

MARLIN BUSINESS SERVICES CORP

Form 10-Q

August 03, 2011

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2011
Commission file number 000-50448
MARLIN BUSINESS SERVICES CORP.
(Exact name of registrant as specified in its charter)

Pennsylvania 38-3686388
(State of incorporation) (I.R.S. Employer Identification Number)
300 Fellowship Road, Mount Laurel, NJ 08054
(Address of principal executive offices)
(Zip code)
(888) 479-9111
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☐
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

At July 26, 2011, 12,827,574 shares of Registrant's common stock, \$.01 par value, were outstanding.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
for the Quarter Ended June 30, 2011
TABLE OF CONTENTS

	Page No.
<u>Part I Financial Information</u>	2
<u>Item 1 Condensed Consolidated Financial Statements (Unaudited)</u>	2
<u>Condensed Consolidated Balance Sheets at June 30, 2011 and December 31, 2010</u>	2
<u>Condensed Consolidated Statements of Operations for the three- and six-month periods ended June 30, 2011 and 2010</u>	3
<u>Condensed Consolidated Statements of Stockholders' Equity for the six-month period ended June 30, 2011 and the year ended December 31, 2010</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2011 and 2010</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3 Quantitative and Qualitative Disclosure about Market Risk</u>	50
<u>Item 4 Controls and Procedures</u>	50
<u>Part II Other Information</u>	50
<u>Item 1 Legal Proceedings</u>	50
<u>Item 1A Risk Factors</u>	50
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	51
<u>Item 3 Defaults upon Senior Securities</u>	51
<u>Item 4 [Removed and Reserved]</u>	51
<u>Item 5 Other Information</u>	51
<u>Item 6 Exhibits</u>	52
<u>Signatures</u>	53
Certifications	

RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

RULE 13a-14(b) CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents**PART I. Financial Information****Item 1. Condensed Consolidated Financial Statements**

**MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)**

	June 30, 2011 (Dollars in thousands, except per- share data)	December 31, 2010
ASSETS		
Cash and due from banks	\$ 558	\$ 2,557
Interest-earning deposits with banks	51,346	34,469
Total cash and cash equivalents	51,904	37,026
Restricted interest-earning deposits with banks (includes \$24.2 million and \$44.7 million at June 30, 2011 and December 31, 2010, respectively, related to consolidated variable interest entities (VIEs))	30,910	47,107
Securities available for sale (amortized cost of \$1.7 million and \$1.5 million at June 30, 2011 and December 31, 2010, respectively)	1,715	1,534
Net investment in leases and loans (includes \$94.8 million and \$154.1 million at June 30, 2011 and December 31, 2010, respectively, related to consolidated VIEs)	354,525	351,569
Property and equipment, net	2,149	2,180
Property tax receivables	298	197
Other assets	25,747	28,449
Total assets	\$ 467,248	\$ 468,062
LIABILITIES AND STOCKHOLDERS' EQUITY		
Long-term borrowings (includes \$76.5 million and \$128.2 million at June 30, 2011 and December 31, 2010, respectively, related to consolidated VIEs)	143,794	178,650
Deposits	124,522	92,919
Other liabilities:		
Sales and property taxes payable	4,717	1,978
Accounts payable and accrued expenses	7,841	8,019
Net deferred income tax liability	24,803	26,493
Total liabilities	305,677	308,059
Commitments and contingencies (Note 6)		
Stockholders' equity:		
	129	129

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Common Stock, \$0.01 par value; 75,000,000 shares authorized; 12,886,841 and 12,864,665 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively

Preferred Stock, \$0.01 par value; 5,000,000 shares authorized; none issued

Additional paid-in capital	86,199	86,987
Stock subscription receivable	(2)	(2)
Accumulated other comprehensive loss	(60)	(132)
Retained earnings	75,305	73,021
Total stockholders' equity	161,571	160,003
Total liabilities and stockholders' equity	\$ 467,248	\$ 468,062

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in thousands, except per-share data)			
Interest income	\$ 10,863	\$ 11,994	\$ 21,763	\$ 24,823
Fee income	2,926	3,501	6,058	7,317
Interest and fee income	13,789	15,495	27,821	32,140
Interest expense	3,063	3,955	6,355	8,614
Net interest and fee income	10,726	11,540	21,466	23,526
Provision for credit losses	924	2,494	2,103	5,617
Net interest and fee income after provision for credit losses	9,802	9,046	19,363	17,909
Other income:				
Insurance income	951	987	1,928	2,144
Loss on derivatives	(38)	(25)	(43)	(119)
Other income	434	306	716	596
Other income	1,347	1,268	2,601	2,621
Other expense:				
Salaries and benefits	5,384	4,588	11,321	9,713
General and administrative	3,145	3,073	6,616	6,118
Financing related costs	157	155	346	302
Other expense	8,686	7,816	18,283	16,133
Income before income taxes	2,463	2,498	3,681	4,397
Income tax expense	933	947	1,397	1,609
Net income	\$ 1,530	\$ 1,551	\$ 2,284	\$ 2,788
Basic earnings per share	\$ 0.12	\$ 0.12	\$ 0.18	\$ 0.22
Diluted earnings per share	\$ 0.12	\$ 0.12	\$ 0.18	\$ 0.22
Weighted average shares used in computing basic earnings per share	12,989,681	12,832,792	12,957,552	12,802,579
	13,065,206	12,904,163	13,033,875	12,865,857

Weighted average shares used in computing
diluted earnings per share

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

-3-

Table of Contents

**MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES**
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Shares	Common Stock Amount	Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	(Dollars in thousands)						
Balance, December 31, 2009	12,778,935	\$ 128	\$ 84,674	\$ (3)	\$ (267)	\$ 67,353	\$ 151,885
Issuance of common stock	21,398		172				172
Repurchase of common stock	(80,925)	(1)	(771)				(772)
Exercise of stock options	35,864	1	161				162
Tax benefit on stock options exercised			72				72
Stock option compensation recognized			194				194
Payment of receivables				1			1
Restricted stock grant	109,393	1	(1)				
Restricted stock compensation recognized			2,486				2,486
Net change related to derivatives, net of tax					138		138
Net change in unrealized gain/loss on securities available for sale, net of tax					(3)		(3)
Net income						5,668	5,668
Balance, December 31, 2010	12,864,665	\$ 129	\$ 86,987	\$ (2)	\$ (132)	\$ 73,021	\$ 160,003
Issuance of common stock	8,598		101				101
Repurchase of common stock	(258,123)	(3)	(3,058)				(3,061)
	9,275		62				62

Exercise of stock options									
Stock option compensation recognized				49					49
Restricted stock grant	262,426	3	(3)						
Restricted stock compensation recognized				2,061					2,061
Net change related to derivatives, net of tax						63			63
Net change in unrealized gain/loss on securities available for sale, net of tax						9			9
Net income							2,284		2,284
Balance, June 30, 2011	12,886,841	\$ 129	\$ 86,199	\$ (2)	\$ (60)	\$ 75,305	\$ 161,571		

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2011	2010
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	\$ 2,284	\$ 2,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,284	1,319
Stock-based compensation	1,603	1,754
Excess tax benefits from stock-based payment arrangements	(537)	(72)
Amortization of deferred net loss on cash flow hedge derivatives	104	82
Change in fair value of derivatives	43	(2,300)
Provision for credit losses	2,103	5,617
Net deferred income taxes	(1,233)	(3,261)
Amortization of deferred initial direct costs and fees	2,650	3,883
Deferred initial direct costs and fees	(2,575)	(1,508)
Loss on equipment disposed	1,472	1,229
Effect of changes in other operating items:		
Other assets	1,818	5,483
Other liabilities	2,587	1,960
Net cash provided by operating activities	11,603	16,974
Cash flows from investing activities:		
Purchases of equipment for direct financing lease contracts and funds used to originate loans	(100,923)	(55,708)
Principal collections on leases and loans	92,867	113,462
Security deposits collected, net of refunds	(991)	(1,546)
Proceeds from the sale of equipment	2,442	2,521
Acquisitions of property and equipment	(493)	(299)
Change in restricted interest-earning deposits with banks	16,197	(3,146)
Purchases of securities available for sale	(165)	(1,513)
Net cash provided by investing activities	8,934	53,771
Cash flows from financing activities:		
Issuances of common stock	101	74
Repurchases of common stock	(3,061)	(528)
Exercise of stock options	31	162
Excess tax benefits from stock-based payment arrangements	537	72
Debt issuance costs	(14)	(969)
Term securitization advances		68,169
Term securitization repayments	(51,686)	(92,027)
Warehouse and bank facility advances	37,181	4,425
Warehouse and bank facility repayments	(20,351)	(68,566)

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Increase in deposits	31,603	16,564
Net cash used in financing activities	(5,659)	(72,624)
Net increase (decrease) in total cash and cash equivalents	14,878	(1,879)
Total cash and cash equivalents, beginning of period	37,026	37,057
Total cash and cash equivalents, end of period	\$ 51,904	\$ 35,178
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	\$ 5,426	\$ 7,901
Net cash paid (refunds received) for income taxes	\$ 347	\$ (1,115)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Table of Contents

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Organization

Description

Through its principal operating subsidiary, Marlin Leasing Corporation, Marlin Business Services Corp. provides equipment leasing solutions nationwide, primarily to small and mid-sized businesses in a segment of the equipment leasing market commonly referred to in the industry as the small-ticket segment. The Company finances over 100 categories of commercial equipment important to its end user customers, including copiers, security systems, computers, telecommunications equipment and certain commercial and industrial equipment. Effective March 12, 2008, the Company opened Marlin Business Bank (MBB), a commercial bank chartered by the State of Utah and a member of the Federal Reserve System. MBB currently provides diversification of the Company's funding sources through the issuance of certificates of deposit. Marlin Business Services Corp. is managed as a single business segment. Marlin Business Services Corp. is a bank holding company and a financial holding company regulated by the Federal Reserve Board under the Bank Holding Company Act.

References to the Company, Marlin, Registrant, we, us and our herein refer to Marlin Business Services Corp. and its wholly-owned subsidiaries, unless the context otherwise requires.

NOTE 2 Basis of Financial Statement Presentation and Critical Accounting Policies

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position at June 30, 2011 and the results of operations for the three- and six-month periods ended June 30, 2011 and 2010, and cash flows for the six-month periods ended June 30, 2011 and 2010. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and note disclosures included in the Company's Form 10-K filed with the Securities and Exchange Commission (SEC) on March 16, 2011. The consolidated results of operations for the three- and six-month periods ended June 30, 2011 and 2010 are not necessarily indicative of the results for the respective full years or any other period. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates. The preparation of financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for income recognition, the residual values of leased equipment, the allowance for credit losses, deferred initial direct costs and fees, late fee receivables, performance assumptions for stock-based compensation awards, the fair value of financial instruments and income taxes. Actual results could differ from those estimates.

Interest income. Interest income is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on each lease. Generally, when a lease or loan is 90 days or more delinquent, the contract is classified as non-accrual, and we do not recognize interest income on that contract until it is less than 90 days delinquent.

Modifications to leases are accounted for in accordance with Topic 840 of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Modifications resulting in renegotiated leases may include reductions in payment and extensions in term. However, such renegotiated leases are not granted concessions regarding implicit rates or reductions in total amounts due. Modifications may be granted on a one-time basis in situations that indicate the lessee is experiencing a temporary, timing issue and has a high likelihood of success with a revised payment plan. After a modification, a lease's accrual status is based on compliance with the modified terms.

Fee income. Fee income consists of fees for delinquent lease and loan payments, cash collected on early termination of leases and net residual income. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed of at the end of a lease's term. Residual income is recognized as earned.

Table of Contents

Fee income from delinquent lease payments is recognized on an accrual basis based on anticipated collection rates. At a minimum of every quarter, an analysis of anticipated collection rates is performed based on updates to collection history. Adjustments in the anticipated collection rate assumptions are made as needed based on this analysis. Other fees are recognized when received.

Insurance income. Insurance income is recognized on an accrual basis as earned over the term of each lease. Generally, insurance payments that are 120 days or more past due are charged against income. Ceding commissions, losses and loss adjustment expenses are recorded in the period incurred and netted against insurance income.

Other income. Other income includes various administrative transaction fees, fees received from lease syndications and gains on sales of leases.

Securities available for sale. Securities available for sale consist of mutual funds. Securities available for sale are measured at fair value on a recurring basis, computed using fair value measurements classified as Level 1 (as defined in Note 9, Fair Value Measurements and Disclosures about the Fair Value of Financial Instruments), since prices are obtained from quoted prices in an active market. Unrealized holding gains or losses, net of related deferred income taxes, are reported in accumulated other comprehensive income.

Initial direct costs and fees. We defer initial direct costs incurred and fees received to originate our leases and loans in accordance with the Receivables Topic and the Nonrefundable Fees and Other Costs Subtopic of the FASB ASC. The initial direct costs and fees we defer are part of the net investment in leases and loans and are amortized to interest income using the effective interest method. We defer third-party commission costs, as well as certain internal costs directly related to the origination activity. Costs subject to deferral include evaluating each prospective customer's financial condition, evaluating and recording guarantees and other security arrangements, negotiating terms, preparing and processing documents and closing each transaction. The fees we defer are documentation fees collected at inception. The realization of the initial direct costs, net of fees deferred, is predicated on the net future cash flows generated by our lease and loan portfolios.

Net Investment in Leases and Loans. The Company uses the direct financing method of accounting to record its direct financing leases and related interest income. At the inception of a lease, the Company records as an asset the aggregate future minimum lease payments receivable, plus the estimated residual value of the leased equipment, less unearned lease income. Residual values generally reflect the estimated amounts to be received at lease termination from lease extensions, sales or other dispositions of leased equipment. Estimates are based on industry data and management's experience.

The Company records an estimated residual value at lease inception for all fair market value and fixed purchase option leases based on a percentage of the equipment cost of the asset being leased. The percentages used depend on equipment type and term. In setting and reviewing estimated residual values, the Company focuses its analysis primarily on total historical and expected realization statistics pertaining to both lease renewals and sales of equipment.

At the end of an original lease term, lessees may choose to purchase the equipment, renew the lease or return the equipment to the Company. The Company receives income from lease renewals when a lessee elects to retain the equipment longer than the original term of the lease. This income, net of appropriate periodic reductions in the estimated residual values of the related equipment, is included in fee income as net residual income.

When a lessee elects to return equipment at lease termination, the equipment is transferred to other assets at the lower of its basis or fair market value. The Company generally sells returned equipment to independent third parties, rather than leasing the equipment a second time. The Company does not maintain equipment in other assets for longer than 120 days. Any loss recognized on transferring equipment to other assets and any gain or loss realized on the sale or disposal of equipment to a lessee or to others are included in fee income as net residual income.

Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, to purchase the leased equipment or to return the leased equipment than it does to the equipment type. Management performs periodic reviews of the estimated residual values and historic realization statistics no less frequently than quarterly and any impairment, if other than temporary, is recognized in the current period.

Allowance for credit losses. In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. We evaluate our portfolios on a pooled basis, due to their composition of small balance, homogenous accounts with similar general credit risk characteristics, diversified among a large cross-section of variables, including industry, geography, equipment type, obligor and vendor.

-7-

Table of Contents

We consider both quantitative and qualitative factors in determining the allowance for credit losses. Quantitative factors considered include a migration analysis, historic delinquencies and charge-offs, historic bankruptcies, historic performance of restructured accounts and a static pool analysis of historic recoveries. A migration analysis is a technique used to estimate the likelihood that an account will progress through the various delinquency stages and ultimately reach charge-off. Qualitative factors that may result in further adjustments to the quantitative analysis include items such as forecasting uncertainties, changes in the composition of our lease and loan portfolios (including geography, industry, equipment type and vendor source), seasonality, economic conditions and trends or business practices at the reporting date that are different from the periods used in the quantitative analysis.

The various factors used in the analysis are reviewed periodically, and no less frequently than quarterly. We then establish an allowance for credit losses for the projected probable net credit losses based on this analysis. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. Our policy is to charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 121 days delinquent. Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. To the extent we add new leases and loans to our portfolios, or to the degree credit quality is worse than expected, we record expense to increase the allowance for credit losses to reflect the estimated net losses inherent in our portfolios. Actual losses may vary from current estimates.

As previously disclosed, based on feedback the Company received from the Federal Reserve Bank of Philadelphia in April 2011, the Company is operating under its established methodology for determining its allowance for credit losses (the Allowance), which methodology will be reviewed by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

Securitizations. In connection with each of its term note securitization transactions, the Company established a bankruptcy remote special-purpose subsidiary (SPE) and issued term debt to institutional investors. These SPEs are each considered VIEs under U.S. GAAP. The Company is required to consolidate VIEs in which it is deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. The Company continues to service the assets of its VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. The Company's leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents the Company's maximum loss exposure.

Common stock and equity. On November 2, 2007, the Company's Board of Directors approved a stock repurchase plan. Under the stock repurchase plan, the Company is authorized to repurchase its common stock on the open market. The par value of the shares repurchased is charged to common stock with the excess of the purchase price over par charged against any available additional paid-in capital.

Stock-based compensation. The Compensation Stock Compensation Topic of the FASB ASC establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees and non-employees, except for equity instruments held by employee share ownership plans.

The Company measures stock-based compensation cost at grant date, based on the fair value of the awards ultimately expected to vest. Compensation cost is recognized on a straight-line basis over the service period. We generally use the Black-Scholes valuation model to measure the fair value of our stock options utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions are based on management's judgment concerning future events.

The Company uses its judgment in estimating the amount of awards that are expected to be forfeited, with subsequent revisions to the assumptions if actual forfeitures differ from those estimates. In addition, for performance-based awards, the Company estimates the degree to which the performance conditions will be met to estimate the number of

shares expected to vest and the related compensation expense. Compensation expense is adjusted in the period such performance estimates change.

Table of Contents

Income taxes. The Income Taxes Topic of the FASB ASC requires the use of the asset and liability method under which deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities, given the provisions of the enacted tax laws. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any necessary valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences resulting from the different treatment of items, such as leases, for tax and accounting purposes. These differences result in deferred tax assets and liabilities which are included within the Consolidated Balance Sheets. Management then assesses the likelihood that deferred tax assets will be recovered from future taxable income or tax carry-back availability and, to the extent management believes recovery is not likely, a valuation allowance is established. To the extent that we establish a valuation allowance in a period, an expense is recorded within the tax provision in the Consolidated Statements of Operations.

In accordance with U.S. GAAP, uncertain tax positions taken or expected to be taken in a tax return are subject to potential financial statement recognition based on prescribed recognition and measurement criteria. Based on our evaluation, we concluded that there are no significant uncertain tax positions requiring recognition in our financial statements. At June 30, 2011, there have been no material changes to the liability for uncertain tax positions and there are no significant unrecognized tax benefits.

The periods subject to examination for the Company's federal return include the 2006 tax year to the present. The Company files state income tax returns in various states which may have different statutes of limitations. Generally, state income tax returns for the years 2005 through the present are subject to examination.

The Company records penalties and accrued interest related to uncertain tax positions in income tax expense. Such adjustments have historically been minimal and immaterial to our financial results.

Earnings per share. Pursuant to the Earnings Per Share Topic of the FASB ASC, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share (EPS) using the two-class method. Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities. Diluted EPS is computed based on the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities, and the dilutive impact of the exercise or conversion of common stock equivalents, such as stock options, into shares of common stock as if those securities were exercised or converted.

Table of Contents**NOTE 3 Net Investment in Leases and Loans**

Net investment in leases and loans consists of the following:

	June 30, 2011	December 31, 2010
	(Dollars in thousands)	
Minimum lease payments receivable	\$ 396,031	\$ 389,247
Estimated residual value of equipment	34,860	37,320
Unearned lease income, net of initial direct costs and fees deferred	(66,847)	(63,355)
Security deposits	(4,035)	(5,026)
Loans, including unamortized deferred fees and costs	691	1,101
Allowance for credit losses	(6,175)	(7,718)
	\$ 354,525	\$ 351,569

At June 30, 2011, a total of \$194.4 million of minimum lease payments receivable is assigned as collateral for borrowings, including the amounts related to consolidated VIEs.

Initial direct costs net of fees deferred were \$6.7 million and \$6.8 million as of June 30, 2011 and December 31, 2010, respectively, and are netted in unearned income and will be amortized to income using the effective interest method.

At June 30, 2011 and December 31, 2010, \$28.5 million and \$30.6 million, respectively, of the estimated residual value of equipment retained on our Consolidated Balance Sheets was related to copiers.

Minimum lease payments receivable under lease contracts and the amortization of unearned lease income, including initial direct costs and fees deferred, are as follows as of June 30, 2011:

	Minimum Lease Payments Receivable	Income Amortization
	(Dollars in thousands)	
Period Ending December 31,		
2011	\$ 95,793	\$ 19,681
2012	142,332	25,815
2013	85,349	13,334
2014	44,176	5,919
2015	23,907	1,948
Thereafter	4,474	150
	\$ 396,031	\$ 66,847

Income is not recognized on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when the contract becomes less than 90 days delinquent. As of June 30, 2011 and December 31, 2010, the Company maintained total finance receivables which were on a non-accrual basis of \$1.2 million and \$2.0 million, respectively. As of June 30, 2011 and December 31, 2010, the Company had total finance receivables in which the terms of the original agreements had been renegotiated in the amount of \$1.5 million and \$2.2 million, respectively. (See Note 4 for additional asset quality information.)

Table of Contents**NOTE 4 Allowance for Credit Losses**

In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our estimate of probable net credit losses.

The chart which follows provides activity in the allowance for credit losses and asset quality statistics.

	Three Months Ended		Six Months Ended		Year Ended
	June 30,		June 30,		December
	2011	2010	2011	2010	31,
	(Dollars in thousands)				2010
Allowance for credit losses, beginning of period	\$ 6,887	\$ 10,253	\$ 7,718	\$ 12,193	\$ 12,193
Charge-offs	(2,247)	(4,438)	(4,875)	(10,364)	(17,095)
Recoveries	611	842	1,229	1,705	3,182
Net charge-offs	(1,636)	(3,596)	(3,646)	(8,659)	(13,913)
Provision for credit losses	924	2,494	2,103	5,617	9,438
Allowance for credit losses, end of period ⁽¹⁾	\$ 6,175	\$ 9,151	\$ 6,175	\$ 9,151	\$ 7,718
Annualized net charge-offs to average total finance receivables ⁽²⁾	1.86%	3.63%	2.08%	4.19%	3.58%
Allowance for credit losses to total finance receivables, end of period ⁽²⁾	1.74%	2.40%	1.74%	2.40%	2.19%
Average total finance receivables ⁽²⁾	\$ 351,389	\$ 395,906	\$ 350,296	\$ 413,541	\$ 389,001
Total finance receivables, end of period ⁽²⁾	\$ 354,014	\$ 381,977	\$ 354,014	\$ 381,977	\$ 352,527
Delinquencies greater than 60 days past due	\$ 2,221	\$ 5,202	\$ 2,221	\$ 5,202	\$ 3,504
Delinquencies greater than 60 days past due ⁽³⁾	0.56%	1.24%	0.56%	1.24%	0.90%
Allowance for credit losses to delinquent accounts greater than 60 days past due ⁽³⁾	278.03%	175.91%	278.03%	175.91%	220.26%
Non-accrual leases and loans, end of period	\$ 1,197	\$ 2,819	\$ 1,197	\$ 2,819	\$ 1,996
Renegotiated leases and loans, end of period	\$ 1,485	\$ 3,024	\$ 1,485	\$ 3,024	\$ 2,221

- (1) The allowance for credit losses allocated to loans at June 30, 2011, June 30, 2010 and December 31, 2010, was \$0.1 million, \$0.2 million and \$0.1 million, respectively.
- (2) Total finance receivables include net investment in direct financing leases and loans. For purposes of asset quality and allowance calculations, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.
- (3) Calculated as a percent of minimum lease payments receivable for leases and as a percent of principal outstanding for loans.

Net investments in finance receivables are generally charged-off when they are contractually past due for 121 days. Income is not recognized on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when a lease or loan becomes less than 90 days delinquent. At June 30, 2011, June 30, 2010 and December 31, 2010, there were no finance receivables past due 90 days or more and still accruing. Net charge-offs for the three-month period ended June 30, 2011 were \$1.6 million (1.86% of average total finance receivables on an annualized basis), compared to \$2.0 million (2.30% of average total finance receivables on an annualized basis) for the three-month period ended March 31, 2011. The decrease in net charge-offs during the three-month period ended June 30, 2011 compared to recent previous periods is primarily due to improving delinquency migrations and lower portfolio balances. Our key credit quality indicator is delinquency status.

Table of Contents

As previously disclosed, based on feedback the Company received from the Federal Reserve Bank of Philadelphia in April 2011, the Company is operating under its established methodology for determining its allowance for credit losses (the Allowance), which methodology will be reviewed by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

NOTE 5 Other Assets

Other assets are comprised of the following:

	June 30, 2011	December 31, 2010
	(Dollars in thousands)	
Accrued fees receivable	\$ 1,918	\$ 2,250
Deferred transaction costs	1,770	2,420
Prepaid expenses	1,171	1,674
Income taxes receivable	18,425	20,711
Other	2,463	1,394
	\$ 25,747	\$ 28,449

NOTE 6 Commitments and Contingencies

The Company is involved in legal proceedings, which include claims, litigation and suits arising in the ordinary course of business. In the opinion of management, these actions will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 7 Short-term and Long-term Borrowings

Borrowings with an original maturity of less than one year are classified as short-term borrowings. MBB's federal funds purchased are classified as short-term borrowings. Borrowings with an original maturity of one year or more are classified as long-term borrowings. The Company's term note securitizations and long-term loan facilities are classified as long-term borrowings.

Scheduled principal and interest payments on outstanding borrowings as of June 30, 2011 are as follows:

	Principal	Interest⁽¹⁾
	(Dollars in thousands)	
Period Ending December 31,		
2011	\$ 30,934	\$ 3,882
2012	101,526	3,569
2013	8,563	247
2014	1,623	102
2015	1,031	26
Thereafter	117	
Total	\$ 143,794	\$ 7,826

⁽¹⁾ Interest on variable-rate long-term borrowings is assumed at the June 30, 2011 rate for the remaining term.

Table of Contents**NOTE 8 Deposits**

Effective March 12, 2008, the Company opened MBB. MBB currently provides diversification of the Company's funding sources primarily through the issuance of Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit raised nationally through various brokered deposit relationships and through FDIC-insured retail deposits directly from other financial institutions. As of June 30, 2011, the remaining scheduled maturities of time deposits are as follows:

	Scheduled Maturities (Dollars in thousands)
Period Ending December 31,	
2011	\$ 16,373
2012	37,547
2013	33,993
2014	19,723
2015	14,582
Thereafter	2,304
Total	\$ 124,522

All time deposits are in denominations of less than \$250,000 and all are fully insured by the FDIC. The weighted average all-in interest rate of deposits outstanding at June 30, 2011 was 2.08%.

NOTE 9 Fair Value Measurements and Disclosures about the Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. Its provisions do not apply to fair value measurements for purposes of lease classification and measurement, which is addressed in the Leases Topic of the FASB ASC.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date (exit price). A three-level valuation hierarchy is required for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The three levels are defined as follows:

Level 1 Inputs to the valuation are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation may include quoted prices for similar assets and liabilities in active or inactive markets, and inputs other than quoted prices, such as interest rates and yield curves, which are observable for the asset or liability for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation are unobservable and significant to the fair value measurement. Level 3 inputs shall be used to measure fair value only to the extent that observable inputs are not available.

The Company uses derivative financial instruments to manage exposure to the effects of changes in market interest rates and to fulfill certain covenants in our borrowing arrangements. All derivatives are recorded on the Consolidated Balance Sheets at their fair value as either assets or liabilities using measurements classified as Level 2. Because the Company's derivatives are not listed on an exchange, the Company values these instruments using a valuation model

with pricing inputs that are observable in the market or that can be derived principally from or corroborated by observable market data. These inputs include the forward London Interbank Offered Rate (LIBOR) curve on which the variable payments are based and the applicable interest-rate swap market curve. The Company's methodology also incorporates the impact of both the Company's and the counterparty's credit standing.

Table of Contents

All of the Company's derivatives are measured at fair value on a recurring basis, computed using fair value measurements classified as Level 2. The fair value of securities available for sale is computed using fair value measurements classified as Level 1, since prices are obtained from quoted prices in an active market. The Company's balances measured at fair value on a recurring basis include the following:

	June 30, 2011		December 31, 2010	
	Fair Value		Fair Value Measurements	
	Measurements Using		Using	
	Level 1	Level 2	Level 1	Level 2
	(Dollars in thousands)			

Assets

Securities available for sale	\$ 1,715	\$	\$ 1,534	\$
Interest-rate caps purchased		16		14

At this time, the Company has not elected to report any assets and liabilities using the fair value option available under the Financial Instruments Topic of the FASB ASC.

Disclosures about the Fair Value of Financial Instruments

The Financial Instruments Topic of the FASB ASC requires the disclosure of the estimated fair value of financial instruments, including those financial instruments not measured at fair value on a recurring basis. This requirement excludes certain instruments, such as the net investment in leases and all nonfinancial instruments.

The fair values shown below have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Valuation techniques involve uncertainties and require assumptions and judgments regarding prepayments, credit risk and discount rates. Changes in these assumptions will result in different valuation estimates. The fair values presented would not necessarily be realized in an immediate sale. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets or to other companies' fair value information.

The following summarizes the carrying amount and estimated fair value of the Company's financial instruments:

	June 30, 2011		December 31, 2010	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	(Dollars in thousands)			
Assets				
Cash and cash equivalents	\$ 51,904	\$ 51,904	\$ 37,026	\$ 37,026
Restricted interest-earning deposits with banks	30,910	30,910	47,107	47,107
Securities available for sale	1,715	1,715	1,534	1,534
Loans	686	686	1,040	1,025
Interest-rate caps purchased	16	16	14	14
Liabilities				
Long-term borrowings	143,794	146,519	178,650	183,088
Deposits	124,522	126,111	92,919	94,602
Accounts payable and accrued expenses ⁽¹⁾	12,558	12,558	9,997	9,997

⁽¹⁾ Includes sales and property taxes payable.

Table of Contents

The paragraphs which follow describe the methods and assumptions used in estimating the fair values of financial instruments.

(a) Cash and Cash Equivalents

The carrying amounts of the Company's cash and cash equivalents approximate fair value as of June 30, 2011 and December 31, 2010, because they bear interest at market rates and have maturities of less than 90 days.

(b) Restricted Interest-Earning Deposits with Banks

The Company maintains various interest-earning trust accounts related to our secured debt facilities. The book value of such accounts is included in restricted interest-earning deposits with banks on the accompanying Consolidated Balance Sheet. These accounts earn a floating market rate of interest which results in a fair value approximating the carrying amount at June 30, 2011 and December 31, 2010.

(c) Securities Available for Sale

The fair value of securities available for sale is recorded using prices obtained from quoted prices in an active market.

(d) Loans

The fair value of loans is estimated by discounting contractual cash flows, using interest rates currently being offered by the Company for loans with similar terms and remaining maturities to borrowers with similar credit risk characteristics. Estimates utilized were based on the original credit status of the borrowers combined with the portfolio delinquency statistics.

(e) Interest-Rate Caps

Interest-rate caps are measured at fair value on a recurring basis in accordance with the requirements of the Fair Value Measurements and Disclosures Topic of the FASB ASC, using the inputs and methods described previously in the first section of this Note 9.

(f) Long-Term Borrowings

The fair value of the Company's debt and secured borrowings is estimated by discounting cash flows at indicative market rates applicable to the Company's debt and secured borrowings of the same or similar remaining maturities.

(g) Deposits

The fair value of the Company's deposits is estimated by discounting cash flows at current rates paid by the Company for similar certificates of deposit of the same or similar remaining maturities.

(h) Accounts Payable and Accrued Expenses

The carrying amount of the Company's accounts payable and accrued expenses approximates fair value as of June 30, 2011 and December 31, 2010, because of the relatively short timeframe to realization.

Table of Contents**NOTE 10 Earnings Per Common Share**

Pursuant to the Earnings Per Share Topic of the FASB ASC, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS using the two-class method.

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities. Diluted EPS is computed based on the weighted average number of common shares outstanding for the period using the two-class method, which includes our unvested restricted stock awards as participating securities, and the dilutive impact of the exercise or conversion of common stock equivalents, such as stock options, into shares of common stock as if those securities were exercised or converted.

The following table provides net income and shares used in computing basic and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in thousands, except per-share data)			
Net income	\$ 1,530	\$ 1,551	\$ 2,284	\$ 2,788
Weighted average common shares outstanding	11,979,787	11,899,847	11,957,281	11,854,044
Add: Unvested restricted stock awards considered participating securities	1,009,894	932,945	1,000,271	948,535
Adjusted weighted average common shares used in computing basic EPS	12,989,681	12,832,792	12,957,552	12,802,579
Add: Effect of dilutive stock options	75,525	71,371	76,323	63,278
Adjusted weighted average common shares used in computing diluted EPS	13,065,206	12,904,163	13,033,875	12,865,857
Net earnings per common share:				
Basic	\$ 0.12	\$ 0.12	\$ 0.18	\$ 0.22
Diluted	\$ 0.12	\$ 0.12	\$ 0.18	\$ 0.22

For the three-month periods ended June 30, 2011 and June 30, 2010, options to purchase 323,585 and 381,378 shares of common stock were not considered in the computation of potential common shares for purposes of diluted EPS, since the exercise prices of the options were greater than the average market price of the Company's common stock for the respective periods.

For the six-month periods ended June 30, 2011 and June 30, 2010, options to purchase 343,752 and 428,405 shares of common stock were not considered in the computation of potential common shares for purposes of diluted EPS, since the exercise prices of the options were greater than the average market price of the Company's common stock for the respective periods.

Table of Contents**NOTE 11 Comprehensive Income**

The following table details the components of comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in thousands)			
Net income	\$ 1,530	\$ 1,551	\$ 2,284	\$ 2,788
Other comprehensive income:				
Amortization of net deferred losses on cash flow hedge derivatives	46	40	104	82
Change in fair value of securities available for sale	20	20	16	20
Tax effect	(26)	(23)	(48)	(40)
Total other comprehensive income	40	37	72	62
Comprehensive income	\$ 1,570	\$ 1,588	\$ 2,356	\$ 2,850

NOTE 12 Stockholders Equity***Stockholders Equity***

On November 2, 2007, the Company's Board of Directors approved a stock repurchase plan. Under this program, the Company is authorized to repurchase up to \$15 million in value of its outstanding shares of common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant. Any shares purchased under this plan are returned to the status of authorized but unissued shares of common stock. The repurchases may be made on the open market, in block trades or otherwise. The program may be suspended or discontinued at any time. The repurchases are funded using the Company's working capital.

The Company purchased 155,604 shares of its common stock at an average cost of \$12.04 per share during the three-month period ended June 30, 2011. The Company purchased 171,198 shares of its common stock at an average cost of \$11.98 per share during the six-month period ended June 30, 2011. The Company did not purchase any shares of its common stock on the open market during the three- or six-month periods ended June 30, 2010. At June 30, 2011, the Company had \$8.4 million remaining in its stock repurchase plan authorized by the Board of Directors.

In addition to the repurchases described above, pursuant to the Company's 2003 Equity Compensation Plan (as amended, the 2003 Plan), participants may have shares withheld to cover income taxes. There were 29,730 and 86,925 shares repurchased to cover income taxes during the three- and six-month periods ended June 30, 2011, at average per-share costs of \$12.47 and \$11.62, respectively. There were 3,570 and 58,170 shares repurchased to cover income taxes during the three- and six-month periods ended June 30, 2010, at average per-share costs of \$12.08 and \$9.08, respectively.

Regulatory Capital Requirements

On March 20, 2007, the FDIC approved the application of MBB to become an industrial bank chartered by the State of Utah. MBB commenced operations effective March 12, 2008. MBB provides diversification of the Company's funding sources and, over time, may add other product offerings to better serve our customer base.

Table of Contents

On December 31, 2008, MBB received approval from the Federal Reserve Bank of San Francisco to (i) convert from an industrial bank to a state-chartered commercial bank and (ii) become a member of the Federal Reserve System. In addition, on December 31, 2008, Marlin Business Services Corp. received approval from the Federal Reserve Bank of Philadelphia to become a bank holding company upon conversion of MBB from an industrial bank to a commercial bank. On January 13, 2009, pursuant to the December 31, 2008 approval from the Federal Reserve Bank of San Francisco, MBB converted from an industrial bank to a commercial bank chartered in the State of Utah and supervised by the State of Utah and the Federal Reserve Board. In connection with MBB's conversion to a commercial bank and pursuant to the December 31, 2008 approval from the Federal Reserve Bank of Philadelphia, on January 13, 2009 Marlin Business Services Corp. became a bank holding company, and is subject to the Bank Holding Company Act and supervised by the Federal Reserve Board. Until March 12, 2011, MBB operated in accordance with its original de novo three-year business plan (as required by the original FDIC order issued on March 20, 2007 (the "FDIC Order")), which assumed total assets of up to \$128 million by March 12, 2011 (when its three-year de novo period expired). In March 2011, following the expiration of the de novo period, the Company provided MBB with \$25.0 million of additional capital to support future growth.

On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.'s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits the Company to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of our reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd.

MBB is subject to capital adequacy guidelines issued by the Federal Financial Institutions Examination Council (the "FFIEC"). These risk-based capital and leverage guidelines make regulatory capital requirements more sensitive to differences in risk profiles among banking organizations and consider off-balance sheet exposures in determining capital adequacy. The FFIEC and/or the U.S. Congress may determine to increase capital requirements in the future due to the current economic environment. Under the rules and regulations of the FFIEC, at least half of a bank's total capital is required to be Tier 1 Capital as defined in the regulations, comprised of common equity, retained earnings and a limited amount of non-cumulative perpetual preferred stock. The remaining capital, Tier 2 Capital, as defined in the regulations, may consist of other preferred stock, a limited amount of term subordinated debt or a limited amount of the reserve for possible credit losses. The FFIEC has also adopted minimum leverage ratios for banks, which are calculated by dividing Tier 1 Capital by total quarterly average assets. Recognizing that the risk-based capital standards principally address credit risk rather than interest rate, liquidity, operational or other risks, many banks are expected to maintain capital in excess of the minimum standards. The Company plans to provide the necessary capital to maintain MBB at well-capitalized status as defined by banking regulations. MBB's equity balance at June 30, 2011 was \$47.4 million, which met all capital requirements to which MBB is subject and qualified MBB for well-capitalized status. Bank holding companies are required to comply with the Federal Reserve Board's risk-based capital guidelines that require a minimum ratio of total capital to risk-weighted assets of 8%. At least half of the total capital is required to be Tier 1 Capital. In addition to the risk-based capital guidelines, the Federal Reserve Board has adopted a minimum leverage capital ratio under which a bank holding company must maintain a ratio of Tier 1 Capital to average total consolidated assets of at least 3% in the case of a bank holding company which has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage capital ratio of at least 4%. At June 30, 2011, Marlin Business Services Corp. also exceeded its regulatory capital requirements and was considered well-capitalized as defined by federal banking regulations.

Table of Contents

The following table sets forth the Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio for Marlin Business Services Corp. and MBB at June 30, 2011.

	Actual		Minimum Capital Requirement		Well-Capitalized Capital Requirement	
	Ratio	Amount	Ratio ⁽¹⁾	Amount	Ratio	Amount
(Dollars in thousands)						
Tier 1 Leverage Capital						
Marlin Business Services Corp.	34.35%	\$ 161,631	4%	\$ 18,821	5%	\$ 23,526
Marlin Business Bank	28.96%	\$ 47,350	5%	\$ 8,174	5%	\$ 8,174
Tier 1 Risk-based Capital						
Marlin Business Services Corp.	40.10%	\$ 161,631	4%	\$ 16,124	6%	\$ 24,186
Marlin Business Bank	28.39%	\$ 47,350	6%	\$ 10,007	6%	\$ 10,007
Total Risk-based Capital						
Marlin Business Services Corp.	41.35%	\$ 166,684	8%	\$ 32,248	10%	\$ 40,310
Marlin Business Bank	29.42%	\$ 49,069	15%	\$ 25,016	10% ⁽¹⁾	\$ 16,678

(1) MBB is required to maintain well-capitalized status. In addition, MBB must maintain a total risk-based capital ratio greater than 15% pursuant to the FDIC Order.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) requires the federal regulators to take prompt corrective action against any undercapitalized institution. FDICIA establishes five capital categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Well-capitalized institutions significantly exceed the required minimum level for each relevant capital measure. Adequately capitalized institutions include depository institutions that meet but do not significantly exceed the required minimum level for each relevant capital measure. Undercapitalized institutions consist of those that fail to meet the required minimum level for one or more relevant capital measures. Significantly undercapitalized characterizes depository institutions with capital levels significantly below the minimum requirements for any relevant capital measure. Critically undercapitalized refers to depository institutions with minimal capital and at serious risk for government seizure.

Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A depository institution is generally prohibited from making capital distributions, including paying dividends, or paying management fees to a holding company if the institution would thereafter be undercapitalized. Institutions that are adequately capitalized but not well-capitalized cannot accept, renew or roll over brokered deposits except with a waiver from the FDIC and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll over brokered deposits.

The federal bank regulatory agencies are permitted or, in certain cases, required to take certain actions with respect to institutions falling within one of the three undercapitalized categories. Depending on the level of an institution's capital, the agency's corrective powers include, among other things:

- prohibiting the payment of principal and interest on subordinated debt;
- prohibiting the holding company from making distributions without prior regulatory approval;
- placing limits on asset growth and restrictions on activities;
- placing additional restrictions on transactions with affiliates;
- restricting the interest rate the institution may pay on deposits;
- prohibiting the institution from accepting deposits from correspondent banks; and

in the most severe cases, appointing a conservator or receiver for the institution.

Table of Contents

A banking institution that is undercapitalized is required to submit a capital restoration plan, and such a plan will not be accepted unless, among other things, the banking institution's holding company guarantees the plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy.

Pursuant to the FDIC Order, MBB must keep its total risk-based capital ratio above 15%. MBB's equity balance at June 30, 2011 was \$47.4 million, which qualifies MBB for "well capitalized" status.

Dividends. The Federal Reserve Board has issued policy statements which provide that, as a general matter, insured banks and bank holding companies should pay dividends only out of current operating earnings. Additionally, pursuant to the FDIC Order, MBB was not permitted to pay dividends during its first three years of operations without the prior written approval of the FDIC and the State of Utah (such initial three-year period ended on March 12, 2011).

NOTE 13 Stock-Based Compensation

Under the terms of the 2003 Plan, employees, certain consultants and advisors and non-employee members of the Company's Board of Directors have the opportunity to receive incentive and nonqualified grants of stock options, stock appreciation rights, restricted stock and other equity-based awards as approved by the Company's Board of Directors. These award programs are used to attract, retain and motivate employees and to encourage individuals in key management roles to retain stock. The Company has a policy of issuing new shares to satisfy awards under the 2003 Plan. The aggregate number of shares under the 2003 Plan that may be issued pursuant to stock options or restricted stock grants is 3,300,000. Not more than 1,650,000 of such shares shall be available for issuance as restricted stock grants. There were 211,729 shares available for future grants under the 2003 Plan as of June 30, 2011. Total stock-based compensation expense was \$0.5 million for the three-month period ended June 30, 2011 and \$0.4 million for the three-month period ended June 30, 2010. Total stock-based compensation expense was \$1.6 million and \$1.7 million for the six-month periods ended June 30, 2011 and June 30, 2010, respectively. Excess tax benefits from stock-based payment arrangements decreased cash provided by operating activities and increased cash provided by financing activities by \$0.5 million and \$0.1 million for the six-month periods ended June 30, 2011 and June 30, 2010, respectively.

Stock Options

Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of the grant and have 7- to 10-year contractual terms. All options issued contain service conditions based on the participant's continued service with the Company, and provide for accelerated vesting if there is a change in control as defined in the 2003 Plan.

Employee stock options generally vest over four years. The vesting of certain options is contingent on various Company performance measures, such as earnings per share and net income. The Company has recognized expense related to performance options based on the most probable performance assumptions as of June 30, 2011. There were no revisions to performance assumptions during the six-month periods ended June 30, 2011 and June 30, 2010.

The Company also issues stock options to non-employee independent directors. These options generally vest in one year.

There were no stock options granted during the three-month and six-month periods ended June 30, 2011. In addition to the stock options granted pursuant to the May 2010 stock option exchange program, there were 5,000 stock options granted during the three-month period ended June 30, 2010 and 5,000 stock options granted during the six-month period ended June 30, 2010.

Table of Contents

A summary of option activity for the six month period ended June 30, 2011 follows:

Options	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding, December 31, 2010	648,153	\$ 9.99
Granted		
Exercised	(9,275)	3.39
Forfeited		
Expired		
Outstanding, June 30, 2011	638,878	10.08

During the three-month periods ended June 30, 2011 and June 30, 2010, the Company recognized total compensation expense related to options of \$0.1 million and \$0.1 million, respectively. During the six-month periods ended June 30, 2011 and June 30, 2010, the Company recognized total compensation expense related to options of \$0.1 million and \$0.1 million, respectively.

There were 9,275 stock options exercised during the three-month period ended June 30, 2011. There were 7,361 stock options exercised for the three-month period ended June 30, 2010. The total pretax intrinsic values of stock options exercised were \$0.1 million and \$0.1 million for the three-month periods ended June 30, 2011 and June 30, 2010, respectively. The related tax benefits realized from the exercise of stock options for the three-month periods ended June 30, 2011 and June 30, 2010 were \$0.1 million and \$0.1 million, respectively.

The total pretax intrinsic values of stock options exercised were \$0.1 million and \$0.2 million for the six-month periods ended June 30, 2011 and June 30, 2010, respectively. The related tax benefits realized from the exercise of stock options for the six-month periods ended June 30, 2011 and June 30, 2010 were \$0.1 million and \$0.1 million, respectively.

The following table summarizes information about the stock options outstanding and exercisable as of June 30, 2011:

Range of Exercise Prices	Options Outstanding			Aggregate Intrinsic Value (In thousands)	Options Exercisable			Aggregate Intrinsic Value (In thousands)
	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price		Number Exercisable	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	
\$3.39	76,650	0.8	\$ 3.39	\$ 710	76,650	0.8	\$ 3.39	\$ 710
\$7.17 - 10.18	354,528	2.8	9.43	1,142	216,028	2.2	9.39	704
\$12.08 - 12.41	145,612	5.9	12.40	36	30,195	5.9	12.40	7
\$14.00 - 16.01	39,984	2.5	14.33		37,253	2.5	14.33	
\$19.78 - 21.50	22,104	2.0	20.80		22,104	2.0	20.80	
	638,878	3.2	10.08	\$ 1,888	382,230	2.2	9.57	\$ 1,421

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$12.65 as of June 30, 2011, which would have been received by the option holders had all option holders exercised their options as of that date.

Table of Contents

As of June 30, 2011, the total future compensation cost related to non-vested stock options not yet recognized in the Consolidated Statements of Operations was \$0.1 million and the weighted average period over which these awards are expected to be recognized was 1.4 years, based on the most probable performance assumptions as of June 30, 2011. In the event maximum performance targets are achieved, an additional \$0.4 million of compensation cost would be recognized over a weighted average period of 0.7 years.

Restricted Stock Awards

Restricted stock awards provide that, during the applicable vesting periods, the shares awarded may not be sold or transferred by the participant. The vesting period for restricted stock awards generally ranges from three to 10 years, though certain awards for special projects may vest in as little as one year depending on the duration of the project. All awards issued contain service conditions based on the participant's continued service with the Company and may provide for accelerated vesting if there is a change in control as defined in the 2003 Plan.

The vesting of certain restricted shares may be accelerated to a minimum of three to four years based on achievement of various individual and Company performance measures. In addition, the Company has issued certain shares under a Management Stock Ownership Program. Under this program, restrictions on the shares lapse at the end of 10 years but may lapse (vest) in a minimum of three years if the employee continues in service at the Company and owns a matching number of other common shares in addition to the restricted shares.

Of the total restricted stock awards granted during the six-month period ended June 30, 2011, 204,464 shares may be subject to accelerated vesting based on performance factors; no shares have vesting contingent upon performance factors. The Company has recognized expense related to performance-based shares based on the most probable performance assumptions as of June 30, 2011. There were no revisions to performance assumptions for the six-month periods ended June 30, 2011 and June 30, 2010, although vesting was accelerated in 2011 on certain awards based on an annual evaluation of the achievement of performance criteria, as described below.

The Company also issues restricted stock to non-employee independent directors. These shares generally vest in seven years from the grant date or six months following the director's termination from Board of Directors service.

The following table summarizes the activity of the non-vested restricted stock during the six months ended June 30, 2011:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted stock		
Outstanding at December 31, 2010	954,029	\$ 7.90
Granted	267,776	11.15
Vested	(269,934)	6.91
Forfeited	(5,350)	14.73
Outstanding at June 30, 2011	946,521	9.06

During the three-month periods ended June 30, 2011 and June 30, 2010, the Company granted restricted stock awards with grant date fair values totaling \$0.4 million and \$0.5 million, respectively. During the six-month periods ended June 30, 2011 and June 30, 2010, the Company granted restricted stock awards with grant date fair values totaling \$3.0 million and \$1.1 million, respectively.

As vesting occurs, or is deemed likely to occur, compensation expense is recognized over the requisite service period and additional paid-in capital is increased. The Company recognized \$0.5 million and \$0.4 million of compensation expense related to restricted stock for the three-month periods ended June 30, 2011 and June 30, 2010, respectively. The Company recognized \$1.6 million and \$1.6 million of compensation expense related to restricted stock for the six-month periods ended June 30, 2011 and June 30, 2010, respectively.

Table of Contents

Of the \$1.6 million total compensation expense related to restricted stock for the six-month period ended June 30, 2011, approximately \$0.6 million related to the acceleration of vesting based on an annual evaluation of the achievement of certain performance criteria during the first quarter 2011.

As of June 30, 2011, there was \$5.6 million of unrecognized compensation cost related to non-vested restricted stock compensation scheduled to be recognized over a weighted average period of 4.6 years, based on the most probable performance assumptions as of June 30, 2011. In the event performance targets are achieved, \$2.6 million of the unrecognized compensation cost would accelerate to be recognized over a weighted average period of 1.4 years. In addition, certain of the awards granted may result in the issuance of 160,809 additional shares of stock if achievement of certain targets is greater than 100%. The expense related to the additional shares awarded will be dependent on the Company's stock price when the achievement level is determined.

The fair values of shares that vested during the three-month periods ended June 30, 2011 and June 30, 2010 were \$1.2 million and \$0.1 million, respectively. The fair values of shares that vested during the six-month periods ended June 30, 2011 and June 30, 2010 were \$3.1 million and \$1.6 million, respectively.

Table of Contents

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes thereto in our Form 10-K for the year ended December 31, 2010 filed with the SEC. This discussion contains certain statements of a forward-looking nature that involve risks and uncertainties.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may include the words or phrases "can be," "expects," "plans," "may," "may affect," "depend," "believe," "estimate," "intend," "could," "should," "would," "if" and similar words and phrases that

forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Forward-looking statements are subject to various known and unknown risks and uncertainties and the Company cautions that any forward-looking information provided by or on its behalf is not a guarantee of future performance. Statements regarding the following subjects are forward-looking by their nature: (a) our business strategy; (b) our projected operating results; (c) our ability to obtain external financing; (d) the effectiveness of our hedges; (e) our understanding of our competition; and (f) industry and market trends. The Company's actual results could differ materially from those anticipated by such forward-looking statements due to a number of factors, some of which are beyond the Company's control, including, without limitation:

- availability, terms and deployment of funding and capital;
- changes in our industry, interest rates, the regulatory environment or the general economy resulting in changes to our business strategy;
- the degree and nature of our competition;
- availability and retention of qualified personnel;
- general volatility of the capital markets; and
- the factors set forth in the section captioned "Risk Factors" in Item 1 of our Form 10-K for the year ended December 31, 2010 filed with the SEC.

Forward-looking statements apply only as of the date made and the Company is not required to update forward-looking statements for subsequent or unanticipated events or circumstances.

Overview

We are a nationwide provider of equipment financing solutions, primarily to small businesses. We finance over 100 categories of commercial equipment important to our end user customers including copiers, security systems, computers, telecommunications equipment and certain commercial and industrial equipment. We access our end user customers through origination sources comprised of our existing network of independent equipment dealers and, to a much lesser extent, through direct solicitation of our end user customers and through relationships with select lease brokers. Our leases are fixed-rate transactions with terms generally ranging from 36 to 60 months. At June 30, 2011, our lease portfolio consisted of approximately 68,000 accounts with an average original term of 50 months and average original transaction size of approximately \$11,400.

Since our founding in 1997, we have grown to \$467.2 million in total assets at June 30, 2011. Our assets are substantially comprised of our net investment in leases and loans which totaled \$354.5 million at June 30, 2011.

On March 20, 2007, the FDIC approved the application of our wholly-owned subsidiary, MBB, to become an industrial bank chartered by the State of Utah. MBB commenced operations effective March 12, 2008. MBB provides diversification of the Company's funding sources and, over time, may add other product offerings to better serve our customer base.

On December 31, 2008, MBB received approval from the Federal Reserve Bank of San Francisco to (i) convert from an industrial bank to a state-chartered commercial bank and (ii) become a member of the Federal Reserve System. In addition, on December 31, 2008, Marlin Business Services Corp. received approval from the Federal Reserve Bank of Philadelphia to become a bank holding company upon conversion of MBB from an industrial bank to a commercial bank. On January 13, 2009, pursuant to the December 31, 2008 approval from the Federal Reserve Bank of San Francisco, MBB converted from an industrial bank to a state-chartered commercial bank chartered in the State of Utah and supervised by the State of Utah and the Federal Reserve Board. In connection with MBB's conversion to a

commercial bank and pursuant to the December 31, 2008 approval from the Federal Reserve Bank of Philadelphia, on January 13, 2009 Marlin Business Services Corp. became a bank holding company, and is subject to the Bank Holding Company Act and supervised by the Federal Reserve Board.

Table of Contents

On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.'s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits Marlin Business Services Corp. to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of its reinsurance activities conducted through its wholly-owned subsidiary, AssuranceOne, Ltd.

We generally reach our lessees through a network of independent equipment dealers and, to a much lesser extent, lease brokers. The number of dealers and brokers with whom we conduct business depends on, among other things, the number of sales account executives we have. Sales account executive staffing levels and the activity of our origination sources are shown below.

	Six Months Ended June 30, 2011	2010	As of or For the Year Ended December 31,			
			2009	2008	2007	2006
Number of sales account executives	97	87	38	86	118	100
Number of originating sources ⁽¹⁾	783	604	465	1,014	1,246	1,295

⁽¹⁾ Monthly average of origination sources generating lease volume

Our revenue consists of interest and fees from our leases and loans and, to a lesser extent, income from our property insurance program and other fee income. Our expenses consist of interest expense and operating expenses, which include salaries and benefits and other general and administrative expenses. As a credit lender, our earnings are also significantly impacted by credit losses. For the quarter ended June 30, 2011, our annualized net credit losses were 1.86% of our average total finance receivables. We establish reserves for credit losses which require us to estimate inherent losses in our portfolio as of the reporting date.

Our leases are classified under U.S. GAAP as direct financing leases, and we recognize interest income over the term of the lease. Direct financing leases transfer substantially all of the benefits and risks of ownership to the equipment lessee. Our net investment in direct finance leases is included in our consolidated financial statements in net investment in leases and loans. Net investment in direct financing leases consists of the sum of total minimum lease payments receivable and the estimated residual value of leased equipment, less unearned lease income. Unearned lease income consists of the excess of the total future minimum lease payments receivable plus the estimated residual value expected to be realized at the end of the lease term plus deferred net initial direct costs and fees less the cost of the related equipment. Approximately 66% of our lease portfolio at June 30, 2011 amortizes over the lease term to a \$1 residual value. For the remainder of the portfolio, we must estimate end of term residual values for the leased assets. Failure to correctly estimate residual values could result in losses being realized on the disposition of the equipment at the end of the lease term.

Since our founding, we have funded our business through a combination of variable-rate borrowings and fixed-rate asset securitization transactions, as well as through the issuance from time to time of subordinated debt and equity securities. Our variable-rate borrowing currently consists of long-term loan facilities. We have traditionally issued fixed-rate term debt through the asset-backed securitization market. Historically, leases were funded through variable-rate warehouse facilities until they were refinanced through term note securitizations at fixed rates. All of our term note securitizations have been accounted for as on-balance sheet transactions and, therefore, we have not recognized gains or losses from these transactions. As of June 30, 2011, \$76.5 million, or 53.2%, of our borrowings were fixed-rate term note securitizations.

In addition, since its opening on March 12, 2008, MBB has provided diversification of the Company's funding sources through the issuance of FDIC-insured certificates of deposit raised nationally primarily through various brokered

deposit relationships and FDIC-insured retail deposits directly from other financial institutions. As of June 30, 2011, total MBB deposits were \$124.5 million.

Fixed rate leases not funded with deposits are initially financed with variable-rate debt. Therefore, our earnings may be exposed to interest rate risk should interest rates rise. We generally benefit in times of falling and low interest rates. In contrast to previous warehouse facilities, our current long-term loan facilities do not require annual refinancing, but failure to renew the existing facilities or to obtain additional financing could restrict our growth and future financial performance.

Table of Contents

On October 9, 2009, Marlin Business Services Corp.'s wholly-owned subsidiary, Marlin Receivables Corp. (MRC), closed on a \$75,000,000, three-year committed loan facility with the Lender Finance division of Wells Fargo Capital Finance. The facility is secured by a lien on MRC's assets and is supported by guaranties from Marlin Business Services Corp. and Marlin Leasing Corporation. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is October 9, 2012.

On February 12, 2010, we completed an \$80.7 million TALF-eligible term asset-backed securitization. This transaction was Marlin's tenth term note securitization and the fifth to earn a AAA rating. As with all of the Company's prior term note securitizations, this financing provided the Company with fixed-cost borrowing and is recorded in long-term borrowings in the Consolidated Balance Sheets. A portion of the proceeds of this securitization was used to repay the full amount outstanding under the Company's commercial paper (CP) conduit warehouse facility.

On September 24, 2010, the Company's affiliate, Marlin Leasing Receivables XIII LLC (MLR XIII), closed on a \$50.0 million three-year committed loan facility with Key Equipment Finance Inc. The facility is secured by a lien on MLR XIII's assets. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is September 23, 2013. An event of default such as non-payment of amounts when due under the loan agreement or a breach of covenants may accelerate the maturity date of the facility.

From time to time we may use derivative financial instruments to manage exposure to the effects of changes in market interest rates and to fulfill certain covenants in our borrowing arrangements. All derivatives are recorded on the Consolidated Balance Sheets at their fair value as either assets or liabilities. The Company was not a party to any active interest-rate swap agreements at June 30, 2011.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these financial statements requires us to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and affect related disclosure of contingent assets and liabilities at the date of our financial statements. On an ongoing basis, we evaluate our estimates, including credit losses, residuals, initial direct costs and fees, other fees, performance assumptions for stock-based compensation awards, the probability of forecasted transactions, the fair value of financial instruments and the realization of deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties. Our consolidated financial statements are based on the selection and application of critical accounting policies, the most significant of which are described below.

Income recognition. Interest income is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease. When a lease or loan is 90 days or more delinquent, the contract is classified as being on non-accrual and we do not recognize interest income on that contract until it is less than 90 days delinquent.

Fee income consists of fees for delinquent lease and loan payments, cash collected on early termination of leases and net residual income. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed at the end of a lease's term. Residual income is recognized as earned. Fee income from delinquent lease payments is recognized on an accrual basis based on anticipated collection rates. At a minimum of every quarter, an analysis of anticipated collection rates is performed based on updates to collection experience. Adjustments in anticipated collection rate assumptions are made as needed based on this analysis. Other fees are recognized when received.

Insurance income is recognized on an accrual basis as earned over the term of a lease. Generally, insurance payments that are 120 days or more past due are charged against income. Ceding commissions, losses and loss adjustment expenses are recorded in the period incurred and netted against insurance income.

Table of Contents

Initial direct costs and fees. We defer initial direct costs incurred and fees received to originate our leases and loans in accordance with the Receivables Topic and the Nonrefundable Fees and Other Costs Subtopic of the FASB ASC. The initial direct costs and fees we defer are part of the net investment in leases and loans and are amortized to interest income using the effective interest method. We defer third-party commission costs as well as certain internal costs directly related to the origination activity. Costs subject to deferral include evaluating each prospective customer's financial condition, evaluating and recording guarantees and other security arrangements, negotiating terms, preparing and processing documents and closing each transaction. Estimates of costs subject to deferral are updated periodically, and no less frequently than each year. The fees we defer are documentation fees collected at inception. The realization of the deferred initial direct costs, net of fees deferred, is predicated on the net future cash flows generated by our lease and loan portfolios.

Lease residual values. A direct financing lease is recorded at the aggregate future minimum lease payments plus the estimated residual value less unearned income. Residual values generally reflect the estimated amounts to be received at lease termination from lease extensions, sales or other dispositions of leased equipment. These estimates are based on industry data and on our experience.

The Company records an estimated residual value at lease inception for all fair market value and fixed purchase option leases based on a percentage of the equipment cost of the asset being leased. The percentages used depend on equipment type and term. In setting and reviewing estimated residual values, the Company focuses its analysis primarily on total historical and expected realization statistics pertaining to both lease renewals and sales of equipment.

At the end of an original lease term, lessees may choose to purchase the equipment, renew the lease or return the equipment to the Company. The Company receives income from lease renewals when the lessee elects to retain the equipment longer than the original term of the lease. This income, net of appropriate periodic reductions in the estimated residual values of the related equipment, is included in fee income as net residual income.

When a lessee elects to return equipment at lease termination, the equipment is transferred to other assets at the lower of its basis or fair market value. The Company generally sells returned equipment to independent third parties, rather than leasing the equipment a second time. The Company does not maintain equipment in other assets for longer than 120 days. Any loss recognized on transferring equipment to other assets, and any gain or loss realized on the sale or disposal of equipment to a lessee or to others is included in fee income as net residual income.

Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, to purchase the leased equipment or to return the leased equipment than it does to the equipment type. Management performs periodic reviews of the estimated residual values and historic realization statistics no less frequently than quarterly and any impairment, if other than temporary, is recognized in the current period.

Allowance for credit losses. In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses.

We evaluate our portfolios on a pooled basis, due to their composition of small balance, homogenous accounts with similar general credit risk characteristics, diversified among a large cross-section of variables including industry, geography, equipment type, obligor and vendor. We consider both quantitative and qualitative factors in determining the allowance for credit losses. Quantitative factors considered include a migration analysis, historic delinquencies and charge-offs, historic bankruptcies, historic performance of restructured accounts and a static pool analysis of historic recoveries. A migration analysis is a technique used to estimate the likelihood that an account will progress through the various delinquency stages and ultimately charge off. Qualitative factors that may result in further adjustments to the quantitative analysis include items such as forecasting uncertainties, changes in the composition of our lease and loan portfolios, seasonality, economic conditions and trends or business practices at the reporting date that are different from the periods used in the quantitative analysis. Adjustments due to such qualitative factors increased the allowance for credit losses by approximately \$0.5 million and \$0.2 million at June 30, 2011 and December 31, 2010, respectively.

The various factors used in the analysis are reviewed periodically, and no less frequently than quarterly. We then establish an allowance for credit losses for the projected probable net credit losses based on this analysis. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. Our policy is to charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 121 days delinquent.

Table of Contents

Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolios, bankruptcy laws and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. To the extent we add new leases and loans to our portfolios, or to the degree credit quality is worse than expected, we record expense to increase the allowance for credit losses for the estimated net losses inherent in our portfolios. Actual losses may vary from current estimates.

As previously disclosed, based on feedback the Company received from the Federal Reserve Bank of Philadelphia in April 2011, the Company is operating under its established methodology for determining its allowance for credit losses (the Allowance), which methodology will be reviewed by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

Securitizations. In connection with each term note securitization transaction, we established bankruptcy remote SPEs and issued term debt to institutional investors. These SPEs are each considered VIEs under U.S. GAAP. We are required to consolidate VIEs in which we are deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. We continue to service the assets of our VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. Our leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents our maximum loss exposure.

Stock-based compensation. We issue both restricted shares and stock options to certain employees and directors as part of our overall compensation strategy. The Compensation Stock Compensation Topic of the FASB ASC establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans.

The Company measures stock-based compensation cost at grant date, based on the fair value of the awards ultimately expected to vest. Compensation cost is recognized on a straight-line basis over the service period. We generally use the Black-Scholes valuation model to measure the fair value of our stock options utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions are based on subjective future expectations combined with management judgment.

The Company uses its judgment in estimating the amount of awards that are expected to be forfeited, with subsequent revisions to the assumptions if actual forfeitures differ from those estimates. In addition, for performance-based awards the Company estimates the degree to which the performance conditions will be met to estimate the number of shares expected to vest and the related compensation expense. Compensation expense is adjusted in the period such performance estimates change.

Income taxes. The Income Taxes Topic of the FASB ASC requires the use of the asset and liability method under which deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities, given the provisions of the enacted tax laws. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any necessary valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences resulting from the different treatment of items such as leases for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the

Consolidated Balance Sheets. Our management then assesses the likelihood that deferred tax assets will be recovered from future taxable income or tax carry-back availability and, to the extent our management believes recovery is not likely, a valuation allowance is established. To the extent that we establish a valuation allowance in a period, an expense is recorded within the tax provision in the Consolidated Statements of Operations.

Table of Contents

At June 30, 2011, there have been no material changes to the liability for uncertain tax positions and there are no significant unrecognized tax benefits. The periods subject to general examination for the Company's federal return include the 2006 tax year to the present. The Company files state income tax returns in various states which may have different statutes of limitations. Generally, state income tax returns for years 2005 through the present are subject to examination.

The Company records penalties and accrued interest related to uncertain tax positions in income tax expense. Such adjustments have historically been minimal and immaterial to our financial results.

RESULTS OF OPERATIONS

Comparison of the Three-Month Periods Ended June 30, 2011 and June 30, 2010

Net income. Net income of \$1.5 million was reported for the three-month period ended June 30, 2011, resulting in diluted earnings per share of \$0.12, compared to net income of \$1.6 million and diluted earnings per share of \$0.12 for the three-month period ended June 30, 2010.

Return on average assets was 1.31% for the three-month period ended June 30, 2011, compared to 1.20% for the three-month period ended June 30, 2010. Return on average equity was 3.78% for the three-month period ended June 30, 2011, compared to 4.09% for the three-month period ended June 30, 2010.

Overall, our average net investment in total finance receivables for the three-month period ended June 30, 2011 decreased 11.2% to \$351.4 million, compared to \$395.9 million for the three-month period ended June 30, 2010. We continue to assess and adjust our credit underwriting guidelines in response to economic conditions, and over the past twelve months we have added to the sales organization to increase originations.

During the three months ended June 30, 2011, we generated 4,522 new leases with a cost of \$53.9 million, compared to 3,009 new leases with a cost of \$31.7 million generated for the three months ended June 30, 2010. Much of the change in volume is the result of increasing sales staffing levels from 69 sales account executives at June 30, 2010 to 97 sales account executives at June 30, 2011. Approval rates also rose from 49% for the quarter ended June 30, 2010 to 60% for the quarter ended June 30, 2011 due to the improved credit quality of the applications received and adjustments made to credit policy in light of the continued strong performance of recent years' lease originations.

The provision for credit losses decreased \$1.6 million, or 64.0%, to \$0.9 million for the three-month period ended June 30, 2011 from \$2.5 million for the same period in 2010, primarily due to lower charge-offs, improved delinquencies and a reduced portfolio size. For the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, net interest and fee income decreased \$0.8 million, or 7.0%, primarily due to the 11.2% decrease in average total finance receivables. Other expenses increased \$0.9 million, or 11.5%, for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to increased salaries and benefits expense related to increased sales staffing levels.

Average balances and net interest margin. The following table summarizes the Company's average balances, interest income, interest expense and average yields and rates on major categories of interest-earning assets and interest-bearing liabilities for the three-month periods ended June 30, 2011 and June 30, 2010.

Table of Contents

	Three Months Ended June 30,					
	2011			2010		
	(Dollars in thousands)					
	Average Balance ⁽¹⁾	Interest	Average Yields/ Rates ⁽²⁾	Average Balance ⁽¹⁾	Interest	Average Yields/ Rates ⁽²⁾
Interest-earning assets:						
Interest-earning deposits with banks	\$ 47,818	\$ 8	0.07%	\$ 39,903	\$ 9	0.09%
Restricted interest-earning deposits with banks	33,798	5	0.06	65,075	19	0.12
Securities available for sale	1,705	14	3.27	1,255	13	4.14
Net investment in leases ⁽³⁾	350,662	10,825	12.35	393,248	11,876	12.08
Loans receivable ⁽³⁾	726	11	5.83	2,658	77	11.59
Total interest-earning assets	434,709	10,863	10.00	502,139	11,994	9.55
Non-interest-earning assets:						
Cash and due from banks	1,594			1,886		
Property and equipment, net	2,202			2,280		
Property tax receivables	1,949			3,603		
Other assets ⁽⁴⁾	27,028			6,607		
Total non-interest-earning assets	32,773			14,376		
Total assets	\$ 467,482			\$ 516,515		
Interest-bearing liabilities:						
Short-term borrowings ⁽⁵⁾	\$	\$	%	\$	\$ 19	%
Long-term borrowings ⁽⁵⁾	159,921	2,441	6.11	243,171	3,279	5.39
Deposits ⁽⁵⁾	106,662	622	2.33	93,166	657	2.82
Total interest-bearing liabilities	266,583	3,063	4.60	336,337	3,955	4.68
Non-interest-bearing liabilities:						
Fair value of derivatives				572		
Sales and property taxes payable	5,002			7,149		
Accounts payable and accrued expenses	8,234			6,158		
Net deferred income tax liability	25,881			14,680		
Total non-interest-bearing liabilities	39,117			28,559		

Total liabilities	305,700		364,896	
Stockholders' equity	161,782		151,619	
Total liabilities and stockholders' equity	\$ 467,482		\$ 516,515	
Net interest income	\$ 7,800		\$ 8,039	
Interest rate spread⁽⁶⁾		5.40%		4.87%
Net interest margin⁽⁷⁾		7.18%		6.40%
Ratio of average interest-earning assets to average interest-bearing liabilities		163.07%		149.30%

- (1) Average balances are calculated using month-end balances, to the extent such averages are representative of operations.
- (2) Annualized.
- (3) Average balances of leases and loans include non-accrual leases and loans, and are presented net of unearned income. The average balances of leases and loans do not include the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred.
- (4) Includes operating leases.
- (5) Includes effect of transaction costs.
- (6) Interest rate spread represents the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.
- (7) Net interest margin represents net interest income as a percentage of average interest-earning assets.

Table of Contents

The following table presents the components of the changes in net interest income by volume and rate.

**Three Months Ended June 30, 2011 Compared
To
Three Months Ended June 30, 2010
Increase (Decrease) Due To:**

	Volume⁽¹⁾	Rate⁽¹⁾	Total
	(Dollars in thousands)		

Interest income:

Interest-earning deposits with banks	\$ 1	\$ (2)	\$ (1)
Restricted interest-earning deposits with banks	(7)	(7)	(14)
Securities available for sale	4	(3)	1
Net investment in leases	(1,310)	259	(1,051)
Loans receivable	(39)	(27)	(66)
Total interest income	(1,666)	535	(1,131)

Interest expense:

Short-term borrowings		(19)	(19)
Long-term borrowings	(1,230)	392	(838)
Deposits	88	(123)	(35)
Total interest expense	(803)	(89)	(892)

Net interest income	(1,148)	909	(239)
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- ⁽¹⁾ Changes due to volume and rate are calculated independently for each line item presented rather than presenting vertical subtotals for the individual volume and rate columns. Changes attributable to changes in volume represent changes in average balances multiplied by the prior period's average rates. Changes attributable to changes in rate represent changes in average rates multiplied by the prior year's average balances. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

Table of Contents

Net interest and fee margin. The following table summarizes the Company's net interest and fee income as a percentage of average total finance receivables for the three-month periods ended June 30, 2011 and June 30, 2010.

	Three Months Ended June 30,	
	2011	2010
	(Dollars in thousands)	
Interest income	\$ 10,863	\$ 11,994
Fee income	2,926	3,501
Interest and fee income	13,789	15,495
Interest expense	3,063	3,955
Net interest and fee income	10,726	11,540
Average total finance receivables ⁽¹⁾	\$ 351,389	\$ 395,906
Percent of average total finance receivables:		
Interest income	12.37%	12.12%
Fee income	3.33	3.54
Interest and fee income	15.70	15.66
Interest expense	3.49	4.00
Net interest and fee margin	12.21%	11.66%

⁽¹⁾ Total finance receivables include net investment in direct financing leases and loans. For the calculations above, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

Net interest and fee income decreased \$0.8 million, or 7.0%, to \$10.7 million for the three months ended June 30, 2011 from \$11.5 million for the three months ended June 30, 2010. The annualized net interest and fee margin increased 55 basis points to 12.21% in the three-month period ended June 30, 2011 from 11.66% for the same period in 2010.

Interest income, net of amortized initial direct costs and fees, decreased \$1.1 million, or 9.2%, to \$10.9 million for the three-month period ended June 30, 2011 from \$12.0 million for the three-month period ended June 30, 2010. The decrease in interest income was due principally to the 11.2% decrease in average total finance receivables, which decreased \$44.5 million to \$351.4 million at June 30, 2011 from \$395.9 million at June 30, 2010, partially offset by an increase in average yield of 25 basis points. The decrease in average total finance receivables is primarily due to our proactive decision in 2008 and 2009 to lower approval rates and volume in response to the economic conditions. The average yield on the portfolio increased, primarily due to continued higher yields on the new leases compared to the yields on the leases repaying. However, the weighted average implicit interest rate on new finance receivables originated decreased 152 basis points to 13.04% for the three-month period ended June 30, 2011, compared to 14.56% for the three-month period ended June 30, 2010, primarily due to a change in mix of new origination types toward larger program opportunities.

Fee income decreased \$0.6 million, or 17.1%, to \$2.9 million for the three-month period ended June 30, 2011 from \$3.5 million for the three-month period ended June 30, 2010. Fee income included approximately \$1.1 million of net residual income for the three-month period ended June 30, 2011 and \$1.3 million for the three-month period ended June 30, 2010. Fee income also included approximately \$1.6 million in late fee income for the three-month period

ended June 30, 2011, which decreased 15.8% from \$1.9 million for the three-month period ended June 30, 2010. The decrease in late fee income was primarily due to the decrease in average total finance receivables.

Fee income, as an annualized percentage of average total finance receivables, decreased 21 basis points to 3.33% for the three-month period ended June 30, 2011 from 3.54% for the same period in 2010. Late fees remained the largest component of fee income at 1.81% as a percentage of average total finance receivables for the three-month period ended June 30, 2011, compared to 1.94% for the three-month period ended June 30, 2010. As a percentage of average total finance receivables, net residual income was 1.26% for the three-month period ended June 30, 2011, compared to 1.34% for the three-month period ended June 30, 2010.

Table of Contents

Interest expense decreased \$0.9 million to \$3.1 million for the three-month period ended June 30, 2011 from \$4.0 million for the three-month period ended June 30, 2010. The decrease was primarily due to lower average total finance receivables in combination with a shift in our funding mix toward lower-cost deposits. Interest expense, as an annualized percentage of average total finance receivables, decreased 51 basis points to 3.49% for the three-month period ended June 30, 2011, from 4.00% for the same period in 2010.

The weighted average interest rate, excluding transaction costs, on short-term and long-term borrowings was 5.30% for the quarter ended June 30, 2011, compared to 4.89% for the same period in 2010. The higher interest rate primarily reflects the increased cost of the borrowings. The average balance for our variable-rate debt was \$72.4 million for the three months ended June 30, 2011, compared to \$17.7 million for the three months ended June 30, 2010. The weighted average interest rate, excluding transaction costs, for our variable-rate debt was 5.19% for the quarter ended June 30, 2011, compared to 5.50% for the same period in 2010. For the three months ended June 30, 2011, average term securitization borrowings outstanding were \$87.6 million at a weighted average coupon of 5.35%, compared to \$225.5 million at a weighted average coupon of 4.83% for the same period in 2010.

Our wholly-owned subsidiary, MBB, provides an additional funding source. FDIC-insured deposits are being raised via the brokered certificates of deposit market and from other financial institutions on a direct basis. Interest expense on deposits was \$0.6 million, or 2.33% as a percentage of weighted average deposits, for the three-month period ended June 30, 2011. The average balance of deposits was \$106.7 million for the three-month period ended June 30, 2011. Interest expense on deposits was \$0.7 million, or 2.82% as a percentage of weighted average deposits, for the three-month period ended June 30, 2010. The average balance of deposits was \$93.2 million for the three-month period ended June 30, 2010.

Insurance income. Insurance income remained unchanged at \$1.0 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010.

Other income. Other income increased \$0.1 million to \$0.4 million for the three-month period ended June 30, 2011 from \$0.3 million for the three-month period ended June 30, 2010. Other income includes various administrative transaction fees, fees received from lease syndications and gains on sales of leases.

Salaries and benefits expense. Salaries and benefits expense increased \$0.8 million, or 17.4%, to \$5.4 million for the three month period ended June 30, 2011 from \$4.6 million for the same period in 2010. Salaries and benefits expense, as a percentage of average total finance receivables, was 6.13% for the three-month period ended June 30, 2011 compared with 4.64% for the same period in 2010. Total personnel increased to 251 at June 30, 2011 from 211 at June 30, 2010, primarily due to increased sales staffing levels, which were 97 sales account executives at June 30, 2011, compared to 69 sales account executives at June 30, 2010.

General and administrative expense. General and administrative expense remained unchanged at \$3.1 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010. General and administrative expense as an annualized percentage of average total finance receivables was 3.58% for the three-month period ended June 30, 2011, compared to 3.10% for the three-month period ended June 30, 2010. Selected major components of general and administrative expense for the three-month period ended June 30, 2011 included \$0.7 million of premises and occupancy expense, \$0.4 million of audit and tax expense, \$0.2 million of data processing expense and \$0.1 million of marketing expense. In comparison, selected major components of general and administrative expense for the three-month period ended June 30, 2010 included \$0.7 million of premises and occupancy expense, \$0.3 million of audit and tax expense, \$0.2 million of data processing expense and \$0.1 million of marketing expense.

Financing related costs. Financing related costs primarily represent bank commitment fees paid to our financing sources. Financing related costs were \$0.2 million for the three-month period ended June 30, 2011 and \$0.2 million for the same period in 2010.

Provision for credit losses. The provision for credit losses decreased \$1.6 million, or 64.0%, to \$0.9 million for the three months ended June 30, 2011 from \$2.5 million for the same period in 2010. The decrease in the provision for credit losses was primarily due to lower charge-offs, improved delinquencies and a reduced portfolio size. Net charge-offs were \$1.6 million for the three-month period ended June 30, 2011, compared to \$3.6 million for the same period in 2010. Net charge-offs as a percentage of average total finance receivables decreased to 1.86% during the

three-month period ended June 30, 2011, from 3.63% for the same period in 2010. The allowance for credit losses decreased to approximately \$6.2 million at June 30, 2011, a decrease of \$1.5 million from \$7.7 million at December 31, 2010.

Table of Contents

Additional information regarding asset quality is included herein in the subsequent section, Finance Receivables and Asset Quality.

Provision for income taxes. Income tax expense of \$0.9 million was recorded for the three-month periods ended June 30, 2011 and June 30, 2010. Our effective tax rate, which is a combination of federal and state income tax rates, remained unchanged at approximately 37.9% for the three-month periods ended June 30, 2011 and June 30, 2010.

Comparison of the Six-Month Periods Ended June 30, 2011 and June 30, 2010

Net income. Net income of \$2.3 million was reported for the six-month period ended June 30, 2011, resulting in diluted earnings per share of \$0.18, compared to net income of \$2.8 million and diluted earnings per share of \$0.22 for the six-month period ended June 30, 2010.

Return on average assets was 0.98% for the six-month period ended June 30, 2011, compared to 1.05% for the six-month period ended June 30, 2010. Return on average equity was 2.83% for the six-month period ended June 30, 2011, compared to 3.71% for the six-month period ended June 30, 2010.

Overall, our average net investment in total finance receivables for the six-month period ended June 30, 2011 decreased 15.3% to \$350.3 million, compared to \$413.5 million for the six-month period ended June 30, 2010. We continue to assess and adjust our credit underwriting guidelines in response to economic conditions, and over the past twelve months we have added to the sales organization to increase originations.

During the six months ended June 30, 2011, we generated 8,506 new leases with a cost of \$100.9 million, compared to 5,485 new leases with a cost of \$55.4 million generated for the six months ended June 30, 2010. Much of the change in volume is the result of increasing sales staffing levels to 97 sales account executives at June 30, 2011 from 69 sales account executives at June 30, 2010. Approval rates also rose from 48% for the six-month period ended June 30, 2010 to 58% for the six-month period ended June 30, 2011 due to the improved credit quality of the applications received and adjustments made to credit policy in light of the continued strong performance of recent years lease originations. The provision for credit losses decreased \$3.5 million, or 62.5%, to \$2.1 million for the six-month period ended June 30, 2011 from \$5.6 million for the same period in 2010, primarily due to lower charge-offs, improved delinquencies and a reduced portfolio size. For the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, net interest and fee income decreased \$2.0 million, or 8.5%, primarily due to a 15.3% decrease in average total finance receivables. Other expenses increased \$2.2 million, or 13.7%, for the six-month period ended June 30, 2011, compared to the six-month period ended June 30, 2010, primarily due to increased salaries and benefits expense related to increased sales staffing levels.

Average balances and net interest margin. The following table summarizes the Company's average balances, interest income, interest expense and average yields and rates on major categories of interest-earning assets and interest-bearing liabilities for the six-month periods ended June 30, 2011 and June 30, 2010.

Table of Contents

Six Months Ended June 30,						
	2011			2010		
	(Dollars in thousands)					
	Average Balance ⁽¹⁾	Interest	Average Yields/ Rates ⁽²⁾	Average Balance ⁽¹⁾	Interest	Average Yields/ Rates ⁽²⁾
Interest-earning assets:						
Interest-earning deposits with banks	\$ 41,482	\$ 21	0.10%	\$ 37,622	\$ 13	0.07%
Restricted interest-earning deposits with banks	41,104	16	0.08	64,061	31	0.10
Securities available for sale	1,658	27	3.27	628	13	4.14
Net investment in leases ⁽³⁾	349,469	21,672	12.40	410,332	24,572	11.98
Loans receivable ⁽³⁾	826	27	6.52	3,209	194	12.09
Total interest-earning assets	434,539	21,763	10.01	515,852	24,823	9.63
Non-interest-earning assets:						
Cash and due from banks	2,090			1,861		
Property and equipment, net	2,168			2,322		
Property tax receivables	1,355			2,542		
Other assets ⁽⁴⁾	27,177			6,611		
Total non-interest-earning assets	32,790			13,336		
Total assets	\$ 467,329			\$ 529,188		
Interest-bearing liabilities:						
Short-term borrowings ⁽⁵⁾	\$	\$	%	\$ 14,427	\$ 344	4.77%
Long-term borrowings ⁽⁵⁾	167,998	5,151	6.13	249,391	6,984	5.60
Deposits ⁽⁵⁾	99,945	1,204	2.41	87,297	1,286	2.95
Total interest-bearing liabilities	267,943	6,355	4.74	351,115	8,614	4.91
Non-interest-bearing liabilities:						
Fair value of derivatives				1,184		
Sales and property taxes payable	3,524			5,459		
Accounts payable and accrued expenses	8,420			5,639		
Net deferred income tax liability	26,208			15,315		
Total non-interest-bearing liabilities	38,152			27,597		

Total liabilities	306,095		378,712	
Stockholders' equity	161,234		150,476	
Total liabilities and stockholders' equity	\$ 467,329		\$ 529,188	
Net interest income		\$ 15,408		\$ 16,209
Interest rate spread⁽⁶⁾			5.27%	4.72%
Net interest margin⁽⁷⁾			7.09%	6.28%
Ratio of average interest-earning assets to average interest-bearing liabilities			162.18%	146.92%

- (1) Average balances are calculated using month-end balances, to the extent such averages are representative of operations.
- (2) Annualized.
- (3) Average balances of leases and loans include non-accrual leases and loans, and are presented net of unearned income. The average balances of leases and loans do not include the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred.
- (4) Includes operating leases.
- (5) Includes effect of transaction costs.
- (6) Interest rate spread represents the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.
- (7) Net interest margin represents net interest income as a percentage of average interest-earning assets.

Table of Contents

The following table presents the components of the changes in net interest income by volume and rate.

	Six Months Ended June 30, 2011 Compared To Six Months Ended June 30, 2010 Increase (Decrease) Due To:		
	Volume ⁽¹⁾	Rate ⁽¹⁾	Total
	(Dollars in thousands)		
Interest income:			
Interest-earning deposits with banks	\$ 1	\$ 7	\$ 8
Restricted interest-earning deposits with banks	(10)	(5)	(15)
Securities available for sale	17	(3)	14
Net investment in leases	(3,750)	850	(2,900)
Loans receivable	(103)	(64)	(167)
Total interest income	(4,040)	980	(3,060)
Interest expense:			
Short-term borrowings	(172)	(172)	(344)
Long-term borrowings	(2,447)	614	(1,833)
Deposits	171	(253)	(82)
Total interest expense	(1,981)	(278)	(2,259)
Net interest income	(2,736)	1,935	(801)

- ⁽¹⁾ Changes due to volume and rate are calculated independently for each line item presented rather than presenting vertical subtotals for the individual volume and rate columns. Changes attributable to changes in volume represent changes in average balances multiplied by the prior period's average rates. Changes attributable to changes in rate represent changes in average rates multiplied by the prior year's average balances. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

Table of Contents

Net interest and fee margin. The following table summarizes the Company's net interest and fee income as a percentage of average total finance receivables for the six-month periods ended June 30, 2011 and 2010.

	Six Months Ended June 30,	
	2011	2010
	(Dollars in thousands)	
Interest income	\$ 21,763	\$ 24,823
Fee income	6,058	7,317
Interest and fee income	27,821	32,140
Interest expense	6,355	8,614
Net interest and fee income	21,466	23,526
Average total finance receivables ⁽¹⁾	\$ 350,296	\$ 413,541
Percent of average total finance receivables:		
Interest income	12.43%	12.01%
Fee income	3.46	3.54
Interest and fee income	15.89	15.55
Interest expense	3.63	4.17
Net interest and fee margin	12.26%	11.38%

⁽¹⁾ Total finance receivables include net investment in direct financing leases and loans. For the calculations above, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

Net interest and fee income decreased \$2.0 million, or 8.5%, to \$21.5 million for the six months ended June 30, 2011 from \$23.5 million for the six months ended June 30, 2010. The annualized net interest and fee margin increased 88 basis points to 12.26% in the six-month period ended June 30, 2011 from 11.38% for the same period in 2010.

Interest income, net of amortized initial direct costs and fees, decreased \$3.0 million, or 12.1%, to \$21.8 million for the six-month period ended June 30, 2011 from \$24.8 million for the six-month period ended June 30, 2010. The decrease in interest income was due principally to a 15.3% decrease in average total finance receivables, which decreased \$63.2 million to \$350.3 million at June 30, 2011 from \$413.5 million at June 30, 2010, partially offset by an increase in average yield of 42 basis points. The decrease in average total finance receivables is primarily due to our proactive decision in 2008 and 2009 to lower approval rates and volume in response to the economic conditions. The average yield on the portfolio increased, primarily due to continued higher yields on the new leases compared to the yields on the leases repaying. However, the weighted average implicit interest rate on new finance receivables originated decreased 168 basis points to 13.20% for the six-month period ended June 30, 2011, compared to 14.88% for the six-month period ended June 30, 2010, primarily due to a change in mix of new origination types toward larger program opportunities.

Fee income decreased \$1.2 million, or 16.4%, to \$6.1 million for the six-month period ended June 30, 2011 from \$7.3 million for the six-month period ended June 30, 2010. Fee income included approximately \$2.3 million of net residual income for the six-month period ended June 30, 2011, compared to \$2.7 million for the six-month period ended June 30, 2010. Fee income also included approximately \$3.3 million in late fee income for the six-month period ended June 30, 2011, which decreased 19.5% from \$4.1 million for the six-month period ended June 30, 2010. The

decrease in late fee income was primarily due to the decrease in average total finance receivables.

Fee income, as an annualized percentage of average total finance receivables, decreased 8 basis points to 3.46% for the six-month period ended June 30, 2011 from 3.54% for the same period in 2010. Late fees remained the largest component of fee income at 1.88% as a percentage of average total finance receivables for the six-month period ended June 30, 2011, compared to 1.99% for the six-month period ended June 30, 2010. As a percentage of average total finance receivables, net residual income was 1.32% for the six-month period ended June 30, 2011, compared to 1.29% for the six-month period ended June 30, 2010.

Table of Contents

Interest expense decreased \$2.2 million to \$6.4 million for the six-month period ended June 30, 2011 from \$8.6 million for the six-month period ended June 30, 2010. The decrease was primarily due to lower average total finance receivables in combination with a shift in our funding mix toward lower cost deposits. Interest expense, as an annualized percentage of average total finance receivables, decreased 54 basis points to 3.63% for the six-month period ended June 30, 2011, from 4.17% for the same period in 2010.

The weighted average interest rate, excluding transaction costs, on short-term and long-term borrowings was 5.34% for the six-month period ended June 30, 2011, compared to 5.01% for the same period in 2010. The higher interest rate primarily reflects the increased cost of the borrowings. The average balance for our variable-rate debt was \$65.7 million for the six months ended June 30, 2011, compared to \$32.9 million for the six months ended June 30, 2010. The weighted average interest rate, excluding transaction costs, for our variable-rate debt was 5.29% for the six-month period ended June 30, 2011, compared to 4.53% for the same period in 2010. For the six months ended June 30, 2011, average term securitization borrowings outstanding were \$102.2 million at a weighted average coupon of 5.35%, compared to \$230.9 million at a weighted average coupon of 5.07% for the same period in 2010.

Our wholly-owned subsidiary, MBB, provides an additional funding source. FDIC-insured deposits are being raised via the brokered certificates of deposit market and from other financial institutions on a direct basis. Interest expense on deposits was \$1.2 million, or 2.41% as a percentage of weighted average deposits, for the six-month period ended June 30, 2011. The average balance of deposits was \$99.9 million for the six-month period ended June 30, 2011. Interest expense on deposits was \$1.3 million, or 2.95% as a percentage of weighted average deposits, for the six-month period ended June 30, 2010. The average balance of deposits was \$87.3 million for the six-month period ended June 30, 2010.

Insurance income. Insurance income decreased \$0.2 million to \$1.9 million for the six-month period ended June 30, 2011 from \$2.1 million for the six-month period ended June 30, 2010, primarily due to lower billings from lower total finance receivables.

Other income. Other income increased \$0.1 million to \$0.7 million for the six-month period ended June 30, 2011 from \$0.6 million for the six-month period ended June 30, 2010. Other income includes various administrative transaction fees, fees received from lease syndications and gains on sales of leases.

Salaries and benefits expense. Salaries and benefits expense increased \$1.6 million, or 16.5%, to \$11.3 million for the six months ended June 30, 2011 from \$9.7 million for the same period in 2010. Salaries and benefits expense, as a percentage of average total finance receivables, was 6.46% for the six-month period ended June 30, 2011 compared with 4.70% for the same period in 2010. Total personnel increased to 251 at June 30, 2011 from 211 at June 30, 2010, primarily due to increased sales staffing levels, which were 97 sales account executives at June 30, 2011, compared to 69 sales account executives at June 30, 2010.

In the first six months of 2011, we increased the number of our sales account executives by 10, from 87 sales account executives at December 31, 2010 to 97 at June 30, 2011. This action continued our plan to rebuild the sales organization to increase originations and match the level of originations to our current funding capacity.

General and administrative expense. General and administrative expense decreased \$0.5 million, or 8.2%, to \$6.6 million for the six months ended June 30, 2011 from \$6.1 million for the same period in 2010. General and administrative expense as an annualized percentage of average total finance receivables was 3.78% for the six-month period ended June 30, 2011, compared to 2.96% for the six-month period ended June 30, 2010. Selected major components of general and administrative expense for the six-month period ended June 30, 2011 included \$1.4 million of premises and occupancy expense, \$1.0 million of audit and tax expense, \$0.5 million of data processing expense and \$0.3 million of marketing expense. In comparison, selected major components of general and administrative expense for the six-month period ended June 30, 2010 included \$1.4 million of premises and occupancy expense, \$0.6 million of audit and tax expense, \$0.5 million of data processing expense and \$0.2 million of marketing expense.

Financing related costs. Financing related costs primarily represent bank commitment fees paid to our financing sources. Financing related costs remained unchanged at approximately \$0.3 million for each of the six-month periods ended June 30, 2011 and June 30, 2010.

Provision for credit losses. The provision for credit losses decreased \$3.5 million, or 62.5%, to \$2.1 million for the six months ended June 30, 2011 from \$5.6 million for the same period in 2010. The decrease in the provision for credit losses was primarily due to lower charge-offs, improved delinquencies and a reduced portfolio size. Net charge-offs were \$3.6 million for the six-month period ended June 30, 2011, compared to \$8.7 million for the same period in 2010. Net charge-offs as a percentage of average total finance receivables decreased to 2.08% during the six-month period ended June 30, 2011, from 4.19% for the same period in 2010. The allowance for credit losses decreased to approximately \$6.2 million at June 30, 2011, a decrease of \$1.5 million from \$7.7 million at December 31, 2010.

Table of Contents

Additional information regarding asset quality is included herein in the subsequent section, Finance Receivables and Asset Quality.

Provision for income taxes. Income tax expense of \$1.4 million was recorded for the six-month period ended June 30, 2011, compared to an expense of \$1.6 million for the same period in 2010. The change is primarily attributable to the change in pretax income recorded for the six-month period ended June 30, 2011. Our effective tax rate, which is a combination of federal and state income tax rates, was approximately 38% for the six-month period ended June 30, 2011, compared to 36.6% for the six-month period ended June 30, 2010. The change in effective tax rate is primarily due to a change in the mix of projected pretax book income across the jurisdictions and entities.

FINANCE RECEIVABLES AND ASSET QUALITY

Our net investment in leases and loans declined \$2.9 million, or 0.8%, to \$354.5 million at June 30, 2011 from \$351.6 million at December 31, 2010. We continue to adjust our credit underwriting guidelines in response to current economic conditions, and we continue to rebuild our sales organization to increase originations. A portion of the Company's lease portfolio is generally assigned as collateral for borrowings as described below in Liquidity and Capital Resources.

Table of Contents

The chart which follows provides our asset quality statistics for each of the three- and six-month periods ended June 30, 2011 and June 30, 2010, and the year ended December 31, 2010:

	Three Months Ended		Six Months Ended		Year Ended
	June 30,		June 30,		December
	2011	2010	2011	2010	31,
	(Dollars in thousands)				2010
Allowance for credit losses, beginning of period	\$ 6,887	\$ 10,253	\$ 7,718	\$ 12,193	\$ 12,193
Charge-offs	(2,247)	(4,438)	(4,875)	(10,364)	(17,095)
Recoveries	611	842	1,229	1,705	3,182
Net charge-offs	(1,636)	(3,596)	(3,646)	(8,659)	(13,913)
Provision for credit losses	924	2,494	2,103	5,617	9,438
Allowance for credit losses, end of period ⁽¹⁾	\$ 6,175	\$ 9,151	\$ 6,175	\$ 9,151	\$ 7,718
Annualized net charge-offs to average total finance receivables ⁽²⁾	1.86%	3.63%	2.08%	4.19%	3.58%
Allowance for credit losses to total finance receivables, end of period ⁽²⁾	1.74%	2.40%	1.74%	2.40%	2.19%
Average total finance receivables ⁽²⁾	\$ 351,389	\$ 395,906	\$ 350,296	\$ 413,541	\$ 389,001
Total finance receivables, end of period ⁽²⁾	\$ 354,014	\$ 381,977	\$ 354,014	\$ 381,977	\$ 352,527
Delinquencies greater than 60 days past due	\$ 2,221	\$ 5,202	\$ 2,221	\$ 5,202	\$ 3,504
Delinquencies greater than 60 days past due ⁽³⁾	0.56%	1.24%	0.56%	1.24%	0.90%
Allowance for credit losses to delinquent accounts greater than 60 days past due ⁽³⁾	278.03%	175.91%	278.03%	175.91%	220.26%
Non-accrual leases and loans, end of period	\$ 1,197	\$ 2,819	\$ 1,197	\$ 2,819	\$ 1,996
Renegotiated leases and loans, end of period	\$ 1,485	\$ 3,024	\$ 1,485	\$ 3,024	\$ 2,221
Accruing leases and loans past due 90 days or more	\$	\$	\$	\$	\$
Interest income included on non-accrual leases and loans ⁽⁴⁾	\$ 13	\$ 34	\$ 41	\$ 112	\$ 214

Interest income excluded on non-accrual leases and loans ⁽⁵⁾	\$	13	\$	39	\$	19	\$	42	\$	46
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- (1) The allowance for credit losses allocated to loans at June 30, 2011, June 30, 2010 and December 31, 2010, was \$0.1 million, \$0.2 million and \$0.1 million, respectively.
- (2) Total finance receivables include net investment in direct financing leases and loans. For purposes of asset quality and allowance calculations, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.
- (3) Calculated as a percent of total minimum lease payments receivable for leases and as a percent of principal outstanding for loans.
- (4) Represents interest which was recognized during the period on non-accrual loans and leases, prior to non-accrual status.
- (5) Represents interest which would have been recorded on non-accrual loans and leases had they performed in accordance with their contractual terms during the period.

Table of Contents

Net investments in finance receivables are generally charged-off when they are contractually past due for 121 days. Income is not recognized on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when a lease or loan becomes less than 90 days delinquent.

Net charge-offs for the three months ended June 30, 2011 were \$1.6 million (1.86% of average total finance receivables on an annualized basis), compared to \$2.0 million (2.30% of average total finance receivables on an annualized basis) for the three months ended March 31, 2011 and \$3.6 million (3.63% of average total finance receivables on an annualized basis) for the three months ended June 30, 2010. Approximately three-fourths of the decrease from the second quarter of 2010 was due to a lower charge-off rate as a percentage of average total finance receivables, and approximately one-fourth of the decrease was related to the impact on the calculation of the decrease in average total finance receivables. The decrease in net charge-offs during the first quarter of 2011 compared to recent prior periods is primarily due to improving delinquency migrations and lower portfolio balances.

Net charge-offs for the six-month period ended June 30, 2011 were \$3.6 million (2.08% of average total finance receivables on an annualized basis), compared to \$8.7 million (4.19% of average total finance receivables on an annualized basis) for the six-month period ended June 30, 2010. Approximately three-fourths of the \$5.1 million decrease was related to a lower charge-off rate as a percentage of average total finance receivables, and approximately one-fourth of the decrease was due to the impact on the calculation of the decrease in average total finance receivables. The decrease in net charge-offs during the first six months of 2011 compared to recent prior periods is primarily due to improving delinquency migrations and lower portfolio balances.

Delinquent accounts 60 days or more past due (as a percentage of minimum lease payments receivable for leases and as a percentage of principal outstanding for loans) were 0.56% at June 30, 2011 and 0.90% at December 31, 2010. Supplemental information regarding loss statistics and delinquencies is available on the investor relations section of Marlin's website at www.marlincorp.com.

In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. The factors and trends discussed above were included in the Company's analysis to determine its allowance for credit losses. (See Critical Accounting Policies.)

As previously disclosed, based on feedback the Company received from the Federal Reserve Bank of Philadelphia in April 2011, the Company is operating under its established methodology for determining its allowance for credit losses (the Allowance), which methodology will be reviewed by the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions during their next regularly scheduled commercial bank examination of Marlin Business Bank.

RESIDUAL PERFORMANCE

Our leases offer our end user customers the option to own the equipment at lease expiration. As of June 30, 2011, approximately 66% of our leases were one dollar purchase option leases, 32% were fair market value leases and 2% were fixed purchase option leases, the latter of which typically contain an end-of-term purchase option equal to 10% of the original equipment cost. As of June 30, 2011, there were \$34.9 million of residual assets retained on our Consolidated Balance Sheet, of which \$28.5 million, or 81.8%, were related to copiers. No other group of equipment represented more than 10% of equipment residuals as of June 30, 2011 and December 31, 2010, respectively. Improvements in technology and other market changes, particularly in copiers, could adversely impact our ability to realize the recorded residual values of this equipment.

Fee income included approximately \$1.1 million and \$1.3 million of net residual income for the three-month periods ended June 30, 2011 and June 30, 2010, respectively. Fee income included approximately \$2.3 million and \$2.7 million of net residual income for the six-month periods ended June 30, 2011 and June 30, 2010, respectively. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed at the end of term as further described below.

Our leases generally include renewal provisions and many leases continue beyond their initial contractual term. Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, purchase the leased equipment or return the leased equipment than it does to the equipment type. We consider renewal income a component of residual

performance. Renewal income net of depreciation totaled approximately \$1.8 million and \$2.0 million for the three-month periods ended June 30, 2011 and June 30, 2010, respectively. Renewal income net of depreciation totaled approximately \$3.8 million and \$3.9 million for the six-month periods ended June 30, 2011 and June 30, 2010, respectively.

Table of Contents

For the three months ended June 30, 2011, the net loss on residual values disposed at end of term totaled \$0.7 million, compared to a net loss of \$0.6 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, the net loss on residual values disposed at end of term totaled \$1.5 million, compared to a net loss of \$1.2 million for the six months ended June 30, 2010. The primary driver of the changes was a shift in the mix of the amounts and types of equipment disposed at the end of the applicable lease terms. Historically, our net residual income has exceeded 100% of the residual recorded on such leases. Management performs periodic reviews of the estimated residual values and historical realization statistics no less frequently than quarterly. There was no impairment recognized on estimated residual values during the six-month periods ended June 30, 2011 and June 30, 2010, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our business requires a substantial amount of cash to operate and grow. Our primary liquidity need is for new originations. In addition, we need liquidity to pay interest and principal on our borrowings, to pay fees and expenses incurred in connection with our securitization transactions, to fund infrastructure and technology investment and to pay administrative and other operating expenses.

We are dependent upon the availability of financing from a variety of funding sources to satisfy these liquidity needs. Historically, we have relied upon four principal types of third-party financing to fund our operations:

- borrowings under revolving, short-term or long-term bank facilities;

- financing of leases and loans in various warehouse facilities (all of which have since been repaid in full);

- financing of leases through term note securitizations; and

FDIC-insured certificates of deposit issued by our wholly-owned subsidiary, MBB.

On March 20, 2007, the FDIC approved the application of our wholly-owned subsidiary, MBB, to become an industrial bank chartered by the State of Utah. MBB commenced operations effective March 12, 2008. MBB provides diversification of the Company's funding sources and, over time, may add other product offerings to better serve our customer base. From its opening to June 30, 2011, MBB has funded \$262.6 million of leases and loans through its initial capitalization of \$12 million, its March 2011 capitalization of \$25 million and its issuance of \$207.5 million in FDIC insured deposits at an average borrowing rate of 3.12%.

On December 31, 2008, Marlin Business Services Corp. received approval from the Federal Reserve Bank of Philadelphia to become a bank holding company upon conversion of MBB from an industrial bank to a commercial bank. In January 2009, MBB became a commercial bank and a member of the Federal Reserve System, and Marlin Business Services Corp. became a bank holding company. Until March 12, 2011, MBB operated in accordance with its original de novo three-year business plan (as required by the FDIC Order), which assumed total assets of up to \$128 million by March 12, 2011 (when its three-year de novo period expired). In March 2011, following the expiration of the de novo period, the Company provided MBB with \$25.0 million of additional capital to support future growth.

On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.'s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits Marlin Business Services Corp. to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of its reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd.

Our strategy has generally included funding new originations, other than those funded by MBB, in the short-term with cash from operations or through borrowings under various warehouse and loan facilities. Historically, we executed a term note securitization approximately once a year to refinance and relieve the warehouse and loan facilities. Due to the impact on borrowing costs from unfavorable market conditions and the available capacity in our warehouse and loan facilities at that time, the Company elected not to complete fixed-rate term note securitizations in 2008 or 2009. With the opening of MBB in 2008, we are funding increasing amounts of new originations through the issuance of

FDIC-insured certificates of deposit.

On October 9, 2009, Marlin Business Services Corp.'s wholly-owned subsidiary, MRC, closed on a \$75,000,000, three-year committed loan facility with the Lender Finance division of Wells Fargo Capital Finance. The facility is secured by a lien on MRC's assets and is supported by guaranties from Marlin Business Services Corp. and Marlin Leasing Corporation. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is October 9, 2012.

Table of Contents

On February 12, 2010 we completed an \$80.7 million TALF-eligible term asset-backed securitization, of which we elected to defer the issuance of subordinated notes totaling \$12.5 million. This transaction was Marlin's tenth term note securitization and the fifth to earn a AAA rating. As with all of the Company's prior term note securitizations, this financing provides the Company with fixed-cost borrowing and is recorded in long-term borrowings in the Consolidated Balance Sheets.

This was a private offering made to qualified institutional buyers pursuant to Rule 144A under the 1933 Act by Marlin Leasing Receivables XII LLC, a wholly-owned subsidiary of Marlin Leasing Corporation. DBRS, Inc. and Standard & Poor's Ratings Services assigned a AAA rating to the senior tranche of this offering. The effective weighted average interest expense over the term of the financing is expected to be approximately 3.13%. A portion of the proceeds of the new securitization was used to repay the full amount outstanding under the CP conduit warehouse facility.

On September 24, 2010, the Company's affiliate, Marlin Leasing Receivables XIII LLC (MLR XIII), closed on a \$50.0 million three-year committed loan facility with Key Equipment Finance Inc. The facility is secured by a lien on MLR XIII's assets. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is September 23, 2013. An event of default such as non-payment of amounts when due under the loan agreement or a breach of covenants may accelerate the maturity date of the facility. (See Financial Covenants section which follows in this Item 2.)

On April 15, 2011, we elected to exercise our call option and pay off the remaining \$12.1 million of our 2006 term note securitization. This note repayment in full released approximately \$19.2 million in restricted cash previously held by the trustee under such securitization.

At June 30, 2011, we had approximately \$59.3 million of available borrowing capacity in addition to available cash and cash equivalents of \$51.9 million. Our debt to equity ratio was 1.66 to 1 at June 30, 2011 and 1.70 to 1 at December 31, 2010.

Net cash provided by investing activities was \$8.9 million for the six-month period ended June 30, 2011, compared to net cash provided by investing activities of \$53.8 million for the six-month period ended June 30, 2010. Investing activities primarily relate to lease payment activity.

Net cash used in financing activities was \$5.7 million for the six-month period ended June 30, 2011, compared to net cash used in financing activities of \$72.6 million for the six-month period ended June 30, 2010. Financing activities include net advances and repayments on our various borrowing sources.

Additional liquidity is provided by or used by our cash flow from operations. Net cash provided by operating activities was \$11.6 million for the six-month period ended June 30, 2011, compared to net cash provided by operating activities of \$17.0 million for the six-month period ended June 30, 2010.

We expect cash from operations, additional borrowings on existing and future credit facilities, funds from certificates of deposit issued through MBB through brokers and other financial institutions and the completion of additional on-balance-sheet term note securitizations to be adequate to support our operations and projected growth for the foreseeable future.

Total Cash and Cash Equivalents. Our objective is to maintain an adequate level of cash, investing any free cash in leases and loans. We primarily fund our originations and growth using advances under our long-term bank facilities and certificates of deposit issued through MBB. Total cash and cash equivalents available as of June 30, 2011 totaled \$51.9 million, compared to \$37.0 million at December 31, 2010.

Restricted Interest-earning Deposits with Banks. As of June 30, 2011, we also had \$30.9 million of cash that was classified as restricted interest-earning deposits with banks, compared to \$47.1 million at December 31, 2010. Restricted interest-earning deposits with banks consist primarily of various trust accounts related to our secured debt facilities.

Table of Contents

Borrowings. Our primary borrowing relationships each require the pledging of eligible lease and loan receivables to secure amounts advanced. Our aggregate outstanding secured borrowings amounted to \$143.8 million at June 30, 2011 and \$178.7 million at December 31, 2010. Borrowings outstanding under the Company's short-term and long-term debt consist of the following:

	For the Six Months Ended June 30, 2011				As of June 30, 2011		
		Maximum Month					
	Maximum Facility Amount	End Amount Outstanding	Average Amount Outstanding	Weighted Average Rate ⁽³⁾	Amount Outstanding	Weighted Average Rate ⁽³⁾	Unused Capacity ⁽¹⁾
(Dollars in thousands)							
Federal funds purchased	\$ 1,600	\$	\$	%	\$	%	\$ 1,600
Term note securitizations ⁽²⁾		121,318	102,248	5.35%	76,498	5.13%	
Long-term loan facilities	125,000	76,255	65,749	5.29%	67,296	5.18%	57,704
	\$ 126,600		\$ 167,997	5.34%	\$ 143,794	5.15%	\$ 59,304

(1) Does not include MBB's access to the Federal Reserve Discount Window, which is based on the amount of assets MBB chooses to pledge. Based on assets pledged at June 30, 2011, MBB had \$8.2 million in unused, secured borrowing capacity at the Federal Reserve Discount Window. Additional liquidity that may be provided by the issuance of insured deposits is also excluded from this table.

(2) Our term note securitizations are one-time fundings that pay down over time without any ability for us to draw down additional amounts.

(3) Does not include transaction costs.

Federal Funds Line of Credit with Correspondent Bank

MBB has established a federal funds line of credit with a correspondent bank. This line allows for both selling and purchasing of federal funds. The amount that can be drawn against the line is limited to \$1.6 million.

Federal Reserve Discount Window

In addition, MBB has received approval to borrow from the Federal Reserve Discount Window based on the amount of assets MBB chooses to pledge. Based on assets pledged at June 30, 2011, MBB had \$8.2 million in unused, secured borrowing capacity at the Federal Reserve Discount Window.

Term Note Securitizations

On February 12, 2010 we completed an \$80.7 million TALF-eligible term asset-backed securitization, of which we elected to defer the issuance of subordinated notes totaling \$12.5 million. This transaction was Marlin's tenth term note securitization and the fifth to earn a AAA rating. As with all of the Company's prior term note securitizations, this financing provided the Company with fixed-cost borrowing and is recorded in long-term borrowings in the Consolidated Balance Sheets.

This was a private offering made to qualified institutional buyers pursuant to Rule 144A under the 1933 Act by Marlin Leasing Receivables XII LLC, a wholly-owned subsidiary of Marlin Leasing Corporation. DBRS, Inc. and Standard & Poor's Ratings Services assigned a AAA rating to the senior tranche of this offering. The effective weighted average interest expense over the term of the financing is expected to be approximately 3.13%. A portion of the proceeds of

the new securitization was used to repay the full amount outstanding under the CP conduit warehouse facility. Since our founding through June 30, 2011, we have completed 10 on-balance-sheet term note securitizations of which two remain outstanding. In connection with our securitization transactions, we have transferred leases to our wholly-owned SPEs and issued term debt collateralized by such commercial leases to institutional investors in private securities offerings. These SPEs are considered VIEs under U.S. GAAP. We are required to consolidate VIEs in which we are deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. We continue to service the assets of our VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. Our leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents our maximum loss exposure. Our term note securitizations have fixed terms, fixed interest rates and fixed principal amounts. At June 30, 2011 and at December 31, 2010, outstanding term securitizations amounted to \$76.5 million and \$128.2 million, respectively.

Table of Contents

Long-term Loan Facilities

On October 9, 2009, Marlin Business Services Corp.'s wholly-owned subsidiary, Marlin Receivables Corp. ("MRC"), closed on a \$75.0 million three-year committed loan facility with the Lender Finance division of Wells Fargo Capital Finance. The facility is secured by a lien on MRC's assets and is supported by guaranties from the Marlin Business Services Corp. and Marlin Leasing Corporation. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used as a warehouse facility to fund lease originations. In contrast to previous warehouse facilities, this long-term loan facility does not require annual refinancing. The maturity date of the facility is October 9, 2012. An event of default, such as non-payment of amounts when due under the loan agreement or a breach of covenants, may accelerate the maturity date of the facility.

On September 24, 2010, the Company's affiliate, Marlin Leasing Receivables XIII LLC ("MLR XIII"), closed on a \$50.0 million three-year committed loan facility with Key Equipment Finance Inc. The facility is secured by a lien on MLR XIII's assets. Advances under the facility are made pursuant to a borrowing base formula, and the proceeds are used to fund lease originations. The maturity date of the facility is September 23, 2013. An event of default such as non-payment of amounts when due under the loan agreement or a breach of covenants may accelerate the maturity date of the facility.

Financial Covenants

Our secured borrowing arrangements contain numerous covenants, restrictions and default provisions that we must comply with in order to obtain funding through the facilities and to avoid an event of default. A change in the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer is an event of default under our long-term loan facilities, unless we hire a replacement acceptable to our lenders within 120 days.

A merger or consolidation with another company in which the Company is not the surviving entity is also an event of default under the financing facilities. The Company's long-term loan facilities contain acceleration clauses allowing the creditor to accelerate the scheduled maturities of the obligation under certain conditions that may not be objectively determinable (for example, if a material adverse change occurs). An event of default under any of the facilities could result in an acceleration of amounts outstanding under the facilities, foreclosure on all or a portion of the leases financed by the facilities and/or the removal of the Company as servicer of the leases financed by the facility.

Table of Contents

Some of the critical financial and credit quality covenants under our borrowing arrangements as of June 30, 2011 include:

	Actual⁽¹⁾	Requirement
Tangible net worth minimum	\$161.6 million	\$142.2 million
Debt-to-equity ratio maximum	1.56 to 1	10.0 to 1
Maximum servicer senior leverage ratio	1.26 to 1	4.0 to 1
Four-quarter rolling average interest coverage ratio minimum	2.42 to 1	1.50 to 1
Maximum portfolio delinquency ratio	0.56%	3.50%
Maximum gross charge-off ratio	3.19%	7.00%

(1) Calculations are based on specific contractual definitions and subsidiaries per the applicable debt agreements, which may differ from ratios or amounts presented elsewhere in this document.

As of June 30, 2011, the Company was in compliance with terms of the long-term loan facilities and the term note securitization agreements.

Bank Capital and Regulatory Oversight

On January 13, 2009, in connection with the conversion of MBB from an industrial bank to a commercial bank, we became a bank holding company by order of the Federal Reserve Board and are subject to regulation under the Bank Holding Company Act. All of our subsidiaries may be subject to examination by the Federal Reserve Board even if not otherwise regulated by the Federal Reserve Board. On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of our election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve Board's Regulation Y. Such election permits us to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of our reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd.

MBB is also subject to comprehensive federal and state regulations dealing with a wide variety of subjects, including minimum capital standards, reserve requirements, terms on which a bank may engage in transactions with its affiliates, restrictions as to dividend payments and numerous other aspects of its operations. These regulations generally have been adopted to protect depositors and creditors rather than shareholders.

There are a number of restrictions on bank holding companies that are designed to minimize potential loss to depositors and the FDIC insurance funds. If an FDIC-insured depository subsidiary is undercapitalized, the bank holding company is required to ensure (subject to certain limits) the subsidiary's compliance with the terms of any capital restoration plan filed with its appropriate banking agency. Also, a bank holding company is required to serve as a source of financial strength to its depository institution subsidiaries and to commit resources to support such institutions in circumstances where it might not do so absent such policy. Under the Bank Holding Company Act, the Federal Reserve Board has the authority to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness and stability of a depository institution subsidiary of the bank holding company.

Capital Adequacy. Under the risk-based capital requirements applicable to them, bank holding companies must maintain a ratio of total capital to risk-weighted assets (including the asset equivalent of certain off-balance sheet activities such as acceptances and letters of credit) of not less than 8% (10% in order to be considered well-capitalized). At least 4% of the total capital (6% to be well-capitalized) must be composed of common stock, related surplus, retained earnings, qualifying perpetual preferred stock and minority interests in the equity accounts of certain consolidated subsidiaries, after deducting goodwill and certain other intangibles (Tier 1 Capital). The remainder of total capital (Tier 2 Capital) may consist of certain perpetual debt securities, mandatory convertible debt securities, hybrid capital instruments and limited amounts of subordinated debt, qualifying preferred stock, allowance

for loan and lease losses, allowance for credit losses on off-balance-sheet credit exposures and unrealized gains on equity securities.

Table of Contents

The Federal Reserve Board has also established minimum leverage ratio guidelines for bank holding companies. These guidelines mandate a minimum leverage ratio of Tier 1 Capital to adjusted quarterly average total assets less certain amounts (leverage amounts) equal to 3% for bank holding companies meeting certain criteria (including those having the highest regulatory rating). All other banking organizations are generally required to maintain a leverage ratio of at least 3% plus an additional cushion of at least 100 basis points and in some cases more. The Federal Reserve Board s guidelines also provide that bank holding companies experiencing internal growth or making acquisitions are expected to maintain capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the guidelines indicate that the Federal Reserve Board will continue to consider a tangible tier 1 leverage ratio (i.e., after deducting all intangibles) in evaluating proposals for expansion or new activities. MBB is subject to similar capital standards promulgated by the Federal Reserve Board. Bank holding companies are required to comply with the Federal Reserve Board s risk-based capital guidelines that require a minimum ratio of total capital to risk-weighted assets of 8%. At least half of the total capital is required to be Tier 1 Capital. In addition to the risk-based capital guidelines, the Federal Reserve Board has adopted a minimum leverage capital ratio under which a bank holding company must maintain a level of Tier 1 Capital to average total consolidated assets of at least 3% in the case of a bank holding company which has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage capital ratio of at least 4%.

At June 30, 2011, MBB s Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio were 28.96%, 28.39% and 29.42%, respectively, compared to requirements for well-capitalized status of 5%, 6% and 10%, respectively. At June 30, 2011, Marlin Business Services Corp. s Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio were 34.35%, 40.10% and 41.35%, respectively, compared to requirements for well-capitalized status of 5%, 6% and 10%, respectively.

Pursuant to the FDIC Order, MBB is required to keep its total risk-based capital ratio above 15%. MBB s equity balance at June 30, 2011 was \$47.4 million, which qualifies for well capitalized status. Until March 12, 2011, MBB operated in accordance with its original de novo three-year business plan as required by the FDIC Order, which assumed total assets of up to \$128 million by March 12, 2011 (when its three-year de novo period expired). In March 2011, following the expiration of the de novo period, the Company provided MBB with \$25.0 million of additional capital to support future growth.

Information on Stock Repurchases

Information on Stock Repurchases is provided in Part II. Other Information, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds herein.

Table of Contents***Contractual Obligations (excluding Deposits)***

In addition to our scheduled maturities on our credit facilities and term debt, we have future cash obligations under various types of contracts. We lease office space and office equipment under long-term operating leases. The contractual obligations under our agreements, credit facilities, term note securitizations, operating leases and commitments under non-cancelable contracts as of June 30, 2011 were as follows:

Period Ending December 31,	Borrowings	Interest ⁽¹⁾	Contractual Obligations as of June 30, 2011			Total
			Operating Leases (Dollars in thousands)	Leased Facilities	Capital Leases	
2011	\$ 30,934	\$ 3,882	\$ 2	\$ 798	\$ 60	\$ 35,676
2012	101,526	3,569	4	1,621	103	106,823
2013	8,563	247	4	789	86	9,689
2014	1,623	102	4	141	21	1,891
2015	1,031	26				1,057
Thereafter	117					117
Total	\$ 143,794	\$ 7,826	\$ 14	\$ 3,349	\$ 270	\$ 155,253

⁽¹⁾ Interest on the variable-rate long-term loan facilities is assumed at the June 30, 2011 rate for the remaining term. This table excludes time deposits. Deposit maturities are presented in Note 8 to the Company's Unaudited Condensed Consolidated Financial Statements in Item 1 herein.

MARKET INTEREST RATE RISK AND SENSITIVITY

Market risk is the risk of losses arising from changes in values of financial instruments. We engage in transactions in the normal course of business that expose us to market risks. We attempt to mitigate such risks through prudent management practices and strategies such as attempting to match the expected cash flows of our assets and liabilities. We are exposed to market risks associated with changes in interest rates and our earnings may fluctuate with changes in interest rates. The lease assets we originate are almost entirely fixed-rate. Accordingly, we generally seek to finance these assets with fixed interest borrowings and certificates of deposit that the Company issues periodically. Between term note securitization issues, we have historically financed our new lease originations through a combination of variable-rate warehouse facilities and working capital. Most recently, we have also used variable-rate long-term loan facilities to finance our new lease originations. Our mix of fixed- and variable-rate borrowings and our exposure to interest rate risk changes over time. Over the past twelve months, the mix of variable-rate borrowings to total borrowings has ranged from 11.5% to 46.8% and averaged 30.2%. At June 30, 2011, \$67.3 million, or 46.8%, of our borrowings were variable-rate borrowings.

Table of Contents

The following table presents the contractually scheduled maturities and the related weighted average interest rates for debt obligations as of June 30, 2011 expected as of and for each year ended through December 31, 2015 and for periods thereafter.

Scheduled Maturities by Calendar Year						Total Carrying Amount
	2011	2012	2013	2014	2015 & Thereafter	
	(Dollars in thousands)					
Debt:						
Fixed-rate debt	\$ 30,934	\$ 34,230	\$ 8,563	\$ 1,623	\$ 1,148	\$ 76,498
Average fixed rate	5.37%	5.25%	3.99%	6.21%	6.51%	5.20%
Variable-rate debt	\$	\$ 67,296	\$	\$	\$	\$ 67,296
Average variable rate		5.18%				5.18%

Our earnings are sensitive to fluctuations in interest rates. The long-term loan facilities charge a variable rate of interest based on LIBOR. Because our assets are predominately fixed-rate, increases in this market interest rate would generally negatively impact earnings because the rate charged on our borrowings would change faster than our assets could reprice. We would have to offset increases in borrowing costs by adjusting the pricing under our new leases or our net interest margin would be reduced. There can be no assurance that we will be able to offset higher borrowing costs with increased pricing of our assets.

For example, the impact of each hypothetical 100 basis point, or 1.00%, increase in the market rates to which our borrowings are indexed for the twelve month period ended June 30, 2011 generally would have been to reduce net interest and fee income by approximately \$0.5 million based on our average variable-rate borrowings of approximately \$49.2 million for the twelve months then ended, excluding the effects of any changes in the value of derivatives, taxes and possible increases in the yields from our lease and loan portfolios due to the origination of new contracts at higher interest rates. However, at June 30, 2011, due to an index floor on certain variable-rate borrowings combined with the current interest rate environment, a 100-basis point increase in the market rates to which the borrowings are indexed would have had no impact on the cost of the borrowing.

We manage and monitor our exposure to interest rate risk using balance sheet simulation models. Such models incorporate many of our assumptions about our business including new asset production and pricing, interest rate forecasts, overhead expense forecasts and assumed credit losses. Many of the assumptions we use in our simulation models are based on past experience and actual results could vary substantially.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2011, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This guidance clarifies the FASB's intent about the application of existing fair value measurement and disclosure requirements and, in limited situations, changes certain principles or requirements for measuring fair value and disclosing information about fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of the new requirements is not expected to have a material impact on the consolidated earnings, financial position or cash flows of the Company.

In June 2011, the FASB issued Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). This guidance will affect the presentation of comprehensive income, but does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The guidance is effective for interim and annual reporting periods beginning after December 15, 2011. Because ASU 2011-05 impacts disclosures only, it will not affect the consolidated earnings, financial position or cash flows of the Company.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information appearing in the section captioned Management's Discussion and Analysis of Financial Condition and Results of Operations Market Interest Rate Risk and Sensitivity under Item 2 of Part I of this Form 10-Q is incorporated herein by reference.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures as of the end of the period covered by this report are designed and operating effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the 1934 Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's second fiscal quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

We are party to various legal proceedings, which include claims and litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material impact on our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*****Information on Stock Repurchases***

On November 2, 2007, the Company's Board of Directors approved a stock repurchase plan. Under this program, the Company is authorized to repurchase up to \$15 million in value of its outstanding shares of common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant. Any shares purchased under this plan are returned to the status of authorized but unissued shares of common stock. The repurchases may be made on the open market, in block trades or otherwise. The program may be suspended or discontinued at any time. The repurchases are funded using the Company's working capital.

During the three-month period ended June 30, 2011, the number of shares of common stock repurchased by Marlin and the average price paid per share is as follows:

Time Period	Number of Shares Purchased	Average Price Paid Per Share⁽¹⁾	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
April 1, 2011 to April 30, 2011	8,383	\$ 11.48	8,383	\$ 10,166,918
May 1, 2011 to May 31, 2011	33,010	\$ 12.17	33,010	\$ 9,765,126
June 1, 2011 to June 30, 2011	114,211	\$ 12.04	114,211	\$ 8,389,547
Total for the quarter ended June 30, 2011	155,604	\$ 12.04	155,604	\$ 8,389,547

⁽¹⁾ Average price paid per share includes commissions and is rounded to the nearest two decimal places.

In addition to the repurchases described above, pursuant to the 2003 Equity Plan, participants may have shares withheld to cover income taxes. There were 29,730 shares repurchased to cover income tax withholding pursuant to the 2003 Plan during the three-month period ended June 30, 2011, at an average cost of \$12.47 per share.

Item 3. Defaults Upon Senior Securities

None

Item 4. [Removed and Reserved.]**Item 5. Other Information**

None.

Table of Contents

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation ⁽¹⁾
3.2	Bylaws ⁽²⁾
31.1	Certification of the Chief Executive Officer of Marlin Business Services Corp. required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. (Filed herewith)
31.2	Certification of the Chief Financial Officer of Marlin Business Services Corp. required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. (Filed herewith)
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of Marlin Business Services Corp. required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith)
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2011, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Unaudited Condensed Consolidated Financial Statements tagged as blocks of text. (Submitted electronically with this report)

⁽¹⁾ Previously filed with the SEC as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed on March 5, 2008, and incorporated by reference herein.

⁽²⁾ Previously filed with the SEC as an exhibit to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-108530), filed on October 14, 2003 and incorporated by reference herein.

Table of Contents

SIGNATURES

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 thereunto duly authorized.

MARLIN BUSINESS SERVICES CORP.

(Registrant)

By: /s/ Daniel P. Dyer

Daniel P. Dyer
Chief Executive Officer
(*Chief Executive Officer*)

By: /s/ Lynne C. Wilson

Lynne C. Wilson
Chief Financial Officer & Senior Vice President
(*Principal Financial Officer*)

Date: August 3, 2011