u>	<u>14,949</u>	<u>22,168</u>
Other income:				
Insurance income	1,322	1,544	2,865	3,106
Gain (loss) on derivatives	646	—	(661)	—
Other income	<u>387</u>	<u>477</u>	<u>795</u>	<u>1,035</u>
Other income	<u>2,355</u>	<u>2,021</u>	<u>2,999</u>	<u>4,141</u>
Other expense:				
Salaries and benefits	5,057	6,344	10,942	12,215
General and administrative	3,287	3,994	6,686	8,296
Financing related costs	<u>55</u>	<u>231</u>	<u>310</u>	<u>597</u>
Other expense	<u>8,399</u>	<u>10,569</u>	<u>17,938</u>	<u>21,108</u>
Income before income taxes	1,380	2,685	10	5,201
Income tax (benefit) expense	<u>434</u>	<u>985</u>	<u>(57)</u>	<u>2,142</u>
Net income	<u>\$ 946</u>	<u>\$ 1,700</u>	<u>\$ 67</u>	<u>\$ 3,059</u>
Basic earnings per share	\$ 0.08	\$ 0.14	\$ 0.01	\$ 0.25
Diluted earnings per share	\$ 0.08	\$ 0.14	\$ 0.01	\$ 0.25
Weighted average shares used in computing basic earnings per share	12,593,514	12,185,532	12,456,874	12,192,844
Weighted average shares used in computing diluted earnings per share	12,603,305	12,239,736	12,465,312	12,258,264



**MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES**
Net Income on an Adjusted Basis Reconciliation to GAAP Results

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(Dollars in thousands)		(Dollars in thousands)	
	(Unaudited)		(Unaudited)	
Net income as reported	\$ 946	\$ 1,700	\$ 67	\$ 3,059
Deduct:				
Gain (loss) on derivatives	646	—	(661)	—
Tax effect	(255)	—	261	—
Gain (loss) on derivatives, net of tax	391	—	(400)	—
Net Income on an Adjusted Basis	<u>\$ 555</u>	<u>\$ 1,700</u>	<u>\$ 467</u>	<u>\$ 3,059</u>

Net Income on an Adjusted Basis is defined as net income excluding the gain (loss) on derivatives, net of tax. The Company believes that Net Income on an Adjusted Basis is a useful performance metric for management, investors and lenders, because it excludes the volatility resulting from derivatives activities subsequent to discontinuing hedge accounting in mid-2008.

SUPPLEMENTAL QUARTERLY DATA

(Dollars in thousands, except share amounts)

(Unaudited)



Quarter Ended:	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009
New Asset Production:					
# of Sales Reps	92	91	86	58	33
# of Leases	6,276	5,837	5,558	3,811	1,831
Leased Equipment Volume	\$62,467	\$59,005	\$58,098	\$36,280	\$15,811
Approval Percentage	49%	49%	47%	41%	36%
Average Monthly Sources	1,047	981	936	692	374
Implicit Yield on New Leases	13.90%	13.87%	13.76%	14.40%	15.83%
Net Interest and Fee Margin:					
Interest Income Yield	11.98%	11.92%	11.88%	11.82%	11.78%
Fee Income Yield	<u>2.88%</u>	<u>3.14%</u>	<u>3.13%</u>	<u>3.12%</u>	<u>2.99%</u>
Interest and Fee Income Yield	14.86%	15.06%	15.01%	14.94%	14.77%
Cost of Funds	<u>5.13%</u>	<u>4.98%</u>	<u>4.99%</u>	<u>4.86%</u>	<u>5.08%</u>
Net Interest and Fee Margin	9.73%	10.08%	10.02%	10.08%	9.69%
Average Total Finance Receivables	\$730,267	\$706,508	\$680,645	\$645,570	\$586,608
Average Net Investment in Leases	\$713,171	\$690,973	\$667,232	\$634,314	\$577,493
End of Period Net Investment in Leases	\$714,292	\$687,103	\$657,657	\$611,774	\$547,892
End of Period Loans	\$15,750	\$13,607	\$11,452	\$9,160	\$7,190
Portfolio Asset Quality:					
Total Finance Receivables					
30+ Days Past Due Delinquencies	3.13%	3.58%	3.81%	4.94%	4.53%
30+ Days Past Due Delinquencies	\$26,195	\$28,734	\$29,216	\$34,910	\$28,493
60+ Days Past Due Delinquencies	1.16%	1.41%	1.59%	2.38%	2.32%
60+ Days Past Due Delinquencies	\$9,687	\$11,320	\$12,203	\$16,824	\$14,579
Leasing					
30+ Days Past Due Delinquencies	3.04%	3.52%	3.72%	4.87%	4.41%
30+ Days Past Due Delinquencies	\$24,930	\$27,739	\$28,113	\$33,895	\$27,399
60+ Days Past Due Delinquencies	1.12%	1.36%	1.53%	2.34%	2.26%
60+ Days Past Due Delinquencies	\$9,156	\$10,735	\$11,559	\$16,281	\$14,055
Loans					
30+ Days Past Due Delinquencies	7.62%	6.87%	8.91%	10.04%	13.55%
30+ Days Past Due Delinquencies	\$1,265	\$995	\$1,103	\$1,015	\$1,094
60+ Days Past Due Delinquencies	3.20%	4.04%	5.20%	5.37%	6.49%
60+ Days Past Due Delinquencies	\$531	\$585	\$644	\$543	\$524
Net Charge-offs - Leasing	\$5,448	\$6,653	\$7,862	\$7,973	\$7,593
% on Average Net Investment in Leases Annualized	3.06%	3.85%	4.71%	5.03%	5.26%
Net Charge-offs - Other Finance Receivables	\$283	\$483	\$550	\$749	\$531
% on Average Other Finance Receivables Annualized	6.62%	12.44%	16.40%	26.62%	23.30%
Allowance for Credit Losses	\$12,873	\$14,339	\$15,283	\$15,309	\$13,978
% of 60+ Delinquencies	132.89%	126.67%	125.24%	91.00%	95.88%
90+ Day Delinquencies (Non-earning total finance receivables)	\$4,704	\$5,370	\$6,380	\$8,263	\$7,650

SUPPLEMENTAL QUARTERLY DATA

(Dollars in thousands, except share amounts)

(Unaudited)



Quarter Ended:	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009
Balance Sheet:					
Assets					
Investment in Leases and Loans	\$719,924	\$693,767	\$664,902	\$619,129	\$554,712
Initial Direct Costs and Fees	22,991	21,282	19,490	17,114	14,348
Reserve for Credit Losses	(12,873)	(14,339)	(15,283)	(15,309)	(13,978)
Net Investment in Leases and Loans	\$730,042	\$700,710	\$669,109	\$620,934	\$555,082
Cash and Cash Equivalents	44,981	25,367	40,270	50,466	53,529
Restricted Cash	65,136	64,294	66,212	71,382	67,751
Other Assets	14,033	12,162	18,840	20,857	14,284
Total Assets	\$854,192	\$802,533	\$794,431	\$763,639	\$690,646
Liabilities					
Total Debt	\$618,330	\$565,914	\$543,308	\$499,852	\$426,203
Deposits	\$43,618	\$47,172	\$63,385	\$74,853	\$77,305
Other Liabilities	40,680	37,829	41,113	43,278	40,477
Total Liabilities	\$702,628	\$650,915	\$647,806	\$617,983	\$543,985
Stockholders' Equity					
Common Stock	\$122	\$122	\$122	\$126	\$126
Paid-in Capital, net	83,319	83,661	83,666	83,561	83,838
Other Comprehensive Income	(2,836)	(2,182)	167	178	(40)
Retained Earnings	70,959	70,017	62,670	61,791	62,737
Total Stockholders' Equity	\$151,564	\$151,618	\$146,625	\$145,656	\$146,661
Total Liabilities and Stockholders' Equity	\$854,192	\$802,533	\$794,431	\$763,639	\$690,646
Capital and Leverage:					
Tangible Equity	\$151,564	\$151,618	\$146,625	\$145,656	\$146,661
Debt to Tangible Equity	4.37	4.04	4.14	3.95	3.43
Equity to Assets	17.74%	18.89%	18.46%	19.07%	21.24%
Regulatory Capital Ratios:					
Tier 1 Leverage Capital	n/a	n/a	n/a	19.19%	20.12%
Tier 1 Risk-based Capital	n/a	n/a	n/a	21.48%	24.36%
Total Risk-based Capital	n/a	n/a	n/a	22.74%	25.63%
Expense Ratios:					
Salaries and Benefits Expense	\$6,344	\$5,620	\$5,082	\$5,885	\$5,057
Salaries and Benefits Expense Annualized % of Avg. Fin. Recbl.	3.47%	3.18%	2.99%	3.65%	3.45%
Total personnel end of quarter	291	286	284	230	169
General and Administrative Expense	\$3,994	\$3,333	\$3,611	\$3,399	\$3,287
General and Administrative Expense Annualized % of Avg. Fin. Recbl.	2.19%	1.89%	2.12%	2.11%	2.24%
Efficiency Ratio	52.25%	45.13%	45.67%	50.94%	52.39%
Net Income:					
Net Income (Loss)	\$1,700	(\$941)	(\$7,348)	(\$879)	\$946
Annualized Performance Measures:					
Return on Average Assets	0.79%	-0.46%	-3.71%	-0.45%	0.52%
Return on Average Stockholders' Equity	4.50%	-2.47%	-19.64%	-2.39%	2.58%
Per Share Data:					
Number of Shares - Basic	12,185,532	11,843,300	11,799,939	11,677,264	12,593,514
Basic Earnings (Loss) per Share	\$0.14	(\$0.08)	(\$0.62)	(\$0.08)	\$0.08
Number of Shares - Diluted	12,239,736	11,843,300	11,799,939	11,677,264	12,603,305
Diluted Earnings (Loss) per Share	\$0.14	(\$0.08)	(\$0.62)	(\$0.08)	\$0.08

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