



# 2016 Annual Report

Helping small businesses fulfill their American Dream since 1997.



# CONSOLIDATED FINANCIAL SUMMARY

| YEAR<br>(\$ in Thousands)                 | 2012      | 2013      | 2014      | 2015      | 2016      |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>Revenues</b>                           | \$70,921  | \$83,675  | \$88,761  | \$89,762  | \$100,010 |
| <b>Net Income</b>                         | \$11,697  | \$16,231  | \$19,350  | \$15,966  | \$17,279  |
| <b>Net Investment in Leases and Loans</b> | \$503,017 | \$597,075 | \$629,507 | \$682,432 | \$796,717 |
| <b>Total Assets</b>                       | \$602,348 | \$702,207 | \$758,449 | \$772,984 | \$892,158 |
| <b>Deposits</b>                           | \$378,188 | \$503,038 | \$550,119 | \$587,940 | \$697,357 |
| <b>Total Stockholders' Equity</b>         | \$174,250 | \$163,038 | \$173,964 | \$150,138 | \$162,289 |

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>Return on Average Stockholders' Equity</b> | 6.96%     | 9.31%     | 11.47%    | 9.49%     | 11.15%    |
| <b>Diluted Earnings Per Share</b>             | \$0.91    | \$1.25    | \$1.49    | \$1.25    | \$1.38    |
| <b>Total Origination Volume</b>               | \$322,198 | \$349,461 | \$334,835 | \$381,071 | \$504,282 |
| <b>Net Interest and Fee Margin</b>            | 13.42%    | 13.42%    | 12.72%    | 11.98%    | 11.46%    |
| <b>Net Charge-Offs</b>                        | 1.11%     | 1.41%     | 1.50%     | 1.59%     | 1.37%     |

## REGULATORY CAPITAL RATIOS:

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| <b>Tier 1 Leverage Capital</b>                               | 29.35% | 23.46% | 23.43% | 19.63% | 18.36% |
| <b>Common Equity Tier 1 Risk-based Capital<sup>(1)</sup></b> |        |        |        | 20.86% | 19.37% |
| <b>Tier 1 Risk-based Capital</b>                             | 31.76% | 25.90% | 26.14% | 20.86% | 19.37% |
| <b>Total 1 Risk-based Capital</b>                            | 32.95% | 27.15% | 27.39% | 22.02% | 20.62% |

(1) Common Equity Tier 1 Risk-based Capital became effective on January 1, 2015.

## EXECUTIVE LEADERSHIP TEAM

JEFFREY A. HILZINGER  
President & Chief Executive  
Officer

EDWARD J. SICILIANO  
Executive Vice President  
& Chief Operating Officer

LOUIS E. MASLOWE  
Senior Vice President  
& Chief Credit Officer

EDWARD R. DIETZ, JR.  
Senior Vice President  
& General Counsel

W. TAYLOR KAMP  
Senior Vice President  
& Chief Financial Officer

## BOARD OF DIRECTORS

LAWRENCE J. DEANGELO  
Chairman

JOHN J. CALAMARI  
SCOTT HEIMES

JEFFREY A. HILZINGER  
MATTHEW J. SULLIVAN

J. CHRISTOPHER TEETS  
JAMES W. WERT

## TO OUR SHAREHOLDERS:

### 2016

2016 was a year of significant accomplishments and significant change for Marlin. Net income was \$17.3 million or \$1.38 per diluted share, an increase of 8.1% and 10.4% from 2015, respectively.

Origination volume grew 32.3% and our net investment in leases and loans increased 16.7%, to \$796.7 million, due to growth in both our legacy businesses, in our new Transportation and Franchise channels and in our new working capital loan product, Funding Stream, all of which were started in 2015.

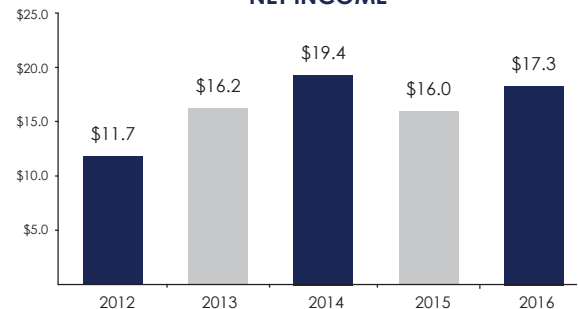
Also during 2016, I was appointed the company's President & Chief Executive Officer, effective June 1st. Since joining Marlin, I have spent considerable time with our employees and many of our customers and shareholders learning about Marlin's unique strengths and opportunities. Through that process, we have created a new and exciting vision for Marlin – one that we refer to as "Marlin 2.0" – that takes advantage of the company's unique strengths and opportunities.

Marlin has many strengths – many of which are uniquely differentiating, including:

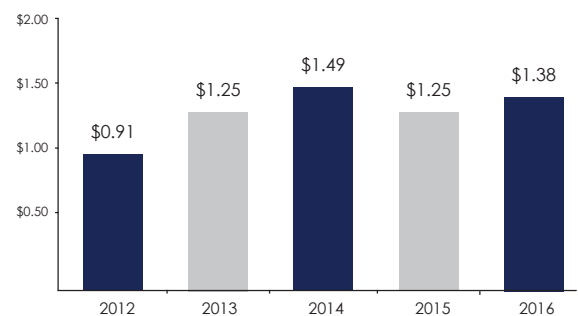
- Our relationship with thousands of equipment dealers and other intermediaries who provide Marlin with an efficient and low cost method of originating lending relationships with small businesses;
- Over 300,000 lifetime small business customers;
- Almost twenty years of customer and credit data on small businesses throughout the United States;
- Our wholly owned subsidiary, Marlin Business Bank, which provides the company with stable and low cost funding

We believe that by better leveraging these strengths through a vision focused on helping our customers fulfill their aspirations and by employing a strategy that is focused on growth, Marlin will become an even more unique commercial lending franchise creating a rewarding environment for our employees and generating superior returns for our investors.

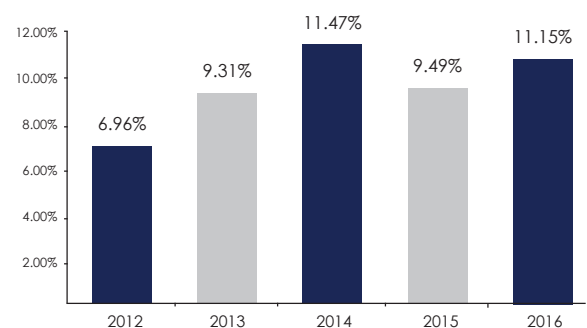
#### NET INCOME



#### DILUTED EARNINGS PER SHARE



#### RETURN ON AVERAGE STOCKHOLDERS' EQUITY



## Marlin 2.0 – Our Future...

At the heart of the Marlin 2.0 vision is the transformation of the company from primarily a product-centered, micro-ticket equipment lessor to a broader provider of credit products and services to small businesses. Supporting the execution of this vision is Marlin's core competency of understanding how to lend to small businesses – a skill which we have developed over the past twenty years.

Under the 2.0 vision, we no longer think of ourselves as only a micro-ticket equipment lessor, but are now focused on ways to help small businesses grow. This is the basis of our new mission statement – Helping Small Businesses Fulfill Their American Dream. As part of this mission, we are expanding our micro-ticket leasing product into a broader equipment finance business, providing working capital financing through our Funding Stream product and providing financing to franchisees through our Franchise Finance business. Through our 2.0 vision, we are becoming a more market-centric company, providing solutions to small businesses rather than just offering a particular product.

Historically, Marlin's relatively narrow strategy coupled with its impressive, but expensive, infrastructure created a sub-scale enterprise with its return on equity implicitly capped in the 10% to 12% range. Given this, one of Marlin's most significant challenges is to better leverage its infrastructure through growth. Fortunately, by broadening our target market and products, the 2.0 vision provides a growth path that both increases our relevance to small businesses and diversifies our origination sources.

## 2017-2019 Key Strategic Objectives

Under the 2.0 vision, the following four strategic objectives define our operating priorities for the next three years:

**GROW:** Growth allows us to better leverage our substantial fixed infrastructure costs.

**OPERATE MORE EFFICIENTLY:** Simplifying and automating our operating processes allows us to substantially reduce our unit processing costs.

**USE CAPITAL MORE PRODUCTIVELY:** Better leveraging our capital allows us to use our capital more productively while still maintaining prudent capital levels.

**ACTIVATE & LIVE OUR VALUES:** Living our values creates a healthy culture that allows us to attract and retain the best people.

When we put all of these together, we see a growing, differentiated small business lending platform that will fully leverage its infrastructure and capital thereby generating superior returns.

## In Conclusion...Thank You

I want to take this opportunity to thank our employees for their dedication and commitment, especially during a year of such significant change. Our workforce is engaged, open to new thinking, ready for change and committed to the company's success.

And, on behalf of everybody at Marlin, I want to thank you for your continued support. Under 2.0, Marlin's best days are ahead.



JEFFREY A. HILZINGER  
*President & Chief Executive Officer*

## ABOUT **MARLIN**

Marlin Business Services Corp.® is a nationwide provider of credit products and services to small businesses. Our products and services are offered directly to small businesses, and through intermediaries, which includes independent equipment dealers, franchisors, and brokers. Our mission is help small businesses achieve their American dream while delivering exceptional value and service to our customers. Marlin is publicly traded (NASDAQ: MRLN).

### MISSION

We help small businesses fulfill their American Dream.

### VISION

We are the preeminent provider of credit products and services to small businesses nationwide, delivering exceptional value and service to our customers, creating a rewarding environment for our employees and generating superior returns for our shareholders.

### VALUES

- Integrity Without Compromise
- We Trust Each Other Implicitly
- We are Respectful
- We Take Initiative
- We Collaborate
- We Improve
- We Have Fun!

[www.marlinfinance.com](http://www.marlinfinance.com)

CORPORATE OFFICE

300 Fellowship Road  
Mt. Laurel, NJ 08054  
P (888)479-9111  
F (888)479-1100

SOUTHEASTERN OFFICE

6470 East Johns Crossing  
Suite 490  
Johns Creek, GA 30097  
P (888)479-9111  
F (800)535-8576

NORTHEASTERN OFFICE

51 Islington, Street, Unit 1  
Portsmouth, NH 03801  
P (888)479-9111  
F (866)359-6756

MARLIN BUSINESS BANK

2795 E. Cottonwood Pkwy.  
Suite 120  
Salt Lake City, UT 84121  
P (888)479-9111  
F (877)870-6756