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Marlin Business Services Corp. Reports Second Quarter Earnings

MOUNT LAUREL, N.J., Aug. 3 /PRNewswire-FirstCall/ -- Marlin Business Services Corp. (Nasdaq: MRLN) today reported net income of \$5.3 million for the second quarter ended June 30, 2006, a 17.8% increase over net income of \$4.5 million for the same period in 2005. Diluted earnings per share was \$0.44 for the second quarter of 2006, an increase of 15.8% compared to \$0.38 for the same period in 2005. Due to better than expected collections on leases in areas effected by Hurricane Katrina, net income was positively impacted by an after tax reduction of reserves for expected losses of \$545,000 or \$.045 per diluted earnings per share.

For the six months ended June 30, 2006, net income was \$10.0 million compared to \$8.4 million for the same period in 2005. Diluted earnings per share for the six-month period ended June 30, 2006 was \$0.83 compared with \$0.71 for the same period in 2005. Net income for the six-month period ended June 30, 2006 was impacted by the same after tax reduction of reserves for expected losses related to Katrina of \$545,000, or \$.045 per diluted earnings per share.

"I'm pleased to report a solid quarter of results," said Daniel P. Dyer, Chairman and CEO of Marlin. "Performance was led by solid gains in new lease production and exceptional credit quality."

Highlights for the quarter ended June 30, 2006 include:

Asset Origination

- Based on initial equipment cost, the company set records for new originations for both the quarter at \$97.9 million and a single month (June) at \$35.5 million. Net investment in leases was \$622.8 million at June 30, 2006.
- The average implicit yield on new business was 12.68% for the quarter ended June 30, 2006 compared to 12.84% for the quarter ended March 31, 2006.
- Our end-user customer base grew to more than 85,000 at June 30, 2006 compared to 81,000 at June 30, 2005. The number of active leases in our portfolio was approximately 107,000 at June 30, 2006.

Net Interest and Fee Margin and Cost of Funds

- The interest income yield was 12.54% as a percentage of average net investment in leases for the quarter ended June 30, 2006, which is flat from the quarter ended March 31, 2006.
- Fee income as a percentage of average net investment in leases was 3.44% for the quarter ended June 30, 2006 compared to 3.45% for the quarter ended March 31, 2006.
- The average cost of funds as a percentage of net investment in leases was 4.06% for the quarter ended June 30, 2006. This was a 19 basis point increase from the 3.87% for the quarter ended March 31, 2006 and is primarily attributed to higher interest costs on the Company's variable rate warehouse facilities. Interest rates on such facilities have risen due to continued Fed actions to raise short-term rates.

- The Net interest and fee margin was 11.92% as a percentage of average net investment in leases for the quarter ended June 30, 2006; a decrease of 20 basis points compared to 12.12% for the quarter ended March 31, 2006.

Credit Quality

- Net charge-offs totaled \$2.1 million for the quarter ended June 30, 2006 compared to \$2.3 million for the first quarter of 2006. On an annualized basis, net charge-offs were 1.44% of average net investment in leases during the second quarter of 2006 compared to 1.64% for the first quarter of 2006.
- As of June 30, 2006, 0.54% of our total lease portfolio was 60 or more days delinquent, compared to 0.49% as of March 31, 2006 and 0.57% as of June 30, 2005.
- Allowance for credit losses was \$7.4 million as of June 30, 2006, compared to \$7.9 million as of March 31, 2006. Allowance for credit losses as a percentage of net investment in leases was 1.21% at June 30, 2006 compared to 1.37% at March 31, 2006.
- The decrease in our allowance for credit losses resulted primarily from improved credit quality of the leases in areas affected by Hurricane Katrina. During the third quarter of 2005 we recorded additional reserves of \$1.25 million pretax for expected losses from the areas hardest hit by Hurricane Katrina. Through June 30, 2006 we have yet to experience significant aggregate charge-offs related to Hurricane Katrina. Based on our ongoing monitoring and review of these accounts we determined that the remaining reserve for Katrina losses of approximately \$0.9 million pretax was no longer required, resulting in a reduction of the provision. This had a \$0.045 positive effect on diluted EPS for the quarter ended June 30, 2006.
- At June 30, 2006, the allowance for credit losses was 190.59% of leases 60 or more days delinquent compared to 179.80% at June 30, 2005.
- 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 \$5.3 million in the second quarter of 2006 compared to \$5.1 million in the first quarter of 2006. Salaries and benefits expense was 3.55% as an annualized percentage of average net investment in leases for the second quarter of 2006. Salaries and benefits included \$122,000 of expenses in the second quarter of 2006 related to Marlin Business Bank (in organization). In addition, option-related compensation expense totaled \$225,000 in the second quarter due to the adoption of SFAS 123(R).
- Other general and administrative expenses were \$3.1 million in the second quarter of 2006 compared to \$2.7 million in the first quarter of 2006. The increase is primarily attributable to higher personal property tax administration fees of \$100,000 and audit and filing fees

of \$144,000. Other general and administrative expenses as an annualized percentage of average net investment in leases were 2.08% for the second quarter of 2006 compared to 1.93% for the first quarter of 2006.

Funding and Liquidity

- Our debt to equity ratio was 4.17:1 at June 30, 2006 compared to 4.23:1 at March 31, 2006.
- Capital increased an additional \$569,000 through the exercise of employee stock options and the related tax benefits in the second quarter of 2006.

Other

- In October 2005, Marlin submitted an application for an Industrial Bank Charter with the FDIC and the State of Utah Department of Financial Institutions. On Friday, July 28, 2006 the Federal Deposit Insurance Corp (FDIC) announced that it has placed a six month moratorium on all industrial bank applications. For more information please go to <http://www.fdic.gov>.

Conference Call and Webcast

We will host a conference call on Friday, August 4, 2006 at 9:00 a.m. EDT to discuss our second quarter 2006 results. If you wish to participate, please call (800) 540-0559 approximately 10 minutes in advance of the call time. The conference ID will be: "7MARLIN." 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 solutions primarily to small businesses. The Company's principal operating subsidiary, Marlin Leasing Corporation, finances over 60 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.

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/A 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
(in thousands)

	June 30, 2006 ----	December 31, 2005 ----
	(unaudited)	
Assets		
Cash and cash equivalents	\$3,168	\$34,472
Restricted cash	54,457	47,786
Net investment in direct financing leases	622,815	572,581
Property and equipment, net	3,533	3,776
Property tax receivables	956	191
Fair value of cash flow hedges	6,107	3,383
Other assets	7,071	8,800
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Total assets	\$698,107 =====	\$670,989 =====
Liabilities and Stockholders' Equity		
Revolving and term secured borrowings	\$526,286	\$516,849
Other liabilities:		
Sales and property taxes payable	11,981	7,702
Accounts payable and accrued expenses	8,464	8,467
Deferred income tax liability	25,135	25,362
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Total liabilities	571,866	558,380
Stockholders' equity:		
Common Stock, \$0.01 par value; 75,000 shares authorized; 11,976 and 11,755 shares issued and outstanding, respectively	120	117
Preferred Stock, \$0.01 par value; 5,000 shares authorized; none issued	-	-
Additional paid-in capital	79,604	77,186
Stock subscription receivable	(21)	(25)
Cumulative other comprehensive income	4,705	3,520

Retained earnings	41,833	31,811
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Total stockholders' equity	126,241	112,609
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Total liabilities and stockholders' equity	\$698,107	\$670,989
	=====	=====

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations
(dollars in thousands, except share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
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Income:				
Interest income	\$18,549	\$16,389	\$36,368	\$32,103
Fee income	5,097	4,586	10,004	9,034
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Interest and fee income	23,646	20,975	46,372	41,137
Interest expense	6,006	4,792	11,501	9,285
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Net interest and fee income	17,640	16,183	34,871	31,852
Provision for credit losses	1,599	2,270	4,014	4,950
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Net interest and fee income after provision for credit losses	16,041	13,913	30,857	26,902
Insurance and other income	1,229	1,217	2,584	2,389
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Operating income	17,270	15,130	33,441	29,291
Salaries and benefits	5,254	4,391	10,399	8,824
General and administrative	3,078	2,971	5,824	5,797
Financing related costs	198	410	653	783
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Income before income taxes	8,740	7,358	16,565	13,887
Income taxes	3,452	2,874	6,543	5,453
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Net income	\$5,288	\$4,484	\$10,022	\$8,434
	=====	=====	=====	=====
Basic earnings per share	\$0.45	\$0.39	\$0.85	\$0.73
	=====	=====	=====	=====
Diluted earnings per share	\$0.44	\$0.38	\$0.83	\$0.71
	=====	=====	=====	=====
Shares used in computing basic earnings per share	11,780,018	11,508,519	11,740,989	11,483,678
	=====	=====	=====	=====
Shares used in computing diluted earnings per share	12,092,752	11,912,329	12,074,066	11,891,369
	=====	=====	=====	=====

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

Quarter Ended:	6/30/2005	9/30/2005	12/31/2005
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New Asset Production:			
# of Sales Reps	95	113	103
# of Leases	8,798	8,142	7,566
Equipment Volume	\$85,007	\$79,632	\$76,472
Average monthly sources	1,361	1,306	1,202
Implicit Yield on New Business	12.70%	12.61%	12.87%
Net interest and fee margin			
Interest Income Yield	12.76%	13.03%	12.96%
Fee Income Yield	3.57%	3.15%	3.39%
Interest and Fee Income Yield	16.33%	16.18%	16.35%
Cost of Funds	3.73%	4.19%	4.28%
Net interest and Fee Margin	12.60%	11.99%	12.07%
Average Net Investment in Leases	\$513,919	\$536,874	\$554,705

Portfolio Asset Quality:

60+ Days Past Due Delinquencies	0.57%	0.72%	0.61%
60+ Days Past Due Delinquencies	\$3,535	\$4,656	\$4,063
Net Charge-offs	\$2,231	\$1,965	\$2,513
% on Average Net Investment in Leases Annualized	1.74%	1.46%	1.81%
Allowance for Credit Losses	\$6,355	\$7,900	\$7,813
% of 60+ Delinquencies	179.80%	169.70%	192.30%
90+ Day Delinquencies (Non- earning)	\$1,705	\$2,039	\$2,017

Balance Sheet:

Assets

Investment in Direct Financing Leases	\$526,934	\$547,868	\$562,039
Initial Direct Costs and Fees	16,918	17,902	18,355
Reserve for Credit Losses	(6,355)	(7,900)	(7,813)
Net Investment in Leases	\$537,497	\$557,870	\$572,581
Cash and Cash Equivalents	6,259	51,656	34,472
Restricted Cash	44,370	108,295	47,786
Other Assets	13,465	15,112	16,150
Total Assets	\$601,591	\$732,933	\$670,989

Liabilities

Total Debt	\$460,919	\$582,611	\$516,849
Other Liabilities	39,369	42,851	41,531
Total Liabilities	\$500,288	\$625,462	\$558,380

Stockholders' Equity

Common Stock	\$117	\$117	\$117
Paid-in Capital, net	75,853	76,528	77,161
Other Comprehensive Income	1,336	3,386	3,520
Retained Earnings	23,997	27,440	31,811
Total Stockholders' Equity	\$101,303	\$107,471	\$112,609

Total Liabilities and
Stockholders' Equity

\$601,591	\$732,933	\$670,989
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Capital and Leverage:

Tangible Equity	\$101,303	\$107,471	\$112,609
Debt to Tangible Equity	4.55	5.42	4.59

Expense Ratios:

Salaries and Benefits Expense	\$4,391	\$4,567	\$4,781
Salaries and Benefits Expense annualized % of Avg. Net Invest.	3.42%	3.40%	3.45%
Total personnel end of quarter	277	308	296
General and Administrative Expense	\$2,971	\$3,049	\$3,062
General and Administrative Expense annualized % of Avg. Net Invest.	2.31%	2.27%	2.21%
Efficiency Ratio	42.31%	44.13%	43.87%
Net Income:			
Net Income	\$4,484	\$3,444	\$4,370
Annualized Performance Measures:			
Return on Average Assets	3.03%	2.06%	2.49%
Return on Average Stockholders Equity	18.09%	13.20%	15.89%
Per Share Data:			
Number of Shares - Basic	11,508,519	11,608,450	11,646,864
EPS- Basic	\$0.39	\$0.30	\$0.38
Number of Shares - Diluted	11,912,329	12,048,274	12,075,882
EPS- Diluted	\$0.38	\$0.29	\$0.36
Quarter Ended:	3/31/2006		6/30/2006
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New Asset Production:			
# of Sales Reps	101		103
# of Leases	7,734		8,553
Equipment Volume	\$82,049		\$97,871
Average monthly sources	1,219		1,333
Implicit Yield on New Business	12.84%		12.68%
Net interest and fee margin			
Interest Income Yield	12.54%		12.54%
Fee Income Yield	3.45%		3.44%
Interest and Fee Income Yield	15.99%		15.98%
Cost of Funds	3.87%		4.06%
Net interest and Fee Margin	12.12%		11.92%

Average Net Investment in Leases	\$568,248	\$591,905
Portfolio Asset Quality:		
60+ Days Past Due Delinquencies	0.49%	0.54%
60+ Days Past Due Delinquencies	\$3,320	\$3,867
Net Charge-offs	\$2,324	\$2,133
% on Average Net Investment in Leases Annualized	1.64%	1.44%
Allowance for Credit Losses	\$7,904	\$7,370
% of 60+ Delinquencies	238.10%	190.59%
90+ Day Delinquencies (Non-earning)	\$1,544	\$1,648
Balance Sheet:		
Assets		
Investment in Direct Financing Leases	\$577,219	\$609,359
Initial Direct Costs and Fees	19,329	20,826
Reserve for Credit Losses	(7,904)	(7,370)
Net Investment in Leases	\$588,644	\$622,815
Cash and Cash Equivalents	4,929	3,168
Restricted Cash	52,987	54,457
Other Assets	23,735	17,667
Total Assets	\$670,295	698,107
Liabilities		
Total Debt	\$504,459	\$526,286
Other Liabilities	46,645	45,580
Total Liabilities	\$551,104	\$571,866
Stockholders' Equity		
Common Stock	\$118	\$120
Paid-in Capital, net	78,308	79,583
Other Comprehensive Income	4,220	4,705
Retained Earnings	36,545	41,833
Total Stockholders' Equity	\$119,191	\$126,241
Total Liabilities and Stockholders' Equity	\$670,295	\$698,107
Capital and Leverage:		
Tangible Equity	\$119,191	\$126,241
Debt to Tangible Equity	4.23	4.17

Expense Ratios:

Salaries and Benefits Expense	\$5,145	\$5,254
Salaries and Benefits Expense annualized % of Avg. Net Invest.	3.62%	3.55%
Total personnel end of quarter	301	319
General and Administrative Expense	\$2,746	\$3,078
General and Administrative Expense annualized % of Avg. Net Invest.	1.93%	2.08%
Efficiency Ratio	42.46%	44.16%
Net Income:		
Net Income	\$4,734	\$5,288
Annualized Performance Measures:		
Return on Average Assets	2.82%	3.09%
Return on Average Stockholders Equity	16.34%	17.24%
Per Share Data:		
Number of Shares - Basic	11,702,161	11,780,018
EPS- Basic	\$0.40	\$0.45
Number of Shares - Diluted	12,042,436	12,092,752
EPS- Diluted	\$0.39	\$0.44

SOURCE Marlin Business Services Corp.

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