
MRLN 8-K 1/26/2017

Section 1: 8-K (FORM 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**



FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): **January 26, 2017**

Marlin Business Services Corp.

(Exact Name of Registrant as Specified in Charter)

Pennsylvania

(State or Other Jurisdiction of
Incorporation)

000-50448

(Commission File Number)

38-3686388

(I.R.S. Employer Identification Number)

300 Fellowship Road, Mount Laurel, NJ

(Address of Principal Executive Offices)

08054

(Zip Code)

(888) 479-9111

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

The Registrant issued a press release on January 26, 2017, announcing its results of operations for the fourth quarter and the year ended December 31, 2016. A copy of the press release is being furnished as Exhibit 99.1 to this report.

The information in this Current Report, including the Exhibit hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document filed with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release issued by Marlin Business Services Corp. on January 26, 2017 in connection with Item 2.02.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Marlin Business Services Corp.
(Registrant)

Date: January 26, 2017

/s/ Edward R. Dietz
Edward R. Dietz
Senior Vice President & General Counsel

INDEX TO EXHIBITS

99.1 Press Release issued by Marlin Business Services Corp. on January 26, 2017 in connection with Item 2.02.

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Section 2: EX-99.1 (PRESS RELEASE)

EXHIBIT 99.1

Marlin Business Services Corp. Reports Strong Fourth Quarter and Year-End 2016 Results and Declares a Cash Dividend of \$0.14 Per Share

Fourth Quarter Summary:

- Total fourth quarter origination volume of \$146.1 million, a record for a single quarter, an increase of 13.9% compared to the prior quarter and an increase of 35.4% year-over-year
- Total Funding Stream loan origination volume of \$11.3 million, up 9.4% from the prior quarter and 3.1 times higher than a year ago
- Net income of \$4.8 million with diluted EPS of \$0.38 per share, up from net income of \$3.0 million with diluted EPS of \$0.24 in the prior year period
- Return on equity increased to 12.06%, 96 basis points higher than the prior quarter
- Total new origination loan and lease yield of 11.50% decreased 19 basis points from the prior quarter and was up 13 basis points year-over-year
- Credit quality remained stable with 30+ and 60+ day delinquencies at 80 basis points and 46 basis points, respectively and annualized net charge-offs during the fourth quarter of 1.40%.
- Strong capital position with equity to assets ratio of 18.19%

- Subsequent to quarter end, completed the acquisition of Horizon Keystone Financial
- Subsequent to quarter end, appointed Louis E. Maslowe as Senior Vice President and Chief Credit Officer

Full Year 2016 Summary:

- Full year total origination volume of \$504.3 million, up 31.1% from a year ago
- Full year total Funding Stream loan origination volume of \$35.8 million, 5.4 times higher than the prior year period

- Investment in Leases and Loans (before deferred costs and loss allowance) of \$793.3 million, an all-time record and up 16.7% year-over-year

- Full year net income of \$17.3 million with diluted EPS of \$1.38, up from net income of \$16.0 million with diluted EPS of \$1.25 in the prior year period

MOUNT LAUREL, N.J., Jan. 26, 2017 (GLOBE NEWSWIRE) -- **Marlin Business Services Corp.** (NASDAQ:MRLN) today reported fourth quarter 2016 net income of \$4.8 million, or \$0.38 per diluted share, compared to \$3.0 million, or \$0.24 per diluted share, for the fourth quarter last year. Return on equity for the quarter was 12.06%, up from 7.96% a year ago.

For the year ended December 31, 2016, net income was \$17.3 million, or \$1.38 per diluted share, compared to \$16.0 million and \$1.25 per diluted share for the year ended December 31, 2015.

“We concluded 2016 with an outstanding fourth quarter driven by robust origination volume and stable credit quality that helped deliver solid earnings growth,” commented Jeffrey A. Hilzinger, Marlin’s President and Chief Executive Officer. “Total origination volume of \$146.1 million was a record for a single quarter, an increase of nearly 14% compared to the previous quarter and up more than 35% from the fourth quarter last year. While strong customer demand in our Equipment Finance business continued to drive overall growth, we also benefited from our strategy to transform Marlin from primarily a micro-ticket equipment lessor into a broader provider of credit products and services to small businesses. Funding Stream, our working capital loan business, also performed well and contributed \$11.3 million, or 8%, of total originations in the quarter, and our Franchise Finance business, which caters to the unique financing needs of franchisees, comprised \$5.1 million, or 4%, of total fourth quarter originations. As a result, our Investment in Leases and Loans grew to a record \$793.3 million, up almost 5% compared to the previous quarter and up 17% from a year ago, with continued stable credit performance. Fourth quarter net income also increased on both a sequential quarter and year-over-year basis to \$4.8 million, or \$0.38 per diluted share. Overall, 2016 was a very productive and transformative year for Marlin, and we look forward to building on our success in 2017.”

Mr. Hilzinger concluded, “Consistent with our ‘Marlin 2.0’ initiative and as part of our effort to identify additional growth engines, subsequent to year-end we completed the acquisition of Horizon Keystone Financial, an originator of equipment finance solutions for small businesses with a focus on the office furniture, heating/ventilation/ air conditioning/refrigeration (HVAC/R) and automotive markets. Horizon is a strong complement

to our existing equipment finance business and provides Marlin with the opportunity to enter new and attractive equipment markets while further leveraging our existing infrastructure and resources.”

Results of Operations

Combined Equipment Finance, Funding Stream and Franchise Finance origination volume for the fourth quarter ended December 31, 2016 of \$146.1 million was the fifth consecutive quarter of record origination volume for the Company. Equipment Finance origination volume of \$134.9 million in the fourth quarter was up 14.3% compared to \$117.9 million in the prior quarter and increased 29.3% from \$104.3 million in the fourth quarter of 2015. The Company also experienced solid Funding Stream origination volume in the fourth quarter of 2016 totaling \$11.3 million, up from \$10.3 million in the third quarter of 2016 and \$3.7 million in the same period a year ago.

Net interest and fee margin as a percentage of average finance receivables was 11.44% for the fourth quarter ended December 31, 2016, up 14 basis points from the third quarter of 2016 and down 8 basis points from a year ago. The decrease in margin percentage from the year ago period was primarily a result of the roll-off of higher yielding assets, growth in lower yielding Equipment Finance channels, a decline in late fees and a slight increase in the Company’s cost of funds. The Company’s cost of funds increased to 114 basis points, compared to 112 basis points for the third quarter of 2016 and 98 basis points for the fourth quarter of 2015.

On an absolute basis, net interest and fee margin increased to \$21.8 million for the quarter ended December 31, 2016, compared to \$20.7 million for the prior quarter and \$18.9 million for the fourth quarter last year.

Other income was \$3.0 million for the fourth quarter of 2016, compared to \$2.6 million in the prior quarter and \$2.2 million in the fourth quarter last year. The increase in other income compared to the fourth quarter last year was partially due to a \$0.4 million increase in gains-on-sale and servicing fee income from asset sales related to the Company’s emerging Capital Markets activities.

Other expenses were \$13.5 million for the fourth quarter of 2016, compared to \$12.8 million in the prior quarter and \$14.6 million in the fourth quarter last year. The increase in other expenses compared to the prior quarter was partially due to an increase in compensation expense associated with higher volume. The decrease in other expenses compared to the fourth quarter last year was largely a result of one-time costs in the fourth quarter last year relating to the retirement of the Company’s previous chief executive officer.

The Company’s efficiency ratio for the fourth quarter was 54.58% compared to 54.87% for the prior quarter and 68.99% in the fourth quarter last year.

Marlin recorded a provision for income taxes of \$2.9 million for the fourth quarter of 2016, representing an effective tax rate of 37.7%, compared with \$3.0 million or 41.1% for the preceding quarter and \$1.1 million or 26.9% for the fourth quarter of 2015.

Credit Quality

Allowance for credit losses as a percentage of total finance receivables was 1.38% at December 31, 2016 versus 1.24% at December 31, 2015. Coverage of total 60+ day delinquencies was 264.37% at December 31, 2016 versus 265.98% at December 31, 2015.

Credit quality remained stable as finance receivables over 30 days delinquent were 0.80% of the Company’s total finance receivables portfolio as of December 31, 2016, an increase of 7 basis points from December 31, 2015. Finance receivables over 60 days delinquent were 0.46% of the Company’s total finance receivables portfolio as of December 31, 2016, an increase of 5 basis points from December 31, 2015. Fourth quarter net charge-offs were 1.40% of average total finance receivables versus 1.60% a year ago.

As of December 31, 2016 and 2015, the Company’s consolidated equity to assets ratio was 18.19% and 19.42%, respectively.

Corporate Developments

On January 4, 2017 the Company announced the acquisition of Horizon Keystone Financial, a long established originator of equipment finance credit products focused in the office furniture, heating/ventilation/air conditioning/refrigeration (HVAC/R) and automotive markets. The acquisition represents an important milestone for Marlin and extends the Company’s existing equipment finance business into new and attractive markets.

On January 10, 2017 the Company announced the appointment of Louis E. Maslowe as Senior Vice President and Chief Credit Officer. Mr. Maslowe has an extensive background in commercial finance with over 30 years of credit experience. Prior to joining Marlin, Mr. Maslowe held senior leadership positions in credit and risk management with several leading bank owned, independent and captive leasing companies, most recently serving as Senior Vice President and Chief Risk Officer of the Americas for DLL, a wholly owned subsidiary of Rabobank Group.

The Board of Directors of Marlin Business Services Corp. today declared a \$0.14 per share quarterly dividend. The dividend is payable February 16, 2017, to shareholders of record on February 6, 2017. Based on the closing stock price on January 25, 2017, the annualized dividend yield on the Company’s common stock is 2.62%.

In conjunction with this release, static pool loss statistics and a vintage delinquency analysis have been updated as supplemental information on the Investor Relations section of the Company’s website at www.marlincorp.com.

Business Outlook

The Company is initiating guidance for the full year ending December 31, 2017 as follows:

- Full year origination volume (including both loans and leases) is expected to finish at least 20% above 2016 levels.
- Credit quality is anticipated to remain stable and within the Company's expected range.
- Net interest margin, as a percentage, is expected to move slightly lower in 2017 with the roll-off of higher yielding legacy leases and continued growth in lower yielding Equipment Finance channels and Franchise Finance, partially offset by expected growth in the Company's higher yielding Funding Stream business.
- Full year ROE is expected to grow as strategic initiatives gain traction and the Company continues to scale.

Conference Call and Webcast

Marlin will host a conference call on Friday, January 27, 2017 at 9:00 a.m. ET to discuss the Company's fourth quarter and year-end 2016 results. If you wish to participate, please call 877-312-5414 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 Company's website, www.marlincorp.com. An audio replay will also be available on the Investor Relations section of Marlin's website for approximately 45 days.

About Marlin Business Services Corp.

Marlin Business Services Corp. is a nationwide provider of credit products and services to small businesses with a mission of helping small businesses achieve their American dream. Our products and services are offered directly to small businesses and through financing programs with equipment manufacturers, distributors, dealers and other intermediaries. Marlin and its wholly-owned operating subsidiary, Marlin Business Bank, are publicly traded (NASDAQ:MRLN). For more information about Marlin, 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, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. 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 Securities and Exchange Commission, 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)**

	December 31, 2016	December 31, 2015
(Dollars in thousands, except per-share data)		
ASSETS		
Cash and due from banks	\$ 4,055	\$ 4,946
Interest-earning deposits with banks	57,702	55,183
Total cash and cash equivalents	61,757	60,129
Time deposits with banks	9,605	7,368
Restricted interest-earning deposits with banks	—	216
Securities available for sale (amortized cost of \$6.1 million and \$6.6 million at December 31, 2016 and December 31, 2015, respectively)	5,880	6,399
Net investment in leases and loans:		
Net investment in leases and loans, excluding allowance for credit losses	807,654	690,845
Allowance for credit losses	(10,937)	(8,413)
Total net investment in leases and loans	796,717	682,432
Property and equipment, net	3,495	3,872

Property tax receivables	5,296	47
Other assets	9,408	12,521
Total assets	<u>\$ 892,158</u>	<u>\$ 772,984</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$ 697,357	\$ 587,940
Other liabilities:		
Sales and property taxes payable	2,586	2,686
Accounts payable and accrued expenses	14,809	15,371
Net deferred income tax liability	15,117	16,849
Total liabilities	<u>729,869</u>	<u>622,846</u>

Stockholders' equity:

Preferred Stock, \$0.01 par value; 5,000,000 shares authorized; none issued	—	—
Common Stock, \$0.01 par value; 75,000,000 shares authorized; 12,572,114 and 12,410,899 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	126	124
Additional paid-in capital	83,505	81,703
Stock subscription receivable	(2)	(2)
Accumulated other comprehensive loss	(138)	(129)
Retained earnings	78,798	68,442
Total stockholders' equity	<u>162,289</u>	<u>150,138</u>
Total liabilities and stockholders' equity	<u>\$ 892,158</u>	<u>\$ 772,984</u>

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

	Three Months Ended December		Twelve Months Ended December	
	31,		31,	
	2016	2015	2016	2015
	(Dollars in thousands, except per-share data)			
Interest income	\$ 20,188	\$ 16,997	\$ 74,709	\$ 66,662
Fee income	3,796	3,529	15,543	15,291
Interest and fee income	<u>23,984</u>	<u>20,526</u>	<u>90,252</u>	<u>81,953</u>
Interest expense	2,174	1,609	7,778	5,696
Net interest and fee income	<u>21,810</u>	<u>18,917</u>	<u>82,474</u>	<u>76,257</u>
Provision for credit losses	<u>3,534</u>	<u>2,453</u>	<u>12,414</u>	<u>9,995</u>
Net interest and fee income after provision for credit losses	<u>18,276</u>	<u>16,464</u>	<u>70,060</u>	<u>66,262</u>

Other income:

Insurance premiums written and earned	1,639	1,646	6,398	5,940
Other income	1,347	533	3,360	1,869
Other income	<u>2,986</u>	<u>2,179</u>	<u>9,758</u>	<u>7,809</u>
Other expense:				
Salaries and benefits	8,083	9,884	31,912	31,174
General and administrative	5,450	4,671	19,523	17,451
Financing related costs	—	34	85	218
Other expenses	<u>13,533</u>	<u>14,589</u>	<u>51,520</u>	<u>48,843</u>
Income before income taxes	7,729	4,054	28,298	25,228
Income tax expense	2,914	1,089	11,019	9,262
Net income	<u>\$ 4,815</u>	<u>\$ 2,965</u>	<u>\$ 17,279</u>	<u>\$ 15,966</u>
Basic earnings per share	\$ 0.38	\$ 0.24	\$ 1.38	\$ 1.25
Diluted earnings per share	\$ 0.38	\$ 0.24	\$ 1.38	\$ 1.25
Cash dividends declared per share	\$ 0.14	\$ 0.14	\$ 0.56	\$ 2.53

SUPPLEMENTAL QUARTERLY DATA

(Dollars in thousands, except share amounts)

(Unaudited)

Quarter Ended:	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>
Net Income:					
Net Income	\$ 2,965	\$ 3,651	\$ 4,468	\$ 4,345	\$ 4,815
Annualized Performance Measures:					
Return on Average Assets	1.56%	1.88%	2.19%	2.05%	2.20%
Return on Average Stockholders' Equity	7.96%	9.74%	11.66%	11.10%	12.06%
EPS Data:					
Net Income Allocated to Common Stock	\$ 2,891	\$ 3,548	\$ 4,339	\$ 4,209	\$ 4,663
Number of Shares - Basic	12,118,789	12,120,934	12,136,660	12,146,727	12,161,782
Basic Earnings per Share	\$ 0.24	\$ 0.29	\$ 0.36	\$ 0.35	\$ 0.38
Number of Shares - Diluted	12,128,613	12,126,812	12,143,181	12,157,356	12,173,010
Diluted Earnings per Share	\$ 0.24	\$ 0.29	\$ 0.36	\$ 0.35	\$ 0.38
Cash Dividends Declared per share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
New Asset Production:					
Equipment Finance	\$ 104,263	\$ 102,092	\$ 113,615	\$ 117,945	\$ 134,853
Funding Stream Loans	<u>\$ 3,670</u>	<u>\$ 6,301</u>	<u>\$ 7,873</u>	<u>\$ 10,316</u>	<u>\$ 11,287</u>
Total New Originations	\$ 107,933	\$ 108,393	\$ 121,488	\$ 128,261	\$ 146,140

Implicit Yield on Equipment Finance Originations	10.64%	10.30%	10.20%	9.78%	9.68%
Implicit Yield on Funding Stream Loan Originations	32.15%	34.17%	34.72%	33.50%	33.28%
Total Implicit Yield on New Originations	11.37%	11.69%	11.78%	11.69%	11.50%

Assets sold in the period	\$	317	\$	0	\$	2,707	\$	3,871	\$	11,554
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# of Sales Reps - Total	136	136	139	136	135
# of Leases / Loans Equipment Finance	6,625	6,316	6,681	6,606	7,029
Equipment Finance Approval Percentage	62%	62%	58%	56%	57%
Average Monthly Equipment Finance Sources	1,109	1,075	1,138	1,118	1,134

Net Interest and Fee Margin:

Interest Income Equipment Finance	\$	16,598	\$	16,808	\$	17,152	\$	17,368	\$	18,575
Interest Income Funding Stream Loans	\$	316	\$	618	\$	930	\$	1,254	\$	1,499

Interest Income Yield	10.35%	10.32%	10.30%	10.27%	10.59%
Fee Income Yield	<u>2.15%</u>	<u>2.26%</u>	<u>2.25%</u>	<u>2.15%</u>	<u>1.99%</u>
Interest and Fee Income Yield	12.50%	12.58%	12.55%	12.42%	12.58%
Cost of Funds	<u>0.98%</u>	<u>1.00%</u>	<u>1.05%</u>	<u>1.12%</u>	<u>1.14%</u>
Net Interest and Fee Margin	11.52%	11.58%	11.50%	11.30%	11.44%

Average Total Finance Receivables	\$	656,942	\$	679,252	\$	706,039	\$	732,346	\$	762,604
Average Net Investment Equipment Finance	\$	653,497	\$	672,198	\$	695,683	\$	718,601	\$	745,075
Average Funding Stream Loans	\$	3,445	\$	7,054	\$	10,356	\$	13,745	\$	17,529

End of Period Net Investment Equipment Finance	\$	677,491	\$	693,510	\$	718,631	\$	743,914	\$	777,607
End of Period Funding Stream Loans	\$	4,941	\$	8,616	\$	12,119	\$	15,508	\$	19,110

Portfolio Asset Quality:

Total Finance Receivables										
30+ Days Past Due Delinquencies		0.73%	0.85%	0.71%	0.78%	0.80%				
30+ Days Past Due Delinquencies	\$	5,618	\$	6,698	\$	5,850	\$	6,751	\$	7,226

60+ Days Past Due Delinquencies		0.41%	0.52%	0.43%	0.45%	0.46%				
60+ Days Past Due Delinquencies	\$	3,163	\$	4,114	\$	3,548	\$	3,885	\$	4,137

Equipment Finance										
30+ Days Past Due Delinquencies		0.74%	0.86%	0.72%	0.80%	0.82%				
30+ Days Past Due Delinquencies	\$	5,618	\$	6,698	\$	5,850	\$	6,751	\$	7,226

60+ Days Past Due Delinquencies		0.41%	0.53%	0.44%	0.46%	0.47%				
60+ Days Past Due Delinquencies	\$	3,163	\$	4,114	\$	3,548	\$	3,885	\$	4,137

Funding Stream Loans						
15+ Days Past Due Delinquencies		0.00%	0.00%	0.00%	0.27%	0.50%

15+ Days Past Due Delinquencies	\$	0	\$	0	\$	0	\$	44	\$	98
30+ Days Past Due Delinquencies		0.00%		0.00%		0.00%		0.00%		0.00%
30+ Days Past Due Delinquencies	\$	0	\$	0	\$	0	\$	0	\$	0
Net Charge-offs - Total Finance Receivables	\$	2,628	\$	2,297	\$	2,429	\$	2,494	\$	2,670
% on Average Total Finance Receivables										
Annualized		1.60%		1.35%		1.38%		1.36%		1.40%
Net Charge-offs - Equipment Finance	\$	2,628	\$	2,220	\$	2,331	\$	2,456	\$	2,521
% on Average Net Investment in Equipment Finance										
Annualized		1.61%		1.32%		1.34%		1.37%		1.35%
Net Charge-offs - Funding Stream Loans	\$	0	\$	77	\$	98	\$	38	\$	149
% of Average Funding Stream Loans										
Annualized		n/a		4.39%		3.77%		1.11%		2.37%
Total Allowance for Credit Losses	\$	8,413	\$	9,191	\$	9,430	\$	10,073	\$	10,937
% of Total Finance Receivables		1.24%		1.31%		1.30%		1.33%		1.38%
% of 60+ Delinquencies		265.98%		223.41%		265.78%		259.28%		264.37%
Allowance for Credit Losses - Equipment Finance	\$	8,239	\$	8,906	\$	8,926	\$	9,328	\$	10,177
% of Net Investment Equipment Finance		1.22%		1.29%		1.25%		1.26%		1.32%
% of 60+ Delinquencies		260.49%		216.47%		251.58%		240.10%		245.98%
Allowance for Credit Losses - Funding Stream Loans	\$	174	\$	285	\$	503	\$	745	\$	760
% of Total Funding Stream Loans		3.49%		3.26%		4.03%		4.63%		3.86%
% of 60+ Delinquencies		n/a		n/a		n/a		n/a		n/a
Non-accrual Leases and Loans	\$	1,677	\$	2,352	\$	1,771	\$	2,022	\$	2,242
Expense Ratios:										
Salaries and Benefits Expense	\$	9,884	\$	8,200	\$	7,812	\$	7,817	\$	8,083
Salaries and Benefits Expense										
Annualized % of Avg. Fin. Recbl.		6.02%		4.83%		4.43%		4.27%		4.24%
Total personnel end of quarter		314		309		315		318		318
General and Administrative Expense	\$	4,671	\$	4,465	\$	4,628	\$	4,980	\$	5,450
General and Administrative Expense										
Annualized % of Avg. Fin. Recbl.		2.84%		2.63%		2.62%		2.72%		2.86%
Efficiency Ratio		68.99%		58.23%		55.63%		54.87%		54.58%

Balance Sheet:

Assets					
Investment in Leases and Loans	\$ 679,737	\$ 699,672	\$ 727,707	\$ 756,144	\$ 793,285
Initial Direct Costs and Fees	11,108	11,645	12,473	13,351	14,369
Reserve for Credit Losses	<u>(8,413)</u>	<u>(9,191)</u>	<u>(9,430)</u>	<u>(10,073)</u>	<u>(10,937)</u>
Net Investment in Leases and Loans	\$ 682,432	\$ 702,126	\$ 730,750	\$ 759,422	\$ 796,717
Cash and Cash Equivalents	60,129	65,093	78,767	77,625	61,757
Restricted Cash	216	112	26	-	-
Other Assets	<u>30,207</u>	<u>33,775</u>	<u>32,248</u>	<u>31,954</u>	<u>33,684</u>
Total Assets	\$ 772,984	\$ 801,106	\$ 841,791	\$ 869,001	\$ 892,158
Liabilities					
Deposits	587,940	612,721	650,429	676,920	697,357
Other Liabilities	<u>34,906</u>	<u>35,909</u>	<u>35,677</u>	<u>33,413</u>	<u>32,512</u>
Total Liabilities	\$ 622,846	\$ 648,630	\$ 686,106	\$ 710,333	\$ 729,869
Stockholders' Equity					
Common Stock	\$ 124	\$ 125	\$ 125	\$ 126	\$ 126
Paid-in Capital, net	81,701	82,054	82,516	82,890	83,503
Other Comprehensive Income (Loss)	(129)	(49)	(22)	(5)	(138)
Retained Earnings	<u>68,442</u>	<u>70,346</u>	<u>73,066</u>	<u>75,657</u>	<u>78,798</u>
Total Stockholders' Equity	\$ 150,138	\$ 152,476	\$ 155,685	\$ 158,668	\$ 162,289
Total Liabilities and Stockholders' Equity	\$ 772,984	\$ 801,106	\$ 841,791	\$ 869,001	\$ 892,158
Capital and Leverage:					
Equity	\$ 150,138	\$ 152,476	\$ 155,685	\$ 158,668	\$ 162,289
Debt to Equity	3.92	4.02	4.18	4.27	4.30
Equity to Assets	19.42%	19.03%	18.49%	18.26%	18.19%
Regulatory Capital Ratios:					
Tier 1 Leverage Capital	19.63%	19.39%	18.90%	18.53%	18.36%
Common Equity Tier 1 Risk-based Capital	20.86%	20.51%	20.14%	19.77%	19.37%
Tier 1 Risk-based Capital	20.86%	20.51%	20.14%	19.77%	19.37%
Total Risk-based Capital	22.02%	21.74%	21.36%	21.02%	20.62%

Notes:

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

Equipment Finance consists of equipment leases and loans.

Funding Stream Loans consist of small business loans.

SUPPLEMENTAL ANNUAL DATA

(Dollars in thousands, except share amounts)

(Unaudited)

<u>Year Ended:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Income:			
Net Income	\$ 19,350	\$ 15,966	\$ 17,279
Annualized Performance Measures:			
Return on Average Assets	2.64%	2.11%	2.08%
Return on Average Stockholders' Equity	11.47%	9.49%	11.15%
EPS Data:			
Net Income Allocated to Common Stock	\$ 18,798	\$ 15,501	\$ 16,761
Number of Shares - Basic	12,520,496	12,364,873	12,141,595
Basic Earnings per Share	\$ 1.50	\$ 1.25	\$ 1.38
Number of Shares - Diluted	12,575,938	12,381,552	12,150,697
Diluted Earnings per Share	\$ 1.49	\$ 1.25	\$ 1.38
Cash Dividends Declared per share	\$ 0.47	\$ 2.53	\$ 0.56
New Asset Production:			
Equipment Finance	\$ 334,926	\$ 377,981	\$ 468,505
Funding Stream Loans	<u>n/a</u>	<u>\$ 6,679</u>	<u>\$ 35,777</u>
Total New Originations	\$ 334,926	\$ 384,660	\$ 504,282
Implicit Yield on Equipment Finance Originations	11.14%	10.69%	9.97%
Implicit Yield on Funding Stream Loan Originations	n/a	33.65%	33.82%
Total Implicit Yield on New Originations	11.14%	11.09%	11.66%
Assets sold in the period	\$ 91	\$ 3,589	\$ 18,132
# of Sales Reps - Total	115	136	135
# of Leases / Loans Equipment Finance	24,228	25,158	26,632
Equipment Finance Approval Percentage	66%	63%	58%
Average Monthly Equipment Finance Sources	1,117	1,093	1,116
Net Interest and Fee Margin:			
Interest Income Equipment Finance	\$ 66,473	\$ 65,866	\$ 69,903
Interest Income Funding Stream Loans	n/a	\$ 492	\$ 4,302
Interest Income Yield	11.07%	10.47%	10.38%
Fee Income Yield	<u>2.47%</u>	<u>2.40%</u>	<u>2.16%</u>
Interest and Fee Income Yield	13.54%	12.87%	12.54%
Cost of Funds	<u>0.82%</u>	<u>0.89%</u>	<u>1.08%</u>
Net Interest and Fee Margin	12.72%	11.98%	11.46%
Average Total Finance Receivables	\$ 602,923	\$ 636,790	\$ 720,060
Average Net Investment Equipment Finance	\$ 602,923	\$ 635,476	\$ 707,889

Average Funding Stream Loans		n/a	\$	1,314	\$	12,171
End of Period Net Investment Equipment Finance	\$	629,507	\$	677,491	\$	777,607
End of Period Funding Stream Loans		n/a	\$	4,941	\$	19,110

Portfolio Asset Quality:

Total Finance Receivables

30+ Days Past Due Delinquencies		0.85%		0.73%		0.80%
30+ Days Past Due Delinquencies	\$	5,997	\$	5,618	\$	7,226

60+ Days Past Due Delinquencies		0.51%		0.41%		0.46%
60+ Days Past Due Delinquencies	\$	3,602	\$	3,163	\$	4,137

Equipment Finance

30+ Days Past Due Delinquencies		0.85%		0.74%		0.82%
30+ Days Past Due Delinquencies	\$	5,997	\$	5,618	\$	7,226

60+ Days Past Due Delinquencies		0.51%		0.41%		0.47%
60+ Days Past Due Delinquencies	\$	3,602	\$	3,163	\$	4,137

Funding Stream Loans

15+ Days Past Due Delinquencies		n/a		0.00%		0.50%
15+ Days Past Due Delinquencies		n/a	\$	0	\$	98

30+ Days Past Due Delinquencies		n/a		0.00%		0.00%
30+ Days Past Due Delinquencies		n/a	\$	0	\$	0

Net Charge-offs - Total Finance Receivables	\$	9,052	\$	10,119	\$	9,890
% on Average Total Finance Receivables						
Annualized		1.50%		1.59%		1.37%

Net Charge-offs - Equipment Finance	\$	9,052	\$	10,119	\$	9,528
% on Average Net Investment in Equipment Finance						
Annualized		1.50%		1.59%		1.35%

Net Charge-offs - Funding Stream Loans		n/a	\$	0	\$	362
% of Average Funding Stream Loans						
Annualized		n/a		n/a		2.18%

Total Allowance for Credit Losses	\$	8,537	\$	8,413	\$	10,937
% of Total Finance Receivables		1.36%		1.24%		1.38%
% of 60+ Delinquencies		237.01%		265.98%		264.37%

Allowance for Credit Losses - Equipment Finance	\$	8,537	\$	8,239	\$	10,177
% of Net Investment Equipment Finance		1.36%		1.22%		1.32%
% of 60+ Delinquencies		237.01%		260.49%		245.98%

Allowance for Credit Losses - Funding Stream Loans		n/a	\$	174	\$	760
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% of Total Funding Stream Loans		n/a	3.49%	3.86%
% of 60+ Delinquencies		n/a	n/a	n/a
Non-accrual Leases and Loans	\$	1,742	\$ 1,677	\$ 2,242
Expense Ratios:				
Salaries and Benefits Expense	\$	26,628	\$ 31,174	\$ 31,912
Salaries and Benefits Expense				
Annualized % of Avg. Fin. Recbl.		4.42%	4.90%	4.43%
Total personnel end of quarter		285	314	318
General and Administrative Expense	\$	15,606	\$ 17,451	\$ 19,523
General and Administrative Expense				
Annualized % of Avg. Fin. Recbl.		2.59%	2.74%	2.71%
Efficiency Ratio		50.40%	57.84%	55.77%

Notes:

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Funding Stream Loans consist of small business loans.

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