Section 1: 10-Q (FORM 10-Q)

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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 March 31, 2020

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 per share	**MRLN**	**NASDAQ Global Select Market**

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 every Interactive Data File required to be submitted 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 such files.) Yes ☑ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 April 23, 2020, 11,884,174 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 March 31, 2020

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PART I. Financial Information

Item 1. Consolidated Financial Statements

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

	March 31, 2020	December 31, 2019
	(Dollars in thousands, except per-share data)	
ASSETS		
Cash and due from banks	$ 5,261	$ 4,701
Interest-earning deposits with banks	205,809	118,395
Total cash and cash equivalents	211,070	123,096
Time deposits with banks	13,664	12,927
Restricted interest-earning deposits (includes $6.5 million and $6.9 million at March 31, 2020 and December 31, 2019, respectively related to consolidated VIEs)	6,474	6,931
Investment securities (amortized cost of $10.6 million and $11.1 million at March 31, 2020 and December 31, 2019, respectively)	10,480	11,076
Net investment in leases and loans:		
Leases	407,148	426,608
Loans	614,988	601,607
Net investment in leases and loans, excluding allowance for credit losses (includes $62.0 million and $76.1 million at March 31, 2020 and December 31, 2019, respectively, related to consolidated VIEs)	1,022,136	1,028,215
Allowance for credit losses	(52,060)	(21,695)
Total net investment in leases and loans	970,076	1,006,520
Intangible assets	7,261	7,461
Goodwill	—	6,735
Operating lease right-of-use assets	8,618	8,863
Property and equipment, net	8,138	7,888
Property tax receivables, net of allowance	10,291	5,493
Other assets	17,465	10,453
Total assets	$ 1,263,537	$ 1,207,443
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 941,996	$ 839,132
Long-term borrowings related to consolidated VIEs	62,193	76,091
Operating lease liabilities	9,487	9,730
Other liabilities:		
Sales and property taxes payable	7,267	2,678
Accounts payable and accrued expenses	28,427	34,028
Net deferred income tax liability	25,677	30,828
Total liabilities	1,075,047	992,487
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $0.01 par value; 5,000,000 shares authorized; none issued	—	—
Common Stock, $0.01 par value; 75,000,000 shares authorized; 11,884,473 and 12,113,585 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	119	121
Additional paid-in capital	75,647	79,665
Accumulated other comprehensive income (loss)	20	58
Retained earnings	112,704	135,112
Total stockholders' equity	188,490	214,956
Total liabilities and stockholders' equity	$ 1,263,537	$ 1,207,443

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

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

	Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands, except per-share data)	
Interest income	$ 26,465	$ 25,883
Fee income	2,766	4,042
Interest and fee income	29,231	29,925
Interest expense	5,680	5,962
Net interest and fee income	23,551	23,963
Provision for credit losses	25,150	5,363
Net interest and fee income after provision for credit losses	(1,599)	18,600
Non-interest income:		
Gain on leases and loans sold	2,282	3,612
Insurance premiums written and earned	2,282	2,132
Other income	7,639	7,204
Non-interest income	12,203	12,948
Non-interest expense:		
Salaries and benefits	9,519	11,451
General and administrative	13,605	13,354
Goodwill impairment	6,735	—
Non-interest expense	29,859	24,805
(Loss) income before income taxes	(19,255)	6,743
Income tax (benefit) expense	(7,434)	1,602
Net (loss) income	$ (11,821)	$ 5,141
Basic (loss) earnings per share	$ (1.00)	$ 0.42
Diluted (loss) earnings per share	$ (1.00)	$ 0.41

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

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MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands)	
Net (loss) income	$ (11,821)	$ 5,141
Other comprehensive income (loss):		
(Decrease) increase in fair value of debt securities available for sale	(51)	54
Tax effect	13	(14)
Total other comprehensive (loss) income	(38)	40
Comprehensive (loss) income	$ (11,859)	$ 5,181

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

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

	Common Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
			(Dollars in thousands)			
Balance, December 31, 2018	12,367,724	124	83,496	(44)	114,935	$ 198,511
Repurchase of common stock	(48,857)	(1)	(1,144)	—	—	(1,145)
Stock issued in connection with restricted stock and RSUs, net of forfeitures	30,209	—	—	—	—	—
Stock-based compensation recognized	—	—	861	—	—	861
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	40	—	40
Net income	—	—	—	—	5,141	5,141
Cash dividends paid ($0.14 per share)	—	—	—	—	(1,758)	(1,758)
Balance, March 31, 2019	12,349,076	$ 123	$ 83,213	$ (4)	$ 118,318	$ 201,650
Balance, December 31, 2019	12,113,585	121	79,665	58	135,112	214,956
Repurchase of common stock	(285,593)	(3)	(4,535)	—	—	(4,538)
Stock issued in connection with restricted stock and RSUs, net of forfeitures	56,481	1	(1)	—	—	—
Stock-based compensation recognized	—	—	518	—	—	518
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	(38)	—	(38)
Net (loss)	—	—	—	—	(11,821)	(11,821)
Impact of adoption of new accounting standards (1)	—	—	—	—	(8,877)	(8,877)
Cash dividends paid ($0.14 per share)	—	—	—	—	(1,710)	(1,710)
Balance, March 31, 2020	11,884,473	$ 119	$ 75,647	$ 20	$ 112,704	$ 188,490

(1) Represents the impact of Accounting Standards Update ("ASU") 2016-13 and related ASUs collectively referred to as "CECL". See Note 2.

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

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	(Dollars in thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (11,821)	$ 5,141
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	1,057	1,209
Stock-based compensation	518	861
Goodwill impairment	6,735	—
Change in fair value of equity securities	(58)	(43)
Provision for credit losses	25,150	5,363
Change in net deferred income tax liability	(2,107)	1,364
Amortization of deferred initial direct costs and fees	3,413	3,563
Loss on equipment disposed	—	389
Gain on leases sold	(2,282)	(3,612)
Leases originated for sale	(3,693)	(10,675)
Proceeds from sale of leases originated for sale	3,874	11,052
Noncash lease expense	324	275
Effect of changes in other operating items:		
Other assets	(12,002)	(4,982)
Other liabilities	1,083	2,559
Net cash provided by operating activities	**10,191**	**12,464**
Cash flows from investing activities:		
Net change in time deposits with banks	(737)	(1,580)
Purchases of equipment for lease contracts and funds used to originate loans	(156,145)	(197,168)
Principal collections on leases and loans	129,810	122,871
Proceeds from sale of leases originated for investment	21,337	45,428
Security deposits collected, net of refunds	(78)	(76)
Proceeds from the sale of equipment	840	696
Acquisitions of property and equipment	(796)	(376)
Principal payments received on securities available for sale	594	372
Net cash (used in) investing activities	**(5,175)**	**(29,833)**
Cash flows from financing activities:		
Net change in deposits	102,864	84,391
Term securitization repayments	(14,008)	(21,104)
Business combinations earn-out consideration payments	(132)	(121)
Repurchases of common stock	(4,538)	(1,145)
Dividends paid	(1,685)	(1,727)
Net cash provided by financing activities	**82,501**	**60,294**
Net increase in total cash, cash equivalents and restricted cash	87,517	42,925
Total cash, cash equivalents and restricted cash, beginning of period	130,027	111,201
Total cash, cash equivalents and restricted cash, end of period	$ 217,544	$ 154,126

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

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

	Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands)	
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 5,420	$ 5,204
Net cash paid (refunds received) for income taxes	1,797	1,371
Leases transferred into held for sale from investment	19,235	42,193
Supplemental disclosures of non cash investing activities:		
Business combinations assets acquired	$ —	$ 146
Purchase of equipment for lease contracts and loans originated	3,773	6,979
Reconciliation of Cash, cash equivalents and restricted cash to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 211,070	$ 140,952
Restricted interest-earning deposits	6,474	13,174
Cash, cash equivalents and restricted cash at end of period	$ 217,544	$ 154,126

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

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – The Company

Marlin Business Services Corp. (the "Company") is a nationwide provider of credit products and services to small businesses. The products and services we provide to our customers include loans and leases for the acquisition of commercial equipment (including Commercial Vehicle Group ("CVG") assets which now incorporates Transportation Finance Group ("TFG")) and working capital loans. The Company was incorporated in the Commonwealth of Pennsylvania on August 5, 2003. In May 2000, we established AssuranceOne, Ltd., a Bermuda-based, wholly-owned captive insurance subsidiary ("Assurance One"), which enables us to reinsure the property insurance coverage for the equipment financed by Marlin Leasing Corporation ("MLC") and Marlin Business Bank ("MBB") for our small business customers. Effective March 12, 2008, the Company opened MBB, a commercial bank chartered by the State of Utah and a member of the Federal Reserve System. MBB serves as the Company's primary funding source through its issuance of Federal Deposit Insurance Corporation ("FDIC")-insured deposits. On September 19, 2018, the Company completed the acquisition of Fleet Financing Resources ("FFR"), a leading provider of equipment finance credit products specializing in the leasing and financing of both new and used commercial vehicles, with an emphasis on livery equipment and other types of commercial vehicles used by small businesses.

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 – Summary of Significant Accounting Policies

Basis of financial statement presentation. The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. MLC and MBB are managed together as a single business segment and are aggregated for financial reporting purposes as they exhibit similar economic characteristics, share the same leasing and loan portfolio and have a single consolidated product offering platform. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements present the Company's financial position at March 31, 2020 and the results of operations for the three-month periods ended March 31, 2020 and 2019, and cash flows for the three-month periods ended March 31, 2020 and 2019. In management's opinion, the unaudited consolidated financial statements contain all adjustments, which include normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the interim periods presented. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and note disclosures included in the Company's Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission ("SEC") on March 13, 2020. The consolidated results and statements of cash flows for these interim financial statements are not necessarily indicative of the results of operations or cash flows for the respective full years or any other period.

Use of Estimates. These unaudited consolidated financial statements require 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, the fair value of financial instruments, estimated losses from insurance program, and income taxes. Actual results could differ from those estimates.

Provision for income taxes. Income tax benefit of $7.4 million was recorded for the three-month period ended March 31, 2020, compared to expense of $1.6 million for the three-month period ended March 31, 2019. For the three-month period ended March 31, 2020, the income tax benefit includes a $3.2 million discrete benefit, related to remeasuring our federal net operating losses, driven by certain provisions in the CARES Act. Our statutory tax rate, which is a combination of federal and state income tax rates, was approximately 23.9% for both periods. However, our effective tax rate was 38.6% for the three-month period ended March 31, 2020, driven by the recognition of the discrete benefit.

Significant Accounting Policies. There have been no significant changes to our Significant Accounting Policies as described in our 2019 Annual Report on Form 10-K other than the adoption of ASU 2016-13 as described below.

Recently Adopted Accounting Standards.

Credit Losses. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the methodology for evaluating impairment of most financial instruments. This guidance was subsequently amended by ASU 2018-19, *Codification Improvements,* ASU 2019-04, *Codification Improvements,* ASU 2019-05, *Targeted Transition Relief,* ASU 2019-10, *Effective Dates,* and ASU 2019-11, *Codification Improvements.* These ASUs are referred to collectively as “CECL”.

CECL replaces the probable, incurred loss model with a measurement of expected credit losses for the contractual term of the Company’s current portfolio of loans and leases. After the adoption of CECL, an allowance, or estimate of credit losses, will be recognized immediately upon the origination of a loan or lease, and will be adjusted in each subsequent reporting period. This estimate of credit losses takes into consideration all cashflows the Company expects to receive or derive from the pools of contracts, including recoveries after charge-off, amounts related to initial direct cost and origination costs net of fees deferred, accrued interest receivable and certain future cashflows from residual assets. The Company had previously recognized residual income within Fee Income in its Consolidated Statements of Operations; the adoption of CECL results in such residual income being captured as a component of the activity of the allowance. The Company’s policy for charging off contracts against the allowance, and non-accrual policy are not impacted by the adoption of CECL.

The provision for credit losses recognized in the Consolidated Statements of Operations under CECL will be primarily driven by originations, offset by the reversal of the allowance for any contracts sold, plus any amounts of realized cashflows, such as charge-offs, above or below our modeled estimates, plus adjustments for changes in estimate each subsequent reporting period.

Estimating an allowance under CECL requires the Company to develop and maintain a consistent systematic methodology to measure the estimated credit losses inherent in its current portfolio, over the entire life of the contracts. The Company assesses the appropriate collective, or pool, basis to use to aggregate its portfolio based on the existence of similar risk characteristics and determined that its measurement begins by separately considering segments of financing receivables, which is similar to how it has historically analyzed its allowance for credit losses: (i) equipment finance lease and loan; (ii) working capital loans; (iii) commercial vehicles “CVG”; and (iv) Community Reinvestment Act. However, these classes of receivables are further disaggregated into pools of loans based on risk characteristics that may include: lease or loan type, origination channel, and internal credit score (which is a measurement that combines many risk characteristics, including loan size, external credit scores, existence of a guarantee, and various characteristics of the borrower’s business).

As part of our analysis of expected credit losses, we may analyze contracts on an individual basis, or create additional pools of contracts, in situations where such loans exhibit unique risk characteristics and are no longer expected to experience similar losses to the rest of their pool.

As part of its estimate of expected credit losses, specific to each measurement date, management considers relevant qualitative and quantitative factors to assess whether the historical loss experience being referenced should be adjusted to better reflect the risk characteristics of the current portfolio and the expected future loss experience for the life of these contracts. This assessment incorporates all available information relevant to considering the collectability of its current portfolio, including considering economic and business conditions, default trends, changes in its portfolio composition, changes in its lending policies and practices, among other internal and external factors.

The Company adopted the guidance in these ASUs, effective January 1, 2020, applying changes resulting from the application of the new standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach).

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The adoption of this standard resulted in the following adjustment to the Company's Consolidated Balance Sheets:

	Balance as of December 31, 2019	Adoption Impact	Balance as of January 1, 2020
		(Dollars in thousands)	
Assets:			
Net investment in leases and loans	$ 1,028,215	$ —	$1,028,215
Allowance for credit losses	(21,695)	(11,908)	(33,603)
Total net investment in leases and loans	1,006,520		994,612
Liabilities:			
Net deferred income tax liability	30,828	(3,031)	27,797
Stockholders' Equity:			
Retained Earnings	135,112	(8,877)	126,235

See Note 6 – *Allowance for Credit Losses*, for further discussion of the January 1, 2020 measurement of allowance under CECL, as well as discussion of the Company's new Accounting Policy governing its Allowance.

See Note 13 – *Stockholders' Equity*, for discussion of the Company's election to delay for two-years the effect of CECL on regulatory capital, followed by a three-year phase-in for a five-year total transition.

In addition, as a result of adoption this standard, future measurements of the impairment of our investment securities will incorporate the guidance in these ASUs, including analyzing any decline in fair value between credit quality-driven factors versus other factors. There was no impact as of the adoption date to our investment securities.

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NOTE 3 – Non-Interest Income

The following table summarizes non-interest income for the periods presented:

	Three Months Ended March 31, (dollars in thousands)	
	2020	2019
Insurance premiums written and earned	$ 2,282	$ 2,132
Gain on sale of leases and loans	2,282	3,612
Other income:		
Property tax income	5,504	5,643
Servicing income	566	287
Net gain (loss) recognized on equity securities	58	43
Non-interest income within the scope of other GAAP topics	10,692	11,717
Other income:		
Insurance policy fees	918	668
Property tax administrative fees on leases	234	268
ACH payment fees	72	86
Referral fees	94	155
Other	193	54
Non-interest income from contracts with customers	1,511	1,231
Total non-interest income	$ 12,203	$ 12,948

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NOTE 4 – Investment Securities

The Company has the following investment securities as of the periods presented:

	March 31, 2020	December 31, 2019
	(Dollars in thousands)	
Equity Securities		
Mutual fund	$ 3,692	$ 3,615
Debt Securities, Available for Sale:		
Asset-backed securities ("ABS")	4,135	4,332
Municipal securities	2,653	3,129
Total investment securities	$ 10,480	$ 11,076

The following schedule summarizes changes in fair value of equity securities and the portion of unrealized gains and losses for each period presented:

	Three months ended	
(Dollars in thousands)	March 31, 2020	March 31, 2019
Net gains and (losses) recognized during the period on equity securities	$ 58	$ 43
Less: Net gains and (losses) recognized during the period on equity securities sold during the period	—	—
Unrealized gains and (losses) recognized during the reporting period on equity securities still held at the reporting date	$ 58	$ 43

Available for Sale

The following schedule is a summary of available for sale investments for the periods presented:

	March 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
ABS	$ 4,074	$ 61	$ —	$ 4,135
Municipal securities	2,664	14	(25)	2,653
Total Debt Securities, Available for Sale	$ 6,738	$ 75	$ (25)	$ 6,788

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
ABS	$ 4,302	$ 33	$ (3)	$ 4,332
Municipal securities	3,058	71	—	3,129
Total Debt Securities, Available for Sale	$ 7,360	$ 104	$ (3)	$ 7,461

The Company evaluates its available for sale securities in an unrealized loss position for other than temporary impairment on at least a quarterly basis. The company did not recognize any other than temporary impairment to earnings for each of the periods ended March 31, 2020 and March 31, 2019.

The following tables present the aggregate amount of unrealized losses on available for sale securities in the Company's investment securities classified according to the amount of time those securities have been in a continuous loss position as of March 31, 2020 and December 31, 2019:

	March 31, 2020					
	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)					
Municipal securities	$ (25)	$1,834	$ —	$ —	$ (25)	$1,834
Total available for sale investment securities	$ (25)	$1,834	$ —	$ —	$ (25)	$1,834

	December 31, 2019					
	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)					
ABS	$ —	$ —	$ (3)	$ 430	$ (3)	$ 430
Total available for sale investment securities	$ —	$ —	$ (3)	$ 430	$ (3)	$ 430

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The following table presents the amortized cost, fair value, and weighted average yield of available for sale investments at March 31, 2020, based on estimated average life. Receipt of cash flows may differ from those estimated maturities because borrowers may have the right to call or prepay obligations with or without penalties:

	Distribution of Maturities				
	1 Year or Less	Over 1 to 5 Years	Over 5 to 10 Years	Over 10 Years	Total
			(Dollars in thousands)		
Amortized Cost:					
ABS	$ —	$ 2,427	$ 1,647	$ —	$4,074
Municipal securities	15	34	756	1,859	2,664
Total available for sale investments	$ 15	$ 2,461	$ 2,403	$1,859	$6,738
Estimated fair value	$ 15	$ 2,501	$ 2,413	$1,859	$6,788
Weighted-average yield, GAAP basis	4.75%	2.02%	1.81%	2.58%	2.42%

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NOTE 5 – Net Investment in Leases and Loans

Net investment in leases and loans consists of the following:

	March 31, 2020	December 31, 2019
	(Dollars in thousands)	
Minimum lease payments receivable	$ 434,841	$ 457,602
Estimated residual value of equipment	29,464	29,342
Unearned lease income, net of initial direct costs and fees deferred	(56,645)	(59,746)
Security deposits	(512)	(590)
Total leases	407,148	426,608
Commercial loans, net of origination costs and fees deferred		
Working Capital Loans	59,012	60,942
CRA(1)	1,410	1,398
Equipment loans(2)	481,000	464,655
CVG	73,566	74,612
Total commercial loans	614,988	601,607
Net investment in leases and loans, excluding allowance	1,022,136	1,028,215
Allowance for credit losses	(52,060)	(21,695)
	$ 970,076	$ 1,006,520

(1) CRA loans are comprised of loans originated under a line of credit to satisfy its obligations under the Community Reinvestment Act of 1977.

(2) Equipment loans are comprised of Equipment Finance Agreements, Installment Purchase Agreements and other loans.

At March 31, 2020, $62.0 million in net investment in leases were pledged as collateral for the Company’s outstanding asset-backed securitization balance and $55.1 million in net investment in leases were pledged as collateral for the secured borrowing capacity at the Federal Reserve Discount Window.

The amount of deferred initial direct costs and origination costs net of fees deferred were $19.5 million and $20.5 million as of March 31, 2020 and December 31, 2019, respectively. Initial direct costs are netted in unearned income and are amortized to income using the effective interest method. ASU 2016-02 limited the types of costs that qualify for deferral as initial direct costs for leases, which reduced the deferral of unit lease costs and resulted in an increase in current period expense. Origination costs are netted in commercial loans and are amortized to income using the effective interest method. At March 31, 2020 and December 31, 2019, $23.5 million and $23.4 million, respectively, of the estimated residual value of equipment retained on our Consolidated Balance Sheets was related to copiers.

Maturities of lease receivables under lease contracts and the amortization of unearned lease income, including initial direct costs and fees deferred, were as follows as of March 31, 2020:

	Minimum Lease Payments Receivable (1)	Net Income Amortization (2)
	(Dollars in thousands)	
Period Ending December 31,		
Remainder of 2020	$ 132,867	$ 22,664
2021	137,907	18,737
2022	90,158	9,728
2023	49,519	4,107
2024	20,660	1,140
Thereafter	3,730	269
	$ 434,841	$ 56,645

(1) Represents the undiscounted cash flows of the lease payments receivable.
(2) Represents the difference between the undiscounted cash flows and the discounted cash flows.

Portfolio Sales

The Company originates certain lease and loans for sale to third parties, based on their underwriting criteria and specifications. In addition, the Company may periodically enter into agreements to sell certain leases and loans that were originated for investment to third parties.

For agreements that qualify as a sale where the Company has continuing involvement through servicing, the Company recognizes a servicing liability at its initial fair value, and then amortizes the liability over the expected servicing period based on the effective yield method, within Other income in the Consolidated Statements of Operations. The Company's sale agreements typically do not contain a stated servicing fee, so the initial value recognized as a servicing liability is a reduction of the proceeds received and is based on an estimate of the fair value attributable to that obligation. The Company's servicing liability was $2.3 million and $2.5 million as of March 31, 2020 and December 31, 2019, respectively, and is recognized within Accounts payable and accrued expenses in the Consolidated Balance Sheets. As of March 31, 2020 and December 31, 2019, the portfolio of leases and loans serviced for others was $328 million and $340 million, respectively.

In addition, the Company may have continuing involvement in contracts sold through any recourse obligations that may include customary representations and warranties or specific recourse provisions. The Company's expected losses from recourse obligations was $1.2 million as of March 31, 2020 and was $0.4 million as of December 31, 2019.

The following table summarizes information related to portfolio sales for the periods presented:

	Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands)	
Sales of leases and loans	$ 22,929	$ 52,867
Gain on sale of leases and loans	2,282	3,612

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NOTE 6 – Allowance for Credit Losses

For 2019 and prior, we maintained 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 incurred net credit losses in accordance with the Contingencies Topic of the FASB ASC.

Effective January 1, 2020, we adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"), which changed our accounting policy and estimated allowance. CECL replaces the probable, incurred loss model with a measurement of expected credit losses for the contractual term of the Company's current portfolio of loans and leases. After the adoption of CECL, an allowance, or estimate of credit losses, will be recognized immediately upon the origination of a loan or lease, and will be adjusted in each subsequent reporting period. See further discussion of the adoption of this accounting standard and a summary of the Company's revised Accounting Policy for Allowance for Credit Losses in Note 2, Summary of Significant Accounting Policies. Detailed discussion of our measurement of allowance under CECL as of the adoption date and March 31, 2020 is below.

The following tables summarize activity in the allowance for credit losses:

	Three Months Ended March 31, 2020				
	Commercial Leases and Loans				
(Dollars in thousands)	Equipment Finance	Working Capital Loans	CVG	CRA	Total
Allowance for credit losses, December 31, 2019	$ 18,334	$ 1,899	$ 1,462	$ —	$ 21,695
Adoption of ASU 2016-13 (CECL)(1)	9,264	(3)	2,647	—	11,908
Allowance for credit losses, January 1, 2020	$ 27,598	$ 1,896	$ 4,109	$ —	$ 33,603
Charge-offs	(6,490)	(1,279)	(729)	—	(8,498)
Recoveries	525	38	89	—	652
Net chargeoffs	(5,965)	(1,241)	(640)	—	(7,846)
Realized cashflows from Residual Income	1,153	—	—	—	1,153
Provision for credit losses	14,988	6,545	3,617	—	25,150
Allowance for credit losses, end of period	$ 37,774	$ 7,200	$ 7,086	$ —	$ 52,060
Net investment in leases and loans, before allowance	$ 877,199	$ 59,012	$84,515	$1,410	$1,022,136

(Dollars in thousands)	Three Months Ended March 31, 2019 Commercial Leases and Loans Equipment Finance	Working Capital Loans	CVG	CRA	Total
Allowance for credit losses, beginning of period	$ 13,531	$ 1,467	$ 1,102	$ —	$ 16,100
Charge-offs	(4,333)	(673)	(328)	—	(5,334)
Recoveries	734	19	—	—	753
Net charge-offs	(3,599)	(654)	(328)	—	(4,581)
Provision for credit losses	4,043	871	449	—	5,363
Allowance for credit losses, end of period	$ 13,975	$ 1,684	$ 1,223	$ —	$ 16,882
Net investment in leases and loans, before allowance	$ 915,556	$ 43,210	$79,830	$1,476	$1,040,072

(1) The Company adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which changed our accounting policy and estimated allowance, effective January 1, 2020. See further discussion in Note 2, Summary of Significant Accounting Policies, and below.

Estimate of Current Expected Credit Losses (CECL)

Starting with the January 1, 2020 adoption of CECL, the Company recognizes an allowance, or estimate of credit losses, immediately upon the origination of a loan or lease, and that estimate will be reassessed in each subsequent reporting period. This estimate of credit losses takes into consideration all cashflows the Company expects to receive or derive from the pools of contracts, including recoveries after charge-off, amounts related to initial direct cost and origination costs net of fees deferred, accrued interest receivable and certain future cashflows from residual assets.

As part of its estimate of expected credit losses, specific to each measurement date, management considers relevant qualitative and quantitative factors to assess whether the historical loss experience being referenced should be adjusted to better reflect the risk characteristics of the current portfolio and the expected future loss experience for the life of these contracts. This assessment incorporates all available information relevant to considering the collectability of its current portfolio, including considering economic and business conditions, default trends, changes in its portfolio composition, changes in its lending policies and practices, among other internal and external factors.

Current Measurement

The Company selected a vintage loss model as the approach to estimate and measure its expected credit losses for all portfolio segments and for all pools, primarily because the timing of the losses realized has been consistent across historical vintages, such that the company is able to develop a predictable and reliable loss curve for each separate portfolio segment. The vintage model assigns loans to vintages by origination date, measures our historical average actual loss and recovery experience within that vintage, develops a loss curve based on the averages of all vintages, and predicts (or forecasts) the remaining expected net losses of the current portfolio by applying the expected net loss rates to the remaining life of each open vintage.

Additional detail specific to the measurement of each portfolio segment under CECL as of January 1, 2020 and March 31, 2020 is summarized below.

Equipment Finance:

Equipment Finance consists of Equipment Finance Agreements, Installment Purchase Agreements and other leases and loans. The risk characteristics referenced to develop pools of Equipment Finance leases and loans are based on internally developed credit score ratings, which is a measurement that combines many risk characteristics, including loan size, external credit scores, existence of a guarantee, and various characteristics of the borrower's business. In addition, the Company separately measured a pool of true leases so that any future cashflows from residuals could be used to partially offset the allowance for that pool.

The Company's measurement of Equipment Finance pools is based on its own historical loss experience. The Company analyzed the correlation of its own loss data from 2004 to 2019 against various economic variables in order to determine an approach for reasonable and supportable forecast. The Company then selected certain economic variables to reference for its forecast about the future, specifically the unemployment rate and growth in business bankruptcy. The Company's methodology reverts from the forecast data to its own loss data adjusted for the long-term average of the referenced economic variables, on a straight-line basis.

At each reporting date, the Company considers current conditions, including changes in portfolio composition or the business environment, when determining the appropriate measurement of current expected credit losses for the remaining life of its portfolio. As of the January 1, 2020 adoption date, the Company utilized a 12-month forecast period and 12-month straight-line reversion period, based on its initial assessment of the appropriate timing.

However, for its March 31, 2020 measurement, the Company adjusted its model to reference a 6-month forecast period and 12-month straight line reversion period. The change in the length of the reasonable and supportable forecast was based on observed market volatility in late March and uncertainty of the duration and level of impact of the COVID-19 virus on the macroeconomic environment and the Company's portfolio, including uncertainty about the forecasted impact of COVID-19 that was underlying its economic forecasted variables beyond a 6-month period. The forecast adjustment to the Equipment Finance portfolio segment resulted in a $10.8 million increase to the provision for the three months ended March 31, 2020.

The Company qualitatively assessed the output of the Equipment Finance calculated allowance after adjusting the forecast period, and determined the resulting credit loss estimate to properly reflect its estimate of expected net cashflows of this portfolio segment over the remaining contract term.

Working Capital:

The risk characteristics referenced to develop pools of Working Capital loans is based on origination channel, separately considering an estimation of loss for direct-sourced loans versus loans that were sourced from a broker. The Company's historical relationship with its direct-sourced customers typically results in a lower level of credit risk than loans sourced from brokers where the Company has no prior credit relationship with the customer.

The Company's measurement of Working Capital pools is based on its own historical loss experience. The Company's Working Capital loans typically range from 6 – 12 months of duration. For this portfolio segment, due to the short contract duration, the Company did not define a standard methodology to adjust its loss estimate based on a forecast of economic conditions. However, the Company will continually assess through a qualitative adjustment whether there are changes in conditions and the environment that will impact the performance of these loans that should be considered for qualitative adjustment.

At each reporting date, the Company considers current conditions, including changes in portfolio composition or the business environment, when determining the appropriate measurement of current expected credit losses for the remaining life of its portfolio. As of the January 1, 2020 adoption date, there was no qualitative adjustment to the Working Capital portfolio. However, for the March 31, 2020 measurement, driven by the elevated risk of credit loss driven by market conditions due to COVID-19, the Company developed alternate scenarios for credit loss based on an analysis of the characteristics of its portfolio, considering different timing and magnitudes of potential exposures. The Company determined its most likely expectation for credit losses for the Working Capital segment for the remaining nine months of 2020, based on the increased risk to its borrowers and increased risk to the collectability of its portfolio from COVID-19, and increased the reserve by a $5.5 million qualitative adjustment for that loss estimate.

Commercial Vehicle Group (CVG):

Transportation-related equipment leases and loans are analyzed as a single pool, as the Company did not consider any risk characteristics to be significant enough to warrant disaggregating this population.

The Company's measurement of CVG pools is based on a combination of its own historical loss experience and industry loss data from an external source. The Company has limited history of this product, and therefore the Company determined it was appropriate to develop an estimate based on a combination of data. Due to the Company's limited history of performance of this segment, and the limited size of the portfolio, the Company did not develop a standard methodology to adjust its loss estimate based on a forecast of economic conditions. However, the Company will continually assess through a qualitative adjustment whether there are changes in conditions and the environment that will impact the performance of these loans that should be considered for qualitative adjustment.

At each reporting date, the Company considers current conditions, including changes in portfolio composition or the business environment, when determining the appropriate measurement of for the remaining life of the current portfolio. As of the January 1, 2020 adoption date, there were no qualitative adjustment to the CVG portfolio. However, for the March 31, 2020 measurement, driven by the elevated risk of credit loss driven by market conditions due to COVID-19, the Company developed alternate scenarios for expected credit loss for this segment, considering different timing and magnitudes of potential exposures. The Company determined its most likely expectation for credit losses for the CVG segment for the remaining nine months of 2020 based on the increased risk to its borrowers and increased risk to the collectability of its portfolio from COVID-19, and increased the reserve by a $2.9 million qualitative adjustment for that loss estimate.

Community Reinvestment Act (CRA):

CRA loans are comprised of loans originated under a line of credit to satisfy the Company's obligations under the Community Reinvestment Act of 1977. The Company does not measure an allowance specific to this portfolio segment because the exposure to credit loss is nominal.

In response to COVID-19, starting in mid-March 2020, the Company instituted a payment deferral program in order to assist its small-business customers that request relief who are current under their existing obligations and can demonstrate that their ability to repay has been impacted by the COVID-19 crisis. Through March 31, 2020, the Company had processed payment deferral modifications for 520 contracts, or $19.5 million net investment in leases and loans, where the typical modification included a 60-day deferral of payments for Working Capital loans and 90-day deferral of payments for other customers, with such payments added to the end of the contract term. The modifications for each portfolio segment were $8.5 million of Equipment Finance, $7.0 million of Working Capital, and $4.0 million of CVG net investment in leases and loans. The Company did not adjust its estimate of credit losses for any portfolio segment based on whether or not contracts were modified; the Company's allowance estimate assesses the risk of credit loss for modified loans to be equal to loans that were not modified as of March 31, 2020.

Subsequent to quarter-end, through April 24, 2020, the Company has approved the payment deferral modification application for contracts representing an additional $134.5 million net investment in leases and loans. A portion of these modifications are subject to the completion of final processing and documentation.

Troubled debt restructurings are restructurings of leases and loans in which, due to the borrower's financial difficulties, a lender grants a concession that it would not otherwise consider for borrowers of similar credit quality. In accordance with the interagency guidance issued in March 2020, that the Financial Accounting Standards Board concurred with, loans modified under the Company's payment deferral program are not considered troubled debt restructurings. As of March 31, 2020 and December 31, 2019, the Company did not have any troubled debt restructurings.

As part of our analysis of expected credit losses, we may analyze contracts on an individual basis, or create additional pools of contracts, in situations where such loans exhibit unique risk characteristics and are no longer expected to experience similar losses to the rest of their pool. As of March 31, 2020 and January 1, 2020, there were no contracts subject to specific analysis outside of the portfolio segments and pools that are outlined above.

Credit Quality

At origination, the Company utilizes an internally developed credit score ratings as part of its underwriting assessment and pricing decisions for new contracts. The internal credit score is a measurement that combines many risk characteristics, including loan size, external credit scores, existence of a guarantee, and various characteristics of the borrower’s business. The internal credit score is used to create pools of loans for analysis in the Company’s Equipment Finance portfolio segment, as discussed further above. We believe this segmentation allows our loss modeling to properly reflect changes in portfolio mix driven by sales activity and adjustments to underwriting standards. However, this score is not updated after origination date for analyzing the Company’s provision.

On an ongoing basis, to monitor the credit quality of its portfolio, the Company primarily reviews the current delinquency of the portfolio and delinquency migration to monitor risk and default trends. We believe that delinquency is the best factor to use to monitor the credit quality of our portfolio on an ongoing basis because it reflects the current condition of the portfolio, and is a good predictor of near term charge-offs and can help with identifying trends and emerging risks to the portfolio.

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The following tables provide information about delinquent leases and loans in the Company's portfolio based on the contract's status as-of the dates presented:

	Portfolio by Origination Year as of March 31, 2020						
	2020	2019	2018	2017	2016	Prior	Total Receivables
	(Dollars in thousands)						
Equipment Finance							
30-59	$ 179	$ 2,952	$ 1,803	$ 1,368	$ 512	$ 167	$ 6,981
60-89	—	1,428	1,304	767	319	73	3,891
90+	—	2,157	1,629	1,046	387	138	5,357
Total Past Due	179	6,537	4,736	3,181	1,218	378	16,229
Current(1)	110,762	372,522	207,521	114,189	44,511	11,465	860,970
Total	110,941	379,059	212,257	117,370	45,729	11,843	877,199
Working Capital							
30-59	—	609	—	—	—	—	609
60-89	—	16	—	—	—	—	16
90+	—	23	26	—	—	—	49
Total Past Due	—	648	26	—	—	—	674
Current(1)	21,388	35,947	965	38	—	—	58,338
Total	21,388	36,595	991	38	—	—	59,012
CVG							
30-59	—	126	178	106	30	—	440
60-89	—	182	84	49	—	—	315
90+	—	276	75	211	31	—	593
Total Past Due	—	584	337	366	61	—	1,348
Current(1)	8,755	39,679	19,750	11,054	3,833	96	83,167
Total	8,755	40,263	20,087	11,420	3,894	96	84,515
CRA							
Total Past Due	—	—	—	—	—	—	—
Current	1,410	—	—	—	—	—	1,410
Total	1,410	—	—	—	—	—	1,410
Net investment in leases and loans, before allowance	$142,494	$455,917	$233,335	$128,828	$49,623	$11,939	$ 1,022,136

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	Portfolio by Origination Year as of December 31, 2019						
	2019	2018	2017	2016	2015	Prior	Total Receivables
	(Dollars in thousands)						
Equipment Finance							
30-59	$ 1,420	$ 1,755	$ 935	$ 454	$ 169	$ 17	$ 4,750
60-89	1,023	1,055	685	366	80	4	3,213
90+	947	1,522	1,090	527	163	7	4,256
Total Past Due	3,390	4,332	2,710	1,347	412	28	12,219
Current	424,559	236,068	135,419	55,119	16,461	1,407	869,033
Total	427,949	240,400	138,129	56,466	16,873	1,435	881,252
Working Capital							
30-59	566	18	—	—	—	—	584
60-89	16	52	—	—	—	—	68
90+	203	—	—	—	—	—	203
Total Past Due	785	70	—	—	—	—	855
Current	57,706	2,343	38	—	—	—	60,087
Total	58,491	2,413	38	—	—	—	60,942
CVG							
30-59	50	126	90	99	—	—	365
60-89	5	15	188	46	—	—	254
90+	—	178	158	53	—	—	389
Total Past Due	55	319	436	198	—	—	1,008
Current	42,536	22,531	13,442	4,976	130	—	83,615
Total	42,591	22,850	13,878	5,174	130	—	84,623
CRA							
Total Past Due	—	—	—	—	—	—	—
Current	1,398	—	—	—	—	—	1,398
Total	1,398	—	—	—	—	—	1,398
Net investment in leases and loans, before allowance	$530,429	$265,663	$152,045	$61,640	$17,003	$1,435	$ 1,028,215

(1) Current receivables include leases and loans that are in payment deferral status as part of the Company’s COVID-19 modification program. See further discussion above.

Net investments in Equipment Finance and CVG leases and loans are generally charged-off when they are contractually past due for 120 days or more. Income recognition is discontinued 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 March 31, 2020 and December 31, 2019, there were no finance receivables past due 90 days or more and still accruing.

Working Capital Loans are generally placed in non-accrual status when they are 30 days past due and generally charged-off at 60 days past due. The loan is removed from non-accrual status once sufficient payments are made to bring the loan current and reviewed by management. At March 31, 2020 and December 31, 2019, there were no Working Capital Loans past due 30 days or more and still accruing.

The following tables provide information about non-accrual leases and loans:

(Dollars in thousands)	March 31, 2020	December 31, 2019
Equipment Finance	$ 5,357	$ 4,256
Working Capital Loans	755	946
CVG	593	389
Total Non-Accrual	$ 6,705	$ 5,591

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NOTE 7 – Goodwill and Intangible Assets

Goodwill

The Company's goodwill balance of $6.7 million at December 31, 2019 included $1.2 million from the Company's acquisition of Horizon Keystone Financial, an equipment company ('HKF"), in January 2017, and $5.5 million from the September 2018 acquisition of FFR. The goodwill balance represents the excess purchase price over the Company's fair value of the assets acquired and is not amortizable but is deductible for tax purposes. Impairment testing will be performed in the fourth quarter of each year and more frequently as warranted in accordance with the applicable accounting guidance.

The Company assigns its goodwill to a single, consolidated reporting unit, Marlin Business Services Corp. In the first quarter of 2020, events or circumstances indicated that it was more likely than not that the fair value of its reporting unit was less than its carrying amount, driven in part by market capitalization of the Company falling below its book value, and negative current events that impact the Company related to the COVID-19 economic shutdown. The Company calculated the fair value of the reporting unit, by taking the average stock price over a reasonable period of time multiplied by shares outstanding as of March 31, 2020 and then further applying a control premium, and compared it to its carrying amount, including goodwill. The Company concluded that the implied fair value of goodwill was less than its carrying amount, and recognized impairment equal to the $6.7 million balance in General and administrative expense in the Consolidated Statements of Operations.

The changes in the carrying amount of goodwill for the three- month period ended March 31, 2020 are as follows:

(Dollars in thousands)	Total Company
Balance at December 31, 2019	$ 6,735
Impairment of Goodwill	(6,735)
Balance at March 31, 2020	$ —

Intangible assets

The Company's intangible assets consist of $1.3 million of definite-lived assets with a weighted-average amortization period of 8.7 years that were recognized in connection with the January 2017 acquisition of HKF, and $7.6 million of definite-lived intangible assets with a weighted-average amortization period of 10.8 years that were recognized in connection with the September 2018 acquisition of FFR. The Company has no indefinite-lived intangible assets.

The following table presents details of the Company's intangible assets as of March 31, 2020:

(Dollars in thousands) Description	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Value
Lender relationships	3 to 10 years	$ 1,630	$ 551	$1,079
Vendor relationships	11 years	7,290	1,140	6,150
Corporate trade name	7 years	60	28	32
		$ 8,980	$ 1,719	$7,261

There was no impairment of these assets in the first quarter of 2020 or 2019. Amortization related to the Company's definite lived intangible assets was $0.2 million and $0.2 million for the three-month periods ended March 31, 2020 and March 31, 2019, respectively.

The Company expects the amortization expense for the next five years will be as follows:

(Dollars in thousands)	
Remainder of 2020	$599
2021	798
2022	798
2023	798
2024	790

NOTE 8 – Other Assets

Other assets are comprised of the following:

	March 31, 2020	December 31, 2019
	(Dollars in thousands)	
Accrued fees receivable	$ 3,683	$ 3,509
Prepaid expenses	2,853	2,872
Income taxes receivable (1)	6,877	—
Federal Reserve Bank Stock	1,711	1,711
Other	2,341	2,361
	$ 17,465	$ 10,453

(1) See Note 2 – *Summary of Significant Accounting Policies,* for discussion of the Provision for income taxes.

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NOTE 9 – Deposits

MBB serves as the Company's primary funding source. MBB issues fixed-rate FDIC-insured certificates of deposit raised nationally through various brokered deposit relationships and fixed-rate FDIC-insured deposits received from direct sources. MBB offers FDIC-insured money market deposit accounts (the "MMDA Product") through participation in a partner bank's insured savings account product. This brokered deposit product has a variable rate, no maturity date and is offered to the clients of the partner bank and recorded as a single deposit account at MBB. As of March 31, 2020, money market deposit accounts totaled $51.6 million.

As of March 31, 2020, the scheduled maturities of certificates of deposits are as follows:

	Scheduled Maturities
	(Dollars in thousands)
Period Ending December 31,	
Remainder of 2020	$ 387,922
2021	265,743
2022	134,233
2023	66,915
2024	28,046
Thereafter	6,927
Total	$ 889,786

Certificates of deposits issued by MBB are time deposits and are generally issued in denominations of $250,000 or less. The MMDA Product is also issued to customers in amounts less than $250,000. The FDIC insures deposits up to $250,000 per depositor. The weighted average all-in interest rate of deposits at March 31, 2020 was 2.15%.

NOTE 10 – Debt and Financing Arrangements

Short-Term Borrowings

The Company has a secured, variable rate revolving line of credit in the amount of $5.0 million that expires on November 20, 2020. As of March 31, 2020, the Company was in compliance with all debt covenants required under this line of credit and there were no outstanding balances on this line of credit as of March 31, 2020 and December 31, 2019.

Long-term Borrowings

On July 27, 2018, the Company completed a $201.7 million asset-backed term securitization. Each tranche of the term note securitization has a fixed term, fixed interest rate and fixed principal amount. At March 31, 2020, outstanding term securitizations amounted to $62.6 million and are collateralized by $68.5 million of minimum lease and loan payments receivable and $6.5 million of restricted interest-earning deposits. The Company's term note securitizations are classified as long-term borrowings.

The balance of long-term borrowings consisted of the following:

	March 31, 2020	December 31, 2019
	(Dollars in thousands)	
Term securitization 2018-1	$ 62,555	$ 76,563
Unamortized debt issuance costs	(362)	(472)
	$ 62,193	$ 76,091

The term note securitization is summarized below:

	Outstanding Balance as of March 31, 2020	Outstanding Balance as of December 31, 2019	Notes Originally Issued	Final Maturity Date	Original Coupon Rate
	(Dollars in thousands)				
2018 — 1					
Class A-1	$ —	$ —	$ 77,400	July, 2019	2.55%
Class A-2	—	8,013	55,700	October, 2020	3.05
Class A-3	30,915	36,910	36,910	April, 2023	3.36
Class B	10,400	10,400	10,400	May, 2023	3.54
Class C	11,390	11,390	11,390	June, 2023	3.70
Class D	5,470	5,470	5,470	July, 2023	3.99
Class E	4,380	4,380	4,380	May, 2025	5.02
Total Term Note Securitizations	$ 62,555	$ 76,563	$ 201,650		3.05%(1)(2)

(1) Represents the original weighted average initial coupon rate for all tranches of the securitization. In addition to this coupon interest, term note securitizations have other transaction costs which are amortized over the life of the borrowings as additional interest expense.

(2) The weighted average coupon rate of the 2018-1 term note securitization will approximate 3.62% over the remaining term of the borrowing.

Scheduled principal and interest payments on outstanding borrowings as of March 31, 2020 are as follows:

	Principal	Interest
	(Dollars in thousands)	
Period Ending December 31,		
Remainder of 2020	$ 30,344	$ 1,342
2021	23,629	813
2022	8,582	159
	$ 62,555	$ 2,314

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NOTE 11 – Fair Value Measurements and Disclosures about the Fair Value of Financial Instruments

Fair Value Measurements

Fair value is defined in GAAP as the price that would be received to sell an asset or the price that would be paid to transfer a liability on the measurement date. GAAP focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. 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 Company's balances measured at fair value on a recurring basis include the following as of March 31, 2020 and December 31, 2019:

	March 31, 2020 Fair Value Measurements Using			December 31, 2019 Fair Value Measurements Using		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(Dollars in thousands)					
Assets						
ABS	$ —	$ 4,135	$ —	$ —	$ 4,332	$ —
Municipal securities	—	2,653	—	—	3,129	—
Mutual fund	3,692	—	—	3,615	—	—

At this time, the Company has not elected to report any assets and liabilities using the fair value option. There have been no transfers between Level 1 and Level 2 of the fair value hierarchy for any of the periods presented.

Non-Recurring Measurements

Non-recurring fair value measurements include assets and liabilities that are periodically remeasured or assessed for impairment using Fair value measurements. Non-recurring measurements include the Company's evaluation of goodwill and residual assets for impairment, and the Company's remeasurement of contingent consideration and assessment of the carrying amount of its servicing liability.

For the three months ended March 31, 2020, the Company recognized $6.7 million for the impairment of goodwill in General and administrative expense in the Consolidated Statements of Operations, as discussed further in Note 7, Goodwill and Intangible Assets. For the three months ended March 31, 2019, there were no significant amounts recognized in the Consolidated Statements of Operations in connection with non-recurring fair value measurements.

Fair Value of Other Financial Instruments

The following summarizes the carrying amount and estimated fair value of the Company's other financial instruments, including those not measured at fair value on a recurring basis:

	March 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Financial Assets				
Cash and cash equivalents	$ 211,070	$211,070	$ 123,096	$123,096
Time deposits with banks	13,664	13,094	12,927	12,970
Restricted interest-earning deposits with banks	6,474	6,474	6,931	6,931
Loans, net of allowance	580,244	558,584	588,688	593,406
Federal Reserve Bank Stock	1,711	1,711	1,711	1,711
Financial Liabilities				
Deposits	$ 941,996	$952,958	$ 839,132	$846,304
Long-term borrowings	62,193	62,841	76,091	76,781

There have been no significant changes in the methods and assumptions used in estimating the fair values of financial instruments, as outlined in our consolidated financial statements and note disclosures in the Company's Form 10-K for the year ended December 31, 2019.

NOTE 12 – Earnings Per Share

The Company's restricted stock awards are paid non-forfeitable common stock dividends and thus meet the criteria of participating securities. Accordingly, earnings per share ("EPS") has been calculated using the two-class method, under which earnings are allocated to both common stock and participating securities.

Basic EPS has been computed by dividing net income or loss allocated to common stock by the weighted average common shares used in computing basic EPS. For the computation of basic EPS, all shares of restricted stock have been deducted from the weighted average shares outstanding.

Diluted EPS has been computed by dividing net income or loss allocated to common stock by the weighted average number of common shares used in computing basic EPS, further adjusted by including 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 March 31, 2020	2019
	(Dollars in thousands, except per-share data)	
Basic EPS		
Net (loss) income	$ (11,821)	$ 5,141
Less: net income allocated to participating securities	—	(72)
Net (loss) income allocated to common stock	$ (11,821)	$ 5,069
Weighted average common shares outstanding	12,014,396	12,337,730
Less: Unvested restricted stock awards considered participating securities	(138,249)	(172,084)
Adjusted weighted average common shares used in computing basic EPS	11,876,147	12,165,646
Basic (loss) earnings per share	$ (1.00)	$ 0.42
Diluted EPS		
Net (loss) income allocated to common stock	$ (11,821)	$ 5,069
Adjusted weighted average common shares used in computing basic EPS	11,876,147	12,165,646
Add: Effect of dilutive stock-based compensation awards	—	86,470
Adjusted weighted average common shares used in computing diluted EPS	11,876,147	12,252,116
Diluted (loss) earnings per share	$ (1.00)	$ 0.41

For each of the three-month periods ended March 31, 2020 and March 31, 2019, outstanding stock based compensation awards in the amount of 359,035 and 188,583, respectively, were considered antidilutive and therefore were not considered in the computation of potential common shares for purposes of diluted EPS.

NOTE 13 – Stockholders' Equity

Share Repurchases

During the three-month period ended March 31, 2020, the Company purchased 264,470 shares of its common stock in the open market under the 2019 Repurchase Plan at an average cost of $16.09 per share. During the three-month period ended March 31, 2019, the Company purchased 29,947 shares of its common stock in the open market under the 2017 Repurchase Plan at an average cost of $23.86 per share. At March 31, 2020, the Company had $4.7 million remaining in the 2019 Repurchase Plan.

In addition to the repurchases described above, participants in the Company's 2014 Equity Compensation Plan (approved by the Company's shareholders on June 3, 2014) (the "2014 Plan") may have shares withheld to cover income taxes. During the three-month periods ended March 31, 2020 and March 31, 2019, there were 21,123 shares and 18,910 shares repurchased to cover income tax withholding under the 2014 Plan at an average cost of $ 13.38 per share and $22.74 per share, respectively.

Regulatory Capital Requirements

Through its issuance of FDIC-insured deposits, MBB serves as the Company's primary funding source. Over time, MBB may offer other products and services to the Company's customer base. MBB operates as a Utah state-chartered, Federal Reserve member commercial bank, insured by the FDIC. As a state-chartered Federal Reserve member bank, MBB is supervised by both the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions.

The Company and MBB are subject to capital adequacy regulations issued jointly by the federal bank regulatory agencies. 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 federal bank regulatory agencies and/or the U.S. Congress may determine to increase capital requirements in the future due to the current economic environment. Under the capital adequacy regulation, at least half of a banking organization'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 regulations establish minimum leverage ratios for banking organizations, which are calculated by dividing Tier 1 Capital by total average assets. Recognizing that the risk-based capital standards principally address credit risk rather than interest rate, liquidity, operational or other risks, many banking organizations are expected to maintain capital in excess of the minimum standards.

The Company and MBB operate under the Basel III capital adequacy standards. These standards require a minimum for Tier 1 leverage ratio of 4%, minimum Tier 1 risk-based ratio of 6%, and a total risk-based capital ratio of 8%. The Basel III capital adequacy standards established a new common equity Tier 1 risk-based capital ratio with a required 4.5% minimum (6.5% to be considered well-capitalized). The Company is required to have a level of regulatory capital in excess of the regulatory minimum and to have a capital buffer above 1.875% for 2018, and 2.5% for 2019 and thereafter. If a banking organization does not maintain capital above the minimum plus the capital conservation buffer it may be subject to restrictions on dividends, share buybacks, and certain discretionary payments such as bonus payments.

CMLA Agreement. On March 25, 2020, MBB received notice from the FDIC that it had approved MBB's request to rescind certain nonstandard conditions in the FDIC's order granting federal deposit insurance issued on March 20, 2007. Furthermore, effective March 26, 2020, the FDIC, the Company and certain of the Company's subsidiaries terminated the Capital Maintenance and Liquidity Agreement (the "CMLA Agreement") and the Parent Company Agreement, each entered into by and among the Company, certain of its subsidiaries and the FDIC in conjunction with the opening of MBB. As a result of these actions, MBB is no longer required pursuant to the CMLA Agreement to maintain a total risk-based capital ratio above 15%. Rather, MBB must continue to maintain a total risk-based capital ratio above 10% in order to maintain "well-capitalized" status as defined by banking regulations, while the Company must continue to maintain a total risk-based capital ratio as discussed in the immediately preceding paragraph. The additional capital released by the termination of the CMLA Agreement is held at MBB and is subject to the restrictions outlined in Title 12 part 208 of the Code of Federal Regulations (12 CFR 208.5), which places limitations on bank dividends, including restricting dividends for any year to the earnings from the current and prior two calendar years. Any dividends declared above that amount and any return of permanent capital would require prior approval of the Federal Reserve Board of Governors.

MBB's Tier 1 Capital balance at March 31, 2020 was $139.2 million, which met all capital requirements to which MBB is subject and qualified MBB for "well-capitalized" status. At March 31, 2020, the Company also exceeded its regulatory capital requirements and was considered "well-capitalized" as defined by federal banking regulations and as required by the FDIC Agreement.

CECL Capital Transition. The Company adopted CECL, or a new measurement methodology for the allowance estimate, on January 1, 2020, as discussed further in Note 2—Summary of Significant Accounting Policies. Rules governing the Company's regulatory capital requirements give entities the option of delaying for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of capital benefit, or a five-year transition in total. The Company has elected to avail itself of the five-year transition. For measurements of regulatory capital in 2020 and 2021, under the two year delay the Company shall prepare: (i) a measurement of its estimated allowance for credit losses under CECL, as reported in its balance sheets; and (ii) a measurement of its estimated allowance under the historical incurred loss methodology, as prescribed by the regulatory calculation. Any amount of provisions under CECL that is in excess of the incurred estimate will be an adjustment the Company's capital during the two-year delay. The three-year transition, starting in 2022, will phase in that adjustment straight-line, such that 25 percent of the transitional amounts will be included in the first year, and an additional 25% over each of the next two years, such that we will have phased in 75% of the adjustment during year three. At the beginning of year 6 (2025) the Company will have completely reflected the effects of CECL in its regulatory capital.

The following table sets forth the Tier 1 leverage ratio, common equity Tier 1 risk-based capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio for Marlin Business Services Corp. and MBB at March 31, 2020.

	Actual		Minimum Capital Requirement		Well-Capitalized Capital Requirement	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
			(Dollars in thousands)			
Tier 1 Leverage Capital						
Marlin Business Services Corp.	16.18%	$194,700	4%	$ 48,137	5%	$ 60,171
Marlin Business Bank	13.27%	$139,242	4%	$ 41,961	5%	$ 52,451
Common Equity Tier 1 Risk-Based Capital						
Marlin Business Services Corp.	18.64%	$194,700	4.5%	$ 47,004	6.5%	$ 67,894
Marlin Business Bank	14.86%	$139,242	4.5%	$ 42,163	6.5%	$ 60,902
Tier 1 Risk-based Capital						
Marlin Business Services Corp.	18.64%	$194,700	6%	$ 62,672	8%	$ 83,562
Marlin Business Bank	14.86%	$139,242	6%	$ 56,217	8%	$ 74,957
Total Risk-based Capital						
Marlin Business Services Corp.	19.94%	$208,238	8%	$ 83,562	10%	$ 104,453
Marlin Business Bank	16.16%	$151,425	8%	$ 74,957	10%	$ 93,696

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. Five capital categories have been established under federal banking regulations: 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.

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.

MBB's total risk-based capital ratio of 16.16% at March 31, 2020 exceeded the threshold for "well capitalized" status under the applicable laws and regulations.

Dividends. The Federal Reserve Board has issued policy statements requiring insured banks and bank holding companies to have an established assessment process for maintaining capital commensurate with their overall risk profile. Such assessment process may affect the ability of the organizations to pay dividends. Although generally organizations may pay dividends only out of current operating earnings, dividends may be paid if the distribution is prudent relative to the organization's financial position and risk profile, after consideration of current and prospective economic conditions.

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NOTE 14 – Stock-Based Compensation

Awards for Stock-Based Compensation are governed by the Company's 2003 Equity Compensation Plan, as amended (the "2003 Plan"), the Company's 2014 Equity Compensation Plan (approved by the Company's shareholders on June 3, 2014) (the "2014 Plan") and the Company's 2019 Equity Compensation Plan (approved by the Company's shareholders on May 30, 2019) (the "2019 Plan" and, together with the 2014 Plan and the 2003 Plan, the "Equity Compensation Plans"). Under the terms of the Equity Compensation Plans, 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 Equity Compensation Plans. The aggregate number of shares under the 2019 Plan that may be issued for Grants is 826,036. There were 573,981 shares available for future grants under the 2019 Plan as of March 31, 2020.

Total stock-based compensation expense was $0.5 million and $0.9 million for the three-month periods ended March 31, 2020 and March 31, 2019, respectively. Excess tax deficit for the three-month period ended March 31, 2020 was $0.4 million. Excess tax benefits for the three-month period ended March 31, 2019 was less than $0.1 million.

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 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 Equity Compensation Plans. Employee stock options generally vest over three to four years.

There were no stock options granted during the three-month periods ended March 31, 2020 and March 31, 2019, respectively.

A summary of option activity for the three-month period ended March 31, 2020 follows:

Options	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding, December 31, 2019	135,159	$ 26.79
Granted	—	—
Exercised	—	—
Forfeited	(3,929)	27.31
Expired	(7,097)	26.36
Outstanding, March 31, 2020	124,133	26.80

During each three-month period ended March 31, 2020 and March 31, 2019, the Company recognized compensation expense related to options of $0.1 million.

There were no stock options exercised during the three-month periods ended March 31, 2020 and March 31, 2019.

The following table summarizes information about the stock options outstanding and exercisable as of March 31, 2020.

	Options Outstanding				*Options Exercisable*			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (In thousands)	Number Exercisable	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (In thousands)
$25.75	71,766	4.0	$ 25.75	$ —	71,766	4.0	$ 25.75	—
$28.25	52,367	5.0	$ 28.25	$ —	35,317	5.0	$ 28.25	$ —
	124,133	4.4	$ 26.80	$ —	107,083	4.3	$ 26.57	$ —

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of $11.17 as of March 31, 2020, which would have been received by the option holders had all option holders exercised their options as of that date.

As of March 31, 2020, there was $0.1 million of unrecognized compensation cost related to non-vested stock options not yet recognized in the Consolidated Statements of Operations scheduled to be recognized over a weighted average period of 1.0 year.

Restricted Stock Awards

The Company's 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 seven years. 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 Equity Compensation Plans.

The vesting of certain restricted shares may be accelerated to a minimum of three years based on achievement of various individual performance measures. Acceleration of expense for awards based on individual performance factors occurs when the achievement of the performance criteria is determined.

Vesting was accelerated in 2019 on certain awards based on the achievement of certain performance criteria determined annually, 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.

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The following table summarizes the activity of the non-vested restricted stock during the three-month period ended March 31, 2020:

Non-vested restricted stock	Shares	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2019	143,935	$ 21.88
Granted	—	0.00
Vested	(11,973)	18.83
Forfeited	(550)	25.88
Outstanding at March 31, 2020	131,412	22.14

During the three-month period ended March 31, 2020 there were no restricted stock awards granted. During the three-month period ended March 31, 2019, the Company granted restricted stock awards with a grant date fair values totaling less than $0.1 million.

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 $0.1 million and $0.3 million of compensation expense related to restricted stock for the three-month periods ended March 31, 2020 and March 31, 2019, respectively.

Of the $0.1 million total compensation expense related to restricted stock for the three-month period ended March 31, 2020, no expense was related to accelerated vesting based on achievement of certain performance criteria determined annually. Of the $0.3 million total compensation expense related to restricted stock for the three-month period ended March 31, 2019, approximately $0.1 million related to accelerated vesting based on the achievement of certain performance criteria determined annually.

As of March 31, 2020, there was $1.3 million of unrecognized compensation cost related to non-vested restricted stock compensation scheduled to be recognized over a weighted average period of 4.3 years.

The fair value of shares that vested during the three-month periods ended March 31, 2020 and March 31, 2019 was $0.2 million and $0.7 million, respectively.

Restricted Stock Units

Restricted stock units ("RSUs") are granted with vesting conditions based on fulfillment of a service condition (generally three to four years from the grant date) and may also require achievement of certain operating performance criteria or achievement of certain market-based targets associated with the Company's stock price. For those awards subject to achievement of certain market performance criteria, the market based target measurement period begins one year from the grant date and ends three years from the grant date. Expense for equity based awards with market and service conditions is recognized over the service period based on the grant-date fair value of the award.

The following tables summarize restricted stock unit activity for the three-month period ended March 31, 2020:

Performance-based & market-based RSUs	Number of RSUs	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2019	257,476	$ 18.00
Granted	95,758	17.55
Forfeited	(5,081)	23.99
Converted	(13,810)	25.75
Cancelled due to non-achievement of performance condition	(30,390)	25.65
Outstanding at March 31, 2020	303,953	16.64
Service-based RSUs		
Outstanding at December 31, 2019	99,951	$ 23.59
Granted	69,422	20.43
Forfeited	(4,480)	23.69
Converted	(39,879)	24.30
Outstanding at March 31, 2020	125,014	21.61

There were no RSUs with vesting conditions based solely on market conditions granted during the three-month periods ended March 31, 2020 and March 31, 2019, respectively. The weighted average grant-date fair value of RSUs with both performance and market based vesting conditions granted during the three-month periods ended March 31, 2020 and March 31, 2019 was $12.90 and 12.91 per unit, respectively. The weighted average grant date fair value of these market based RSUs was estimated using a Monte Carlo simulation valuation model with the following assumptions:

	Three Months Ended March 31,	
	2020	2019
Grant date stock price	$ 20.43	$ 21.50
Risk-free interest rate	1.40%	2.16%
Expected volatility	26.18%	26.68%

The risk free interest rate reflected the yield on zero coupon Treasury securities with a term approximating the expected life of the RSUs. The expected volatility was based on historical volatility of the Company's common stock. Dividend yield was assumed at zero as the grant assumes dividends distributed during the performance period are reinvested. When valuing the grant, we have assumed a dividend yield of zero, which is mathematically equivalent to reinvesting dividends in the issuing entity.

During the three month periods ended March 31, 2020 and March 31, 2019, the Company granted RSUs with grant-date fair values totaling $3.1 million and $3.4 million, respectively. The Company recognized $0.3 million and $0.5 million of compensation expense related to RSUs for the three month periods ended March 31, 2020 and March 31, 2019, respectively. The fair value of restricted stock units that converted to shares of common stock during both the three month periods ended March 31, 2020 and March 31, 2019 was $0.6 million, respectively. As of March 31, 2020, there was $4.7 million of unrecognized compensation cost related to RSUs scheduled to be recognized over a weighted average period of 1.9 years based on the most probable performance assumptions. In the event maximum performance targets are achieved, an additional $5.0 million of compensation cost would be recognized over a weighted average period of 2.3 years. As of March 31, 2020 182,181 performance units are expected to convert to shares of common stock based on the most probable performance assumptions. In the event maximum performance targets are achieved 514,957 performance units would convert to shares of common stock.

NOTE 15 – Subsequent Events

The Company declared a dividend of $0.14 per share on April 30, 2020. The quarterly dividend, which is expected to result in a dividend payment of approximately $1.7 million, is scheduled to be paid on May 21, 2020 to shareholders of record on the close of business on May 11, 2020. It represents the Company’s thirty-fifth consecutive quarterly cash dividend. The payment of future dividends will be subject to approval by the Company’s Board of Directors.

In addition, see Note 6—*Allowance for Credit Losses* for discussion of the volume of payment deferral contract modification requests approved subsequent to March 31, 2020.

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, 2019 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," "may depend," "believe," "estimate," "intend," "could," "should," "would," "if" and similar words and phrases that constitute "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"). Investors are cautioned not to place undue reliance on these forward-looking statements. 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 deposits or financing; (d) our understanding of our competition; and (e) 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;
- the effects of the COVID-19 pandemic; 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, 2019 and in Part II--Item 1A of this Form 10-Q.

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. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. As used herein, the terms "Company," "Marlin," "Registrant," "we," "us" or "our" refer to Marlin Business Services Corp. and its subsidiaries.

OVERVIEW

Founded in 1997, we are a nationwide provider of credit products and services to small and mid-sized businesses. The products and services we provide to our customers include loans and leases for the acquisition of commercial equipment (including Commercial Vehicle Group ("CVG") assets) and working capital loans. In May 2000, we established AssuranceOne, Ltd., a Bermuda-based, wholly-owned captive insurance subsidiary ("Assurance One"), which enables us to reinsure the property insurance coverage for the equipment financed by Marlin Leasing Corporation ("MLC") and Marlin Business Bank ("MBB") for our small business customers. In 2008, we opened MBB, a commercial bank chartered by the State of Utah and a member of the Federal Reserve System. MBB serves as the Company's primary funding source through its issuance of Federal Deposit Insurance Corporation ("FDIC")-insured deposits. In January 2017, we completed the acquisition of Horizon Keystone Financial ("HKF"), an equipment leasing company which primarily identifies and sources lease and loan contracts for investor partners for a fee, and in September 2018, we completed the acquisition of Fleet Financing Resources ("FFR"), an company specializing in the leasing and financing of both new and used commercial vehicles, with an emphasis on livery equipment and other types of commercial vehicles used by small businesses.

We access our end user customers primarily through origination sources consisting of independent commercial equipment dealers, various national account programs, through direct solicitation of our end user customers and through relationships with select lease and loan brokers. We use both a telephonic direct sales model and, for strategic larger accounts, outside sales executives to market to our origination sources and end user customers. Through these origination sources, we are able to cost-effectively access end user customers while also helping our origination sources obtain financing for their customers.

We fund our business primarily through the issuance of fixed and variable-rate FDIC-insured deposits and money market demand accounts raised nationally by MBB, sales of pools of leases or loans, as well as, from time to time, fixed-rate asset backed securitization transactions.

EXECUTIVE SUMMARY

Summary

The COVID-19 pandemic rapidly escalated by mid-March, and we shifted our business focus towards mitigating the adverse effect of this crisis on our employees, customers and partners, while at the same time maintaining the stability of our operations. We implemented our business continuity plan in mid-March to allow our employees to work remotely, and we have not experienced any significant interruption of our operations.

Origination volumes for both equipment finance and working capital loans declined significantly through March, and we ended the quarter with $157.4 million origination volume, a 22.6% decline from the first quarter of 2019. Our assets sales in the first quarter of 2020 were $22.9 million, which is considerably lower than recent prior quarters, due in part to weaker overall investor demand. As we observe the impact of the slowing economy on small businesses, through the end of March we tightened our underwriting standards for both our equipment finance and working capital products. We expect our origination volumes for the second quarter of 2020 will be negatively impacted by these factors, and any returns to normal levels of activity remains uncertain.

We implemented a payment deferral program to assist our customers who, during this period of economic decline, are current under their existing obligations and can demonstrate that their ability to repay has been impacted by the COVID-19 crisis. The program generally provides for 90 day deferrals for equipment finance customers, and 60 days deferrals for working capital loans. Through March 31, we processed modifications representing $19.5 million net investment in leases and loans, and subsequent to quarter-end, through April 24, we have approved the modification application for contracts representing an additional $134.5 million net investment in leases and loans. A portion of these modifications are subject to the completion of final processing and documentation.

The estimate of credit losses for our portfolio increased $30.4 million as of March 31, 2020 compared to December 31, 2019, driven both by the recognition of an $11.9 million increase to our allowance as a result of the January 1, 2020 adoption of CECL and by a $25.1 million Provision for loan losses for the three months ended March 31, 2020. The provision recognized included approximately $19.2 million of increases based on our current assessment of the probable economic impacts from the COVID-19 pandemic, based on information known as of March 31st.

Our estimate of credit losses is based on our assessment of the risks to our portfolio, including certain economic assumptions driven by forecasted unemployment and business bankruptcy levels, our expectations regarding the performance of our portfolio under these economic conditions, and such estimates are driven by limited information regarding the extent and timeline of impacts from COVID-19. All of the assumptions and expectations underlying our estimate of credit loss depend largely on future developments, and these estimates are highly uncertain. We may experience significant credit losses in future periods as we refine our estimates or realize the actual performance of our portfolio.

Our modification program, the adoption of CECL, the provision for credit losses, and the elevated risks to our portfolio are discussed further below under "—Finance Receivables and Asset Quality".

In addition, see further discussion of the risks to our business from the COVID-19 pandemic in "–Item 1A. Risk Factors— The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations and financial condition, and such effects will depend on future developments, which are highly uncertain and are difficult to predict."

Capital Update

On March 25, 2020, we received notice that the FDIC approved MBB's request to rescind certain nonstandard conditions that had been in effect since the bank was formed in 2007. In addition, the FDIC, the Company and certain of the Company's subsidiaries terminated the Capital Maintenance and Liquidity Agreement (the "CMLA Agreement") and the Parent Company Agreement, effective March 26, 2020. As a result of these actions, MBB is no longer required pursuant to the CMLA Agreement to maintain a total risk-based capital ratio above 15%. Rather, MBB must continue to maintain a total risk-based capital ratio above 10% in order to maintain "well-capitalized" status as defined by banking regulations, while the Company must continue to maintain a total risk-based capital ratio above 10.5% in order to avoid restrictions on capital returns to shareholders and certain discretionary payments such as bonuses. The additional capital released by the termination of the CMLA Agreement is held at MBB and is subject to the restrictions outlined in Title 12 part 208 of the Code of Federal Regulations (12 CFR 208.5), which places limitations on bank dividends, including restricting dividends for any year to the earnings from the current and prior two calendar years. Any dividends declared above that amount and any return of permanent capital would require prior approval of the Federal Reserve Board of Governors.

Rules governing our regulatory capital requirements give entities the option of delaying for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of capital benefit, or a five-year transition in total. We have elected to avail ourselves of the five-year transition option. See our current measurements of capital and further discussion of the measurements of regulatory capital during the delay and transition periods in Note 14, Stockholders’ Equity in the accompanying condensed consolidated financial statements. At March 31, 2020, Marlin Business Service Corp and MBB’s Tier 1 leverage ratio, common equity Tier 1 risk-based ratio, Tier 1 risk-based capital ratio and total risk-based capital ratios exceeded the requirements for well-capitalized status.

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FINANCE RECEIVABLES AND ASSET QUALITY

The following table summarizes certain portfolio statistics for the periods presented:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Year Ended December 31, 2019
	(Dollars in thousands)		
Finance receivables:			
End of period[1]	$1,022,135	$ 1,019,311	$ 1,007,706
Average for the period[1]	$1,008,823	$ 999,432	$ 1,028,617
Origination Volume	$ 157,391	$ 208,355	$ 877,913
Assets Sold	$ 22,929	$ 52,867	$ 310,415
Allowance for credit losses :			
End of period	$ 52,060	$ 16,882	$ 21,695
As a % of end of period receivables[1]	5.09%	1.66%	2.15%
Loans modified, in payment deferral:			
End of period	$ 19,518	$ —	$ —
As a % of end of period receivables[1]	1.91%	—	—
Delinquencies, end of period: [2]			
Equipment Finance and CVG:			
Greater than 60 days past due, $	$ 10,156	$ 8,112	$ 6,518
Greater than 60 days past due, %	1.05%	0.86%	0.67%
Working Capital:			
Greater than 30 days past due, $	$ 673	$ 855	$ 284
Greater than 30 days past due, %	1.14%	1.42%	0.66%
Other Renegotiated leases and loans, end of period[3]	$ 3,095	$ 3,008	$ 2,668
Annualized net charge-offs to average total finance receivables [1]	3.11%	1.83%	2.18%

(1) 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.

(2) Calculated as a percentage of total minimum lease payments receivable for leases and as a percentage of principal outstanding for loans.

(3) No renegotiated leases or loans met the definition of a Troubled Debt Restructuring for any period presented.

Loan Modification Program.

In response to COVID-19, starting in mid-March 2020, we instituted a payment deferral program in order to assist our small-business customers that request relief who are current under their existing obligations and can demonstrate that their ability to repay has been impacted by the COVID-19 crisis. Through March 31, 2020, we processed payment deferral modifications for 520 contracts, or $19.5 million net investment in leases and loans, where the typical modification included a 60-day deferral of payments for Working Capital loans and 90-day deferral of payments for other customers, with such payments added to the end of the contract term. The modifications for each portfolio segment were $8.5 million of Equipment Finance, $7.0 million of Working Capital, and $4.0 million of CVG net investment in leases and loans. The Company did not adjust its estimate of credit losses based on whether or not contracts were modified; the Company's allowance estimate assesses the risk of credit loss for modified loans to be equal to loans that were not modified as of March 31, 2020.

Subsequent to quarter-end, through April 24, 2020, we have approved the payment deferral modification application for contracts representing an additional $134.5 million net investment in leases and loans. A portion of these modifications are subject to final processing and documentation.

Changes in Portfolio.

Overall, our average net investment in total finance receivables for the three-month period ended March 31, 2020 increased 0.9% to $1,008.8 million, compared to $999.4 million for the three-month period ended March 31, 2019. The end-of-period net investment in total finance receivables at March 31, 2020 was $970.1 million, a decrease of $36.4 million, or 3.6%, from $1,006.5 million at December 31, 2019.

During the three months ended March 31, 2020, we generated 5,863 new equipment finance leases and loans with equipment costs of $127.7 million, compared to 7,467 new equipment finance leases and loans with equipment costs of $169.8 million generated for the three months ended March 31, 2019. Working Capital loan originations were $26.2 million during the three-month period ended March 31, 2020, an increase of $6.7 million, or 34.1%, as compared to the three-month period ended March 31, 2019.

In response to the potential impacts of the COVID-19 pandemic and the slowing economy in the latter part of the first quarter, we tightened our underwriting standards for both our equipment finance and working capital products. We expect our origination volumes for the second quarter of 2020 will be negatively impacted by these factors, and any returns to normal levels of activity remains uncertain.

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Portfolio Concentration.

The following table summarizes the concentrations of our portfolio of net investment in leases and loans as of March 31, 2020 by state and industry:

Top 10 Industries, by Borrower SIC Code	Equipment Finance and CVG	Working Capital	Top 10 States	Equipment Finance and CVG	Working Capital
Medical	12.7%	8.5%	CA	13.8%	11.6%
Misc. Services	12.4	8.0	TX	11.7	11.0
Retail	10.3	12.8	FL	9.8	9.1
Construction	8.5	13.5	NY	6.8	5.2
Restaurants	7.7	7.6	NJ	4.5	6.2
Professional Services	6.5	5.0	PA	3.6	4.6
Manufacturing	5.8	8.3	GA	3.4	4.7
Transportation	5.3	3.3	IL	3.3	3.9
Trucking	4.5	2.4	NC	3.1	2.9
Auto Repair Shops	3.3	6.6	MA	3.0	2.3
All Other	23.0	24.0	All Other	37.0	38.5
Total	100%	100%	**Total**	100%	100%

As a result of the COVID-19 pandemic, we have been continually assessing the risks to our portfolio, including consideration of high-risk industries and geographic locations that are being more significantly impacted by the spread of COVID-19.

While we are attempting to mitigate the impact of the COVID-19 pandemic on our portfolio, by tightening underwriting standards for areas of elevated risk and by assisting borrowers that have been negatively impacted, the extent of the impacts of COVID-19 on our portfolio remains uncertain.

Allowance for credit losses.

The following table provides a rollforward of our Allowance for credit loss:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Year Ended December 31, 2019
	(Dollars in thousands)		
Allowance for credit losses, December 31, 2019	$21,695		
Adoption of ASU 2016-13 (CECL)	11,908		
Allowance for credit losses, beginning of period	33,603	$ 16,100	$ 16,100
Provision for credit losses	25,150	5,363	28,036
Net Charge-offs:			
Equipment Finance	(5,959)	(3,599)	(18,164)
Working Capital	(1,243)	(654)	(2,531)
CVG	(644)	(328)	(1,746)
Net Charge-offs	(7,846)	(4,581)	(19,811)
Realized cashflows from Residual Income	1,153	—	—
Allowance for credit losses, end of period	$52,060	$ 16,882	$ 21,695

The allowance for credit losses as a percentage of total finance receivables increased to 5.19% as of March 31, 2020, from 2.15% as of December 31, 2019. This increase in reserve coverage is driven by the Company's January 1, 2020 adoption of CECL, and an elevated Provision for credit losses recognized for the three months ended March 31, 2020, primarily as a result of the estimated impact to the portfolio from the COVID-19 pandemic. See further discussion below.

Adoption of ASU 2016-13 / CECL.

Effective January 1, 2020, we adopted new guidance for accounting for our allowance, or ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL"). CECL replaces the probable/ incurred loss model that we historically used to measure our allowance, with a measurement of expected credit losses for the contractual term of our current portfolio of loans and leases. Under CECL, an allowance, or estimate of credit losses, will be recognized immediately upon the origination of a loan or lease, and will be adjusted in each subsequent reporting period. This estimate of credit losses takes into consideration all remaining cashflows the Company expects to receive or derive from the pools of contracts, including recoveries after charge-off, accrued interest receivable and certain future cashflows from residual assets. The provision for credit losses recognized in our Consolidated Statements of Operations under CECL, starting in 2020, will be primarily driven by origination volumes, offset by the reversal of the allowance for any contracts sold, plus adjustments for changes in estimate each subsequent reporting period, including adjustments for economic forecasts within a reasonable and supportable time period.

The impact of adopting CECL effective January 1, 2020 included a $11.9 million increase to the allowance, an $8.9 million decrease to Retained earnings and $3.0 million impact to our Net deferred income tax liability.

See Note 2 – *Summary of Significant Accounting Policies*, for further discussion of the adoption of this accounting standard, and see Note 6 – *Allowance for Credit Losses*, for further discussion of the Company's methodology for measuring its allowance as of the adoption date.

See – *Executive Summary* and Note 13 – *Stockholders' Equity*, for discussion of our election to delay for two-years the effect of CECL on regulatory capital, followed by a three-year phase-in, or a five-year total transition.

Provision for credit losses.

For 2020, the provision for credit losses recognized under CECL is primarily driven by origination volumes, offset by the reversal of the allowance for any contracts sold, plus adjustments for changes in estimate each subsequent reporting period. In contrast, the allowance estimate recognized under the probable, incurred model was based on the current estimate of probable net credit losses inherent in the portfolio.

For the three months ended March 31, 2020, the $25.2 million provision for credit losses recognized was $19.8 million greater than the $5.4 million provision recognized for the three months ended March 31, 2019. The provision for the first quarter of 2020 included $19.1 million of additions to the provision driven by updates to the Company's estimate driven by changes in economic conditions related to COVID-19. In particular, the Company's estimate of increased losses in its Equipment Finance portfolio is driven by updates to a reasonable and supportable forecast based on the modeled correlation of changes in the loss experience of the Company's portfolio to certain economic statistics, specifically changes in the unemployment rate and changes in the number of business bankruptcies. For the CVG and Working Capital portfolio segments, the Company's estimate of increased losses was based on qualitative adjustments, taking into consideration alternative scenarios to determine the Company's estimate of the probable impact of the economic shutdown.

The COVID-19 pandemic, and related business shutdowns, is still ongoing, and the extent of the effects of the pandemic on our portfolio depends on future developments, which are highly uncertain and are difficult to predict. The qualitative and economic adjustments to our allowance take into consideration information and our judgments as of March 31, 2020, and are based in part on an expectation for the extent and timing of impacts from COVID-19 on unemployment rates and business bankruptcies, and are based on our current expectations of the performance of our portfolio in the current environment. We may recognize credit losses in excess of our reserve, or increases to our credit loss estimate, in the future, and such increases may be significant, based on future developments.

Net Charge-offs.

Equipment Finance and TFG receivables are generally charged-off when they are contractually past due for 120 days or more. Working Capital receivables are generally charged-off at 60 days past due.

Total portfolio net charge-offs for the three months ended March 31, 2020 were $7.8 million (3.11% of average total finance receivables on an annualized basis), compared to $5.6 million (3.00%) for the three months ended December 31, 2019, and $4.6 million (1.83%) for the three months ended March 31, 2019. In the second half of 2019 and early in the first quarter of 2020, we observed certain economic headwinds that were disproportionally impacting the small business and lower credit quality borrowers in our portfolio. Those economic conditions deteriorated significantly driven by the end of March 2020, as the impact of COVID-19 developed; as a result, the Company is experiencing elevated net-chargeoffs compared to the same quarter in the prior year.

As discussed above, we implemented a payment deferral modification program in March 2020, to respond to our borrower's needs related to the impacts of COVID-19. There can be no assurances that such efforts to modify contracts will be successful in mitigating any risk of credit loss or future charge-off of such contracts.

Residual Income.

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 In 2019 and prior years, the Company had previously recognized residual income within Fee Income in its Consolidated Statements of Operations; the adoption of CECL results in any realized amounts of residual income being captured as a component of the activity of the allowance because the Company's estimate of credit losses under CECL takes into consideration all cashflows the Company expects to receive or derive from the pools of contracts.

Our recorded allowance reflects our current estimate of the expected credit losses of all contracts currently in portfolio, based on our current assessment of information regarding the risks of our current portfolio, default and collection trends, a reasonable and supportable forecast of economic factors, qualitative adjustments based on our best estimate of expected losses for certain portfolio segments, among other internal and external factors. Our allowance measurement is an estimate, is inherently uncertain, and is reassessed at each measurement date. Actual performance of our portfolio and updates to other information involved in our assessment may drive changes in modeled assumptions, may cause management to adjust the allowance estimate through qualitative adjustments and/or may result in actual losses that vary significantly from of our current estimate.

Non-Accrual.

The following table summarizes non-accrual leases and loans in the Company's portfolio:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Year Ended December 31, 2019
	(Dollars in thousands)		
Equipment finance	$5,357	$3,494	$ 4,256
Working capital	755	284	946
CVG	593	199	389
CRA	—	—	—
Total non-accrual leases and loans	$6,705	$3,977	$ 5,591

Net investments in finance receivables are generally charged-off when they are contractually past due for 120 days or more. Income recognition is discontinued on Equipment Finance leases or loans, including CVG loans, when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when the lease or loan becomes less than 90 days delinquent.

Working Capital Loans are generally placed in non-accrual status when they are 30 days past due. The loan is removed from non-accrual status once sufficient payments are made to bring the loan current and evidence of a sustained performance period as reviewed by management.

The Company has no loans 90 days or more past due that were still accruing interest for any of the periods presented above.

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RESULTS OF OPERATIONS

Comparison of the Three-Month Periods Ended March 31, 2020 and March 31, 2019

Net income.

Net loss of $11.8 million was reported for the three-month period ended March 31, 2020, resulting in diluted loss per share of $1.00, compared to net income of $5.1 million and diluted EPS of $0.41 for the three-month period ended March 31, 2019. This $16.9 million decrease in Net income was primarily driven by:

- ($19.7 million) increase in Provision for credit losses, primarily driven by updates to the Company's estimate, reflecting forecasted economic conditions from COVID-19 pandemic. The Company adopted CECL on January 1, 2020 which substantially changed its methodology for measuring the estimate of credit loss. See further discussion of the Provision and the change in measurement in the prior section "—*Finance Receivables and Asset Quality";*
- ($6.7 million) impairment of Goodwill, driven by declines in the fair value of its reporting unit;
- $3.2 million benefit recognized in Income tax (benefit) from the remeasurement of the federal net operating losses driven by provisions of the CARES Act;
- $1.9 million decrease in Salaries and benefits, driven primarily by lower Commissions and Incentives as a result of Company performance.

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 March 31, 2020 and March 31, 2019.

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	Three Months Ended March 31,					
	2020			2019		
	(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	$ 100,582	$ 327	1.30%	$ 126,798	$ 773	2.44%
Time Deposits	13,507	63	1.88	10,466	61	2.35
Restricted interest-earning deposits with banks	8,033	9	0.44	15,620	30	—
Securities available for sale	10,778	58	2.14	10,720	69	2.56
Net investment in leases(3)	904,548	20,269	8.96	918,655	20,934	9.12
Loans receivable(3)	104,275	5,739	22.02	80,776	4,016	19.89
Total interest-earning assets	1,141,723	26,465	9.27	1,163,035	25,883	8.90
Non-interest-earning assets:						
Cash and due from banks	5,470			5,600		
Intangible assets	7,392			7,852		
Goodwill	6,663			7,340		
Operating lease right-of-use assets	8,776			3,903		
Property and equipment, net	8,094			4,282		
Property tax receivables	8,886			6,614		
Other assets(4)	1,811			17,002		
Total non-interest-earning assets	47,092			52,593		
Total assets	$1,188,815			$1,215,628		
Interest-bearing liabilities:						
Certificate of Deposits(5)	$ 814,178	$ 4,856	2.39%	793,665	$ 4,447	2.24%
Money Market Deposits(5)	24,322	85	1.40	23,236	142	2.44
Long-term borrowings(5)	69,751	739	4.24	140,500	1,373	3.91
Total interest-bearing liabilities	908,251	5,680	2.51	957,401	5,962	2.49
Non-interest-bearing liabilities:						
Sales and property taxes payable	5,890			5,380		
Operating lease liabilities	9,644			5,890		
Accounts payable and accrued expenses	27,726			27,185		
Net deferred income tax liability	29,468			22,947		
Total non-interest-bearing liabilities	72,728			61,402		
Total liabilities	980,979			1,018,803		
Stockholders' equity	207,836			196,825		
Total liabilities and stockholders' equity	$1,188,815			$1,215,628		
Net interest income		$ 20,785			$ 19,921	
Interest rate spread(6)			6.76%			6.41%
Net interest margin(7)			7.28%			6.85%
Ratio of average interest-earning assets to average interest-bearing liabilities			125.71%			121.48%

(1) Average balances were calculated using average daily balances.
(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. Amortization of transaction costs is on a straight-line basis, resulting in an increased average rate whenever average portfolio balances are at reduced levels.
(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 an annualized percentage of average interest-earning assets.

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

	Three Months Ended March 31, 2020 Compared To Three Months Ended March 31, 2019		
	Increase (Decrease) Due To:		
	Volume[(1)]	Rate[(1)]	Total
	(Dollars in thousands)		
Interest income:			
Interest-earning deposits with banks	$ (137)	$ (309)	$ (446)
Time Deposits	16	(14)	2
Restricted interest-earning deposits with banks	(11)	(10)	(21)
Securities available for sale	—	(11)	(11)
Net investment in leases	(319)	(346)	(665)
Loans receivable	1,260	463	1,723
Total interest income	(480)	1,062	582
Interest expense:			
Certificate of Deposits	117	292	409
Money Market Deposits	6	(63)	(57)
Long-term borrowings	(741)	107	(634)
Total interest expense	(307)	25	(282)
Net interest income	(370)	1,233	863

(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.

Net interest and fee margin. The following table summarizes the Company's net interest and fee income as an annualized percentage of average total finance receivables for the three-month periods ended March 31, 2020 and March 31, 2019.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	(Dollars in thousands)	
Interest income	$ 26,465	$ 25,883
Fee income	2,766	4,042
Interest and fee income	29,231	29,925
Interest expense	5,680	5,962
Net interest and fee income	$ 23,551	$ 23,963
Average total finance receivables[1]	$ 1,008,823	$ 999,432
Annualized percent of average total finance receivables:		
Interest income	10.49%	10.36%
Fee income	1.10	1.62
Interest and fee income	11.59	11.98
Interest expense	2.25	2.39
Net interest and fee margin	9.34%	9.59%

(1) Total finance receivables include net investment in 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 $0.4 million, or 1.7%, to $23.6 million for the three months ended March 31, 2020 from $24.0 million for the three months ended March 31, 2019. The annualized net interest and fee margin decreased 25 basis points to 9.34% in the three-month period ended March 31, 2020 from 9.59% for the corresponding period in 2019.

Interest income, net of amortized initial direct costs and fees, was $26.5 million and $25.9 million for the three-month periods ended March 31, 2020 and March 31, 2019, respectively. Average total finance receivables increased $9.4 million, or 0.9%, to $1,008.8 million at March 31, 2020 from $999.4 million at March 31, 2019. The increase in average total finance receivables was primarily due to origination volume exceeding lease and loan repayments, sales and charge-offs. The average yield on the portfolio increased 13 basis points to 10.49% from 10.36% in the prior year quarter. The weighted average implicit interest rate on new finance receivables originated was 12.45% and 12.76% for the three-month periods ended March 31, 2020, and March 31, 2019, respectively. As our origination volumes have been negatively impacted by the COVID-19 pandemic, our portfolio of finance receivables and related incomes may decline in the second quarter of 2020. Any returns to normal levels of origination activity, and our ability to replenish or grow our portfolio, remains uncertain.

Fee income was $2.8 million and $4.0 million for the three-month periods ended March 31, 2020 and March 31, 2019, respectively. Fee income included approximately $1.0 million of net residual income for the three-month period ended March 31, 2019. For 2020, after the adoption of CECL, all future cashflows from the Company's pools of loans are included in the measurement of the allowance, including future cashflows from net residual income. Amounts of residual income are presented within the rollforward of the Allowance, as discussed further in "—Finance Receivables and Asset Quality"

Fee income also included approximately $2.1 million and $2.3 million in late fee income for the three-month periods ended March 31, 2020 and March 31, 2019, respectively. Late fees remained the largest component of fee income at 0.85% as an annualized percentage of average total finance receivables for the three-month period ended March 31, 2020, compared to 0.94% for the three-month period ended March 31, 2019.

Interest expense decreased $0.3 million to $5.7 million for the three-month period ended March 31, 2020 from $6.0 million for the corresponding period in 2019, primarily due to a decrease in interest expense of $0.6 million on lower outstanding long-term borrowings offset by an increase of $0.3 million on higher deposit balances. Interest expense, as an annualized percentage of average total finance receivables, decreased 14 basis points to 2.25% for the three-month period ended March 31, 2020, from 2.39% for the corresponding period in 2019. The average balance of deposits was $838.5 million and $816.9 million for the three-month periods ended March 31, 2020 and March 31, 2019, respectively.

For the three-month period ended March 31, 2020, average term securitization borrowings outstanding were $69.8 million at a weighted average coupon of 4.24%. For the three-month period ended March 31, 2019, average term securitization borrowings outstanding were $140.5 million at a weighted average coupon of 3.91%.

Our wholly-owned subsidiary, MBB, serves as our primary funding source. MBB raises fixed-rate and variable-rate FDIC-insured deposits via the brokered certificates of deposit market, on a direct basis, and through the brokered MMDA Product. At March 31, 2020, brokered certificates of deposit represented approximately 52% of total deposits, while approximately 42% of total deposits were obtained from direct channels, and 6% were in the brokered MMDA Product.

Gain on Sale of Leases and Loans. Gain on sale of leases and loans was $2.3 million for the three-month period ended March 31, 2020, compared to $3.6 million for the three-month period ended March 31, 2019. Assets sold decreased to $22.9 million, for the first quarter of 2020 compared to $52.9 million for the first quarter of 2019, a 57% decrease. The amount of gain recognized declined by only 35%, reflecting a stronger margin realized on sales executed in the first quarter of 2020.

Our sales execution decisions, including the timing, volume and frequency of such sales, depend on many factors including our origination volumes, the characteristics of our contracts versus market requirements, our current assessment of our balance sheet composition and capital levels, and current market conditions, among other factors. In the current slowing economy resulting from the COVID-19 pandemic, we may have difficulty accessing the capital market and may find decreased interest and ability of counterparties to purchase our contracts, or we may be unable to negotiate terms acceptable to us.

Insurance premiums written and earned. Insurance premiums written and earned increased $0.2 million to $2.3 million for the three-month period ended March 31, 2020, from $2.1 million for the three-month period ended March 31, 2019, primarily due to an increase in the number of contracts enrolled in the insurance program as well as higher average ticket size driving higher premiums.

Other income. Other income was $7.6 million and $7.2 million for the three-month periods ended March 31, 2020 and March 31, 2019, respectively. The increase in other income was primarily driven by a $0.3 million increase in servicing income, driven by a higher portfolio serviced for others.

Salaries and benefits expense. The following table summarizes the Company's Salary and benefits expense:

	Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands)	
Salary, benefits and payroll taxes	$ 7,555	$ 7,352
Incentive compensation	905	2,438
Commissions	1,059	1,661
Total	$ 9,519	$ 11,451

Salaries and benefits expense decreased $2.0 million, or 17.4%, to $9.5 million for the three-month period ended March 31, 2020 from $11.5 million for the corresponding period in 2019. Total personnel decreased to 339 at March 31, 2020 from 352 at March 31, 2019. Incentive compensation decreased $1.5 million, driven by lower recognized bonus and share-based compensation amounts primarily driven by the Company's operating results. Commissions decreased $0.6 million, or 36% primarily driven by a 24% decrease in origination volume.

As previously announced, subsequent to quarter end, in April 2020, the Company temporarily reduced the salaries of certain executives and furloughed approximately 120 employees as part of a plan to adjust the Company's expense base and ensure operating efficiency during the COVID-19 crisis. The furlough period began on April 13, 2020 and is currently expected to continue through May 31, 2020.

General and administrative expense. The following table summarizes General and administrative expense:

	Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands)	
Property taxes	$ 6,012	$ 6,241
Occupancy and depreciation	1,320	1,232
Professional fees	1,219	1,300
Information technology	986	1,059
Marketing	502	597
FDIC Insurance	274	130
Other G&A	3,292	2,795
Total	$ 13,605	$ 13,354

General and administrative expense increased $0.2 million, or 1.5%, to $13.6 million for the three months ended March 31, 2020 from $13.4 million for the corresponding period in 2019.

General and administrative expense as an annualized percentage of average total finance receivables was 5.39% for the three-month period ended March 31, 2020, compared to 5.34% for the three-month period ended March 31, 2019.

Goodwill impairment. In the first quarter of 2020, driven by negative current events related to the COVID-19 economic shutdown, the Company's market capitalization falling below book value and other related impacts, the Company analyzed its goodwill for impairment. The Company concluded that the implied fair value of goodwill was less than it's carrying amount, and recognized impairment equal to the entire $6.7 million balance.

Provision for income taxes. Income tax benefit of $7.4 million was recorded for the three-month period ended March 31, 2020, compared to expense of $1.6 million for the three-month period ended March 31, 2019. For the three-month period ended March 31, 2020, the income tax benefit includes a $3.2 million discrete benefit, related to remeasuring our federal net operating losses, driven by certain provisions in the CARES Act. Our statutory tax rate, which is a combination of federal and state income tax rates, was approximately 23.9% for both periods. However, our effective tax rate was 38.6% for the three-month period ended March 31, 2020, driven by the recognition of the discrete benefit.

LIQUIDITY AND CAPITAL RESOURCES

Our business requires a substantial amount of liquidity and capital to operate and grow. Our primary liquidity need is to fund new originations; however, we also utilize liquidity for our financing needs (including our deposits and long term deposits), to fund infrastructure and technology investment, to pay dividends and to pay administrative and other non-interest expenses.

As a result of the uncertainties surrounding the actual and potential impacts of COVID-19 on our business and financial condition, we raised additional liquidity through the issuance of FDIC-insured deposits and we increased our borrowing capacity at the Federal Reserve Discount Window.

We are dependent upon the availability of financing from a variety of funding sources to satisfy these liquidity needs. Historically, we have relied upon five principal types of external funding sources for our operations:

- FDIC-insured deposits issued by our wholly-owned subsidiary, MBB;
- borrowings under various 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
- sale of leases and loans through our capital markets capabilities

Deposits issued by MBB represent our primary funding source for new originations, primarily through the issuance of FDIC insured deposits.

MBB also offers an FDIC-insured MMDA Product as another source of deposit funding. This product is offered through participation in a partner bank's insured savings account product to clients of that bank. It is a brokered account with a variable interest rate, recorded as a single deposit account at MBB. Over time, MBB may offer other products and services to the Company's customer base. MBB is a Utah state-chartered, Federal Reserve member commercial bank. As such, MBB is supervised by both the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions.

We declared a dividend of $0.14 per share on January 30, 2020. The quarterly dividend was paid on February 20, 2020 to shareholders of record on the close of business on February 10, 2020, which resulted in a dividend payment of approximately $1.7 million. It represented the Company's thirty-fourth consecutive quarterly cash dividend.

At March 31, 2020, we had approximately $25.0 million of available borrowing capacity from a federal funds line of credit with a correspondent bank in addition to available cash and cash equivalents of $211.1 million. This amount excludes additional liquidity that may be provided by the issuance of insured deposits through MBB.

Our debt to equity ratio was 5.33 to 1 at March 31, 2020 and 4.26 to 1 at December 31, 2019.

Net cash used in investing activities was $5.2 million for the three-month period ended March 31, 2020, compared to net cash used in investing activities of $29.8 million for the three-month period ended March 31, 2019. The decrease in cash outflows from investing activities is primarily due to a decrease of $41.0 million for purchases of equipment for lease contracts partially offset by a reduction of $24.0 million in proceeds from sales of leases originated for investment. The decrease in purchases of equipment was primarily driven by lower origination volumes for the three months ended March 31, 2020 compared to 2019, and the reduction in proceeds from sales was driven by lower volumes of sales, driven primarily by our execution decisions.

Net cash provided by financing activities was $82.5 million for the three-month period ended March 31, 2020, compared to net cash provided by financing activities of $60.3 million for the three-month period ended March 31, 2019. The increase in cash flows from financing activities is primarily due to an increase of $18.5 million in deposits and a decrease of $7.1 million of term securitization repayments offset by $3.4 million of additional repurchases of common stock. Financing activities also include transactions related to the Company's payment of dividends.

Net cash provided by operating activities was $10.2 million for the three-month period ended March 31, 2020, compared to net cash provided by operating activities of $12.5 million for the three-month period ended March 31, 2019. Transactions affecting net cash provided by operating activities including goodwill impairment, provision for credit losses, changes in income tax liability and leases originated for sale and proceeds thereof are discussed in detail in the notes to the Consolidated Financial Statements.

We expect cash from operations, additional borrowings on existing and future credit facilities and funds from deposits issued through brokers, direct deposit sources, and the MMDA Product to be adequate to support our operations and projected growth for the next 12 months and 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 FDIC-insured deposits issued through MBB. Total cash and cash equivalents available as of March 31, 2020 totaled $211.1 million, compared to $123.1 million at December 31, 2019.

Time Deposits with Banks. Time deposits with banks are primarily composed of FDIC-insured certificates of deposits that have original maturity dates of greater than 90 days. Generally, the certificates of deposits have the ability to redeem early, however, early redemption penalties may be incurred. Total time deposits as of March 31, 2020 and December 31, 2019 totaled $13.7 million and $12.9 million, respectively.

Restricted Interest-Earning Deposits with Banks. As of March 31, 2020 and December 31, 2019, we had $6.5 million and $6.9 million, respectively, of cash that was classified as restricted interest-earning deposits with banks. Restricted interest-earning deposits with banks consist primarily of various trust accounts related to our secured debt facilities. Therefore, these balances generally decline as the term securitization borrowings are repaid.

Borrowings. Our primary borrowing relationship requires the pledging of eligible lease and loan receivables to secure amounts advanced. Our secured borrowings amounted to $62.6 million at March 31, 2020 and $76.6 million at December 31, 2019. Information pertaining to our borrowing facilities is as follows:

	For the Three Months Ended March 31, 2020				As of March 31, 2020		
	Maximum Facility Amount	Maximum Month End Amount Outstanding	Average Amount Outstanding	Weighted Average Rate [3]	Amount Outstanding	Weighted Average Rate [2]	Unused Capacity [1]
	(Dollars in thousands)						
Federal funds purchased	$ 25,000	$ —	$ —	—%	$ —	— %	$ 25,000
Term note securitizations[4]	—	71,721	69,751	4.24%	62,555	3.62%	—
Revolving line of credit	5,000	—	—	—%	—	— %	5,000
	$ 30,000	$ 71,721	$ 69,751	4.24%	$ 62,555	3.62%	$ 30,000

(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 March 31, 2020, MBB had $47.8 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) Does not include transaction costs.

(3) Includes transaction costs.

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

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 $25.0 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. MBB had $47.8 million in unused, secured borrowing capacity at the Federal Reserve Discount Window, based on $55.1 million of net investment in leases pledged at March 31, 2020.

Term Note Securitizations

On July 27, 2018 we completed a $201.7 million asset-backed term securitization. It provides the company with fixed-cost borrowing with the objective of diversifying its funding sources and is recorded in long-term borrowings in the Consolidated Balance Sheet.

In connection with this securitization transaction, we transferred leases to our bankruptcy remote special purpose wholly-owned subsidiary (“SPE”) and issued term debt collateralized by such commercial leases to institutional investors in a private securities offering. The SPE is considered variable interest entity (“VIE”) under U.S. GAAP. We continue to service the assets of our VIE and retain equity and/or residual interests. Accordingly, assets and related debt of the VIE is included in the accompanying Consolidated Balance Sheets. Collateral in excess of our borrowings under the securitization transaction represents our maximum loss exposure and there is no further recourse to our general credit. At March 31, 2020 and December 31, 2019 outstanding term securitizations amounted to $62.2 million and $76.1 million, respectively and the Company was in compliance with terms of the term note securitization agreement. See Note 10 – Debt and Financing Arrangements in the accompanying Consolidated Financial Statements for detailed information regarding of our term note securitization

Bank Capital and Regulatory Oversight

We are subject to regulation under the Bank Holding Company Act and all of our subsidiaries may be subject to examination by the Federal Reserve Board and the Federal Reserve Bank of Philadelphia even if not otherwise regulated by the Federal Reserve Board. 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.

At March 31, 2020, Marlin Business Service Corp and MBB’s Tier 1 leverage ratio, common equity Tier 1 risk-based ratio, Tier 1 risk-based capital ratio and total risk-based capital ratios exceeded the requirements for well-capitalized status.

See MDA—Executive Summary for discussion of updates to our capital requirements driven by the termination of the CMLA Agreement and driven by our election to utilize the five-year transition related to the adoption of the CECL accounting standard. In addition, see Note 13—Stockholders’ Equity in the Notes to Consolidated Financial Statements for additional information regarding these ratios and our levels at March 31, 2020.

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.

Items Subsequent to March 31, 2020

The Company declared a dividend of $0.14 per share on April 30, 2020. The quarterly dividend, which is expected to result in a dividend payment of approximately $1.7 million, is scheduled to be paid on May 21, 2020 to shareholders of record on the close of business on May 11, 2020. It represents the Company’s thirty-fifth consecutive quarterly cash dividend. The payment of future dividends will be subject to approval by the Company’s Board of Directors.

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 and loan assets we originate are almost entirely fixed-rate. Accordingly, we generally seek to finance these assets primarily with fixed interest certificates of deposit issued by MBB, and to a lesser extent through the variable rate MMDA Product at MBB.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes to our Critical Accounting Policies as described in our Form 10-K for the year ended December 31, 2019, other than as discussed below.

Allowance for credit losses.

For 2019 and prior, we maintained 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 incurred net credit losses in accordance with the Contingencies Topic of the FASB ASC. See further discussion of our policy under the incurred model in the “Critical Accounting Policy” section of our 2019 Form 10-K.

Effective January 1, 2020, we adopted ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“CECL”), which changed our accounting policy and estimated allowance. CECL replaces the probable, incurred loss model with a measurement of expected credit losses for the contractual term of the Company’s current portfolio of loans and leases. After the adoption of CECL, an allowance, or estimate of credit losses, will be recognized immediately upon the origination of a loan or lease, and will be adjusted in each subsequent reporting period

We maintain an allowance for credit losses at an amount that takes into consideration all future cashflows that we expect to receive or derive from the pools of contracts, including recoveries after charge-off, amounts related to initial direct cost and origination costs net of fees deferred, and certain future cashflows from residual assets. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level.

We developed a consistent, systematic methodology to measure our estimate of the credit losses inherent in our current portfolio, over the entire life of the contracts. We made certain key decisions that underly our methodology, including our decisions of how to aggregate our portfolio into pools for analysis based on similar risk characteristics, the selection of appropriate historical loss data to reference in the model, our selection of a model to calculate the estimate, a reasonable and supportable forecast, and the length of our forecast and approach to reverting to historical loss data.

For our Equipment Finance segment, we determine our reasonable and supportable forecast based on certain economic variables that were selected based on a statistical analysis of our own historical loss experience, going back to 2004. We selected unemployment rate and changes in the number of business bankruptcies as our economic variables, based on an analysis of the correlation of changes in those variables to our loss experience over time.

As part of our estimate of expected credit losses, specific to each measurement date, management considers relevant qualitative and quantitative factors to assess whether the historical loss experience being referenced should be adjusted to better reflect the risk characteristics of the current portfolio and the expected future loss experience for the life of these contracts. This assessment incorporates all available information relevant to considering the collectability of our current portfolio, including considering economic and business conditions, default trends, changes in portfolio composition, changes in lending policies and practices, among other internal and external factors. Further, each measurement period we determine whether to separate any loans from their current pool for individual analysis based on their unique risk characteristics. Our approach to estimating qualitative adjustments takes into consideration all significant current information we believe appropriate to reflect the changes and risks in the portfolio or environment and involves significant judgment.

Our estimates of expected net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. We may recognize credit losses in excess of our reserve, or a significant increase to our credit loss estimate, in the future, driven by the update of assumptions and information underlying our estimate and/or driven by the actual amount of realized losses. Our estimate of credit losses will be revised each period to reflect current information, including current forecasts of economic conditions, changes in the risk characteristics and composition of the portfolio, and emerging trends in our portfolio, among other factors, and these updates for current information could drive a significant adjustment to our reserve. Further, actual credit losses may exceed our estimated reserve, and such excess may be significant, if the actual performance of our portfolio differs significantly from the current assumptions and judgements, including those underlying our forecast and qualitative adjustments, as of any given measurement date.

RECENTLY ADOPTED ACCOUNTING STANDARDS

Information on recently adopted accounting pronouncements and the expected impact on our financial statements is provided in Note 2, Summary of Significant Accounting Policies in the accompanying Notes to Consolidated Financial Statements.

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 identified in connection with management's evaluation that occurred during the Company's first fiscal quarter of 2020 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 Form 10-K for the year ended December 31, 2019, other than as discussed below.

The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations and financial condition, and such effects will depend on future developments, which are highly uncertain and are difficult to predict.

Global health concerns relating to the COVID-19 pandemic and related government actions taken to reduce the spread of the virus have been weighing on the macroeconomic environment, and the outbreak has significantly increased economic uncertainty and reduced economic activity. The pandemic has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place or total lock-down orders and business limitations and shutdowns. Such measures have significantly contributed to rising unemployment and negatively impacted consumer and business spending. The United States government has taken steps to attempt to mitigate some of the more severe anticipated economic effects of the virus, including the passage of the CARES Act, but there can be no assurance that such steps will be effective or achieve their desired results in a timely fashion. We continue to evaluate newly enacted and monitor proposed government and banking regulations issued in response to the COVID-19 pandemic; further changes in regulation that impact our business or that impact our customers could have a significant impact on our future operations and business strategies.

Our operations and financial results have already been negatively impacted as a result of COVID-19 pandemic, as discussed further in *" MDA – Overview"* and *MDA—Results of Operations"*. The pandemic, reduction in economic activity, and current business limitations and shutdowns have increased risks to our business that include, but are not limited to:

- **Credit Risk.** We extend credit primarily to small and mid-sized businesses, and many of our customers may be particularly susceptible to business limitations, shutdowns and possible recessions and may be unable to make scheduled lease or loan payments during these periods and may be at risk of discontinuing their operations. As a result, our delinquencies and credit losses may substantially increase. Our risk and exposure to future losses may be amplified to the extent economic activity remains shutdown for an extended period, or to the extent businesses have limited operations or are unable to return to normal levels of activity after the restrictions are lifted.

  Our estimate of expected future credit losses recognized within our allowance as of March 31, 2020 is based on certain assumptions, forecasts and estimates about the impact of current economic conditions on our portfolio of receivables based on information known as of March 31, 2020, including certain expectations about the extent and timing of impacts from COVID-19. If those assumptions, forecasts or estimates underlying our financial statements are incorrect, we may experience significant losses as the ultimate realization of value, or revisions to our estimates, may be materially different than the amounts reflected in our consolidated statement of financial position as of any particular date.

- **Portfolio Risk.** We are currently experiencing a significant decrease in demand for our lease and loan products as a result of the COVID-19 pandemic, and we have limited visibility to the future recovery of such demand.

  We have shifted the focus of portions of our operations and certain personnel to implement specific programs and new products in response to the pandemic. In particular, we have focused efforts on loan modifications and a payment deferral program, implemented a new PPP loan product, and increased customer service efforts to respond to our borrower's needs. There can be no assurances that such efforts will be successful in mitigating any risk of credit loss.

- **Liquidity and Capital Risk.** As of March 31, 2020, all of our capital ratios, and our subsidiary bank's capital ratios, were in excess of all regulatory requirements. While we currently have sufficient capital, our reported and regulatory capital ratios could be adversely impacted by further credit losses and other COVID-19 related impacts on our operations. We are managing the evolving risks of our business while closely monitoring and forecasting the potential impacts of COVID-19 on our future operations and financial position, including capital levels. However, given the uncertainty about future developments and the extent and duration of the impacts of COVID-19 on our business and future operations, we face elevated risks to our ability to forecast and estimate future capital levels. If we fail to meet capital requirements in the future, our business, financial condition or results of operations may be adversely affected.

  We have historically returned capital to shareholders through normal dividends, special dividends and share repurchases. There can be no assurances that these forms of capital returns are the optimal use of our capital or that they will continue in the future.

- **Operational Risk.** The spread of COVID-19 has caused us to modify our business practices (including implementing certain business continuity plans, and developing work from home and social distancing plans for our employees), and we may take further actions as may be required by government authorities or as we determine are in the best interests of our employees, customers and business partners. We face increased risk of any operational or procedural failures due to changes in our normal business practices necessitated by the pandemic.

These factors may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 pandemic has subsided.

The extent to which the coronavirus pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of the virus's global economic impact, including the availability of credit, adverse impacts on our liquidity and any recession that has occurred or may occur in the future.

There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the outbreak is highly uncertain and subject to change. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. However, the effects could have a material impact on our results of operations and heighten many of our known risks described in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information on Stock Repurchases

On May 30, 2017, the Company's Board of Directors approved a stock repurchase plan (the "2017 Repurchase Plan") under which the Company was authorized to repurchase up to $10 million in value of its outstanding shares of common stock. At September 30, 2019, there was no balance remaining in the 2017 Repurchase Plan.

On August 1, 2019, the Company's Board of Directors approved a stock repurchase plan (the "2019 Repurchase Plan") under which the Company is authorized to repurchase up to $10 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 stock repurchase program does not obligate the Company to acquire any particular amount of common stock, and it may be suspended at any time at the Company's discretion. The repurchases are funded using the Company's working capital. As of March 31, 2020, the Company had $4.7 million remaining in the 2019 Repurchase Plan.

The following table sets forth information regarding the Company's repurchases of its common stock during the three months ended March 31, 2020.

Time Period	Number of Shares Purchased	Average Price Paid Per Share[(1)]	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2020 to January 31, 2020	62,512	$ 21.27	$ 7,618,055
February 1, 2020 to February 29, 2020	66,289	$ 20.34	$ 6,269,949
March 1, 2020 to March 31, 2020	135,669	$ 11.63	$ 4,691,747
Total for the quarter ended March 31, 2020	264,470	$ 16.09	

(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 2014 Equity Compensation Plan, participants may have shares withheld to cover income taxes. There were 21,123 shares repurchased to cover income tax withholding in connection with the shares granted under the 2014 Equity Compensation Plan during the three-month period ended March 31, 2020, at an average cost of $ 13.38 per share.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

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Item 5. Other Information

None

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Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation [(1)]
3.2	Amended and Restated Bylaws [(2)]
3.3	Amendment to Amended and Restated Bylaws, effective as of April 20, 2020 [(3)]
10.1	Form of Restricted Stock Unit Award under the 2019 Equity Compensation Plan. (Filed Herewith)
10.2	Form of Performance Stock Unit Award under the 2019 Equity Compensation Plan. (Filed Herewith)
10.3	Form of Performance Stock Unit Award (with TSR Modifier) under the 2019 Equity Compensation Plan. (Filed Herewith)
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 Marlin Business Services Corp. for the period ended March 31, 2020, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders’ Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Unaudited Consolidated Financial Statements. (Submitted electronically with this report)

(1) Previously filed with the SEC as an exhibit to the Registrant’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 Registrant’s Current Report on Form 8-K filed on October 20, 2016, and incorporated by reference herein.
(3) Previously filed with the SEC as an exhibit to the Registrant’s Current Report on Form 8-K filed on April 24, 2020, and incorporated by reference herein.

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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/ Jeff Hilzinger* Jeff Hilzinger	*Chief Executive Officer* *(Principal Executive Officer)*
By:	*/s/ Michael R. Bogansky* Michael R. Bogansky	*Chief Financial Officer & Senior Vice President* *(Principal Financial Officer)*

Date: May 1, 2020

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

MARLIN BUSINESS SERVICES CORP.

2019 EQUITY COMPENSATION PLAN

RESTRICTED STOCK UNIT AWARD

The Compensation Committee of the Board of Directors of Marlin Business Services Corp. (the "Committee") has determined to grant to you a restricted stock unit award which is convertible to shares of common stock of Marlin Business Services Corp. (the "Company") under the Marlin Business Services Corp. 2019 Equity Compensation Plan (the "Plan"). The terms of the grant are set forth in the attached Restricted Stock Unit Award Agreement (the "Agreement") provided to you. The following provides a summary of the key terms of this grant; however, you should read the entire Agreement, along with the terms of the Plan, to fully understand this grant.

SUMMARY OF RESTRICTED STOCK UNIT GRANT

Grantee:	___________
Date of Grant:	___________
Total Number of Restricted Stock Units Granted:	___________
Vesting Schedule*:	1/3 on each anniversary of the Date of Grant
Redemption Date:	Vested restricted stock units will be redeemed to shares of common stock within thirty (30) days following the applicable vesting date.

* The Grantee must be employed by, or providing service to, the Employer (as defined in the Plan) on the applicable vesting date for the restricted stock units to become vested.

MARLIN BUSINESS SERVICES CORP.

2019 EQUITY COMPENSATION PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

This RESTRICTED STOCK UNIT AWARD AGREEMENT, dated as of ______________ (the "Date of Grant"), is delivered by Marlin Business Services Corp. (the "Company") to __________ (the "Grantee").

RECITALS

A. The Marlin Business Services Corp. 2019 Equity Compensation Plan (the "Plan") provides for the grant of stock units which are phantom units convertible into shares of common stock of the Company (the "Company Stock") if certain terms and conditions are met.

B. The Compensation Committee of the Board of Directors of the Company (the "Committee") has determined to make a restricted stock unit grant under the Plan as an inducement for the Grantee to promote the best interests of the Company and its shareholders and the terms and conditions of such restricted stock unit grant shall be memorialized in this Restricted Stock Unit Award Agreement (the "Agreement"). The Grantee may receive a copy of the Plan by contacting ________ at ________.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Agreement and the Plan, the Company hereby grants to the Grantee ________ stock units (collectively, the "Restricted Stock Units"). Each Restricted Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Grantee and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Grantee. The Grantee shall not have any interest in any fund or specific assets of the Company by reason of this grant nor the Restricted Stock Unit Account established for the Grantee.

3. Vesting.

(a) The Restricted Stock Units shall become vested on the following dates (each a "Vesting Date"), provided that the Grantee is employed by, or providing service to, the Employer (as defined in the Plan) on the applicable Vesting Date:

Vesting Date	Restricted Stock Units Vesting
__________	1/3
__________	1/3
__________	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Restricted Stock Units subject to the Agreement. If the foregoing schedule would produce fractional Restricted Stock Units, the number of Restricted Stock Units vesting shall be rounded down to the nearest whole unit. The Restricted Stock Units shall become fully vested on ___________, including with respect to any Restricted Stock Units that did not become vested as a result of the rounding down as described in the preceding sentence, if the Grantee is employed by, or providing service to, the Employer on such date.

(b) If the Grantee ceases to be employed by, or providing service to, the Employer for any reason prior to the applicable Vesting Date, the Restricted Stock Units that have not become vested as of the date on which the Grantee's employment or service terminates shall be forfeited and the Grantee shall not have any rights with respect to such forfeited Restricted Stock Units nor any shares of Company Stock corresponding to such forfeited Restricted Stock Units.

4. Redemption. The Grantee shall receive a distribution with respect to the Restricted Stock Units that become vested as described in Paragraph 3(a) above within thirty (30) days following the Vesting Date. The vested Restricted Stock Units will be distributed in shares of Company Stock, with each vested Restricted Stock Unit equivalent to one share of Company Stock. Any Restricted Stock Units not vested because of the failure to satisfy the vesting condition are forfeited as described in Paragraph 3(b) above. The date on which the vested Restricted Stock Units are distributed as provided in this Paragraph 4 is hereinafter referred to as the "Redemption Date".

5. Dividend Equivalents. Should any ordinary dividends be declared and paid with respect to the shares of Company Stock during the period between (a) the Date of Grant and (b) the Redemption Date (i.e., shares of Company Stock issuable under the Restricted Stock Units are not issued and outstanding for purposes of entitlement to the dividend), the Company shall credit to a dividend equivalent bookkeeping account (the "Dividend Equivalent Account") the value of the dividends that would have been paid if the outstanding Restricted Stock Units credited to the Grantee's Restricted Stock Unit Account at the time of the declaration of the dividend were outstanding shares of Company Stock. At the same time that the corresponding Restricted Stock Units are converted to shares of Company Stock and distributed to the Grantee as set forth in Paragraph 4, the Company shall pay to the Grantee a lump sum cash payment equal to the value of the dividends credited to the Grantee's Dividend Equivalent Account that correspond to such vested Restricted Stock Units; provided, however, that any dividends that were credited to the Grantee's Dividend Equivalent Account that are attributable to Restricted Stock Units that have been forfeited as provided in Paragraph 3(b) above shall be forfeited and not payable to the Grantee. No interest shall accrue on any dividend equivalents credited to the Grantee's Dividend Equivalent Account.

6. Change of Control. The provisions set forth in the Plan applicable to a Change of Control shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

7. Acknowledgment by Grantee. By accepting this grant, the Grantee acknowledges that with respect to any right to redemption pursuant to this Agreement, the Grantee is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Grantee hereby covenants for himself or herself, and anyone at any time claiming through or under the Grantee not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Grantee also agrees to be bound by the terms of the Plan and this Agreement. The Grantee further agrees to be bound by the determinations and decisions of the Committee with respect to this Agreement and the Plan and the Grantee's rights to benefits under this Agreement and the Plan, and agrees that all such determinations and decisions of the Committee shall be binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest under this Agreement and the Plan on behalf of the Grantee.

8. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The issuance of shares of Company Stock pursuant to this Agreement is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock on the Redemption Date, the Grantee agrees to be bound by the Company's policies regarding the transfer of the shares of Company Stock and understands that there may be certain times during the year in which the Grantee will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares of Company Stock. The Grantee also acknowledges and agrees that this grant is subject to any applicable clawback, recoupment or other policies relating to shares of Company Stock implemented by the Company, as in effect from time to time. As soon as administratively practicable following the Redemption Date, a certificate representing the shares of Company Stock that are redeemed shall be issued to the Grantee.

9. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Agreement and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the meanings set forth in the Plan. This Agreement is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Agreement pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Grantee's acceptance of this Agreement is the Grantee's agreement to be bound by the interpretations and decisions of the Committee with respect to this Agreement and the Plan.

10. No Rights as Shareholder. The Grantee shall not have any rights as a shareholder of the Company, including the right to any cash dividends or other distributions (except as provided in Paragraph 5), or the right to vote, with respect to any Restricted Stock Units.

11. No Rights to Continued Employment or Service. This grant shall not confer upon the Grantee any right to be retained in the service or employment of the Employer and shall not interfere in any way with the right of the Employer to terminate the Grantee's employment or service at any time. The right of the Employer to terminate at will the Grantee's employment or at any time for any reason is specifically reserved.

12. Assignment and Transfers. Prior to the actual issuance of the shares of Company Stock under the Restricted Stock Units which become vested hereunder, the Grantee may not transfer any interest in the Restricted Stock Units or dividend equivalents or the underlying shares of Company Stock or pledge or otherwise hedge the sale of those units, dividend equivalents or shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those shares. However, any shares which are vested hereunder but otherwise remain unissued at the time of the Grantee's death shall be transferred pursuant to the provisions of the Grantee's will or the laws of inheritance. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Units or dividend equivalents under this grant by the Grantee shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Agreement may be assigned by the Company without the Grantee's consent.

13. Withholding. The Grantee shall be required to pay to the Employer, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and dividend equivalents. Subject to Committee

approval, the Grantee may elect to satisfy any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Restricted Stock Units that are earned and vested by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities. Notwithstanding anything to the contrary herein or the Plan, until the Grantee has satisfied the Company's withholding obligation with respect to the shares of Company Stock as described in this Paragraph 13, the Grantee shall not have any rights to sell or transfer any shares of Company Stock that have been distributed to the Grantee pursuant to this Agreement.

14. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Grantee's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

15. Applicable Law. The validity, construction, interpretation and effect of this grant shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

16. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the corporate headquarters of the Company, and any notice to the Grantee shall be addressed to such Grantee at the current address shown on the payroll records of the Employer, or to such other address as the Grantee may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Section 409A of the Code. This grant of Restricted Stock Units is intended to be exempt from the requirements of section 409A of the Code in reliance on the short-term deferral exception under section 409A of the Code. Notwithstanding the foregoing, if any Restricted Stock Units are subject to the requirements of section 409A of the Code it is intended that this Agreement comply with the requirements of section 409A of the Code with respect to such Restricted Stock Units and this Agreement shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution or payment cannot be provided or made at the time specified herein, then such distribution or payment shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed, including if the distribution is subject to the requirements of section 409A of the Code and is paid to the Grantee on account of (i) separation from service, delaying such distribution until six (6) months following the date of the Grantee's separation from service if the Grantee is a specified employee (as defined in section 409A of the Code and its corresponding regulations) at such time and (ii) a change in control, such distribution will only be paid on account of a change in control if such is a change in control within the meaning of section 409A of the Code and its corresponding regulations. In no event may the Grantee, directly or indirectly, designate the calendar year of distribution or payment. All redemptions pursuant to this Agreement shall be deemed as a separate payment. The Grantee shall be solely responsible for the tax consequences of the Restricted Stock Units and dividend equivalents granted pursuant to this Agreement.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this instrument effective as of the Date of Grant, and the Grantee has placed his or her signature hereon, effective as of the Date of Grant.

MARLIN BUSINESS SERVICES CORP.

By: ______________________________

I hereby accept the grant of Restricted Stock Units described in this Agreement. I have read the terms of the Plan and this Agreement and agree to be bound by the terms of the Plan and this Agreement. I hereby further agree that all of the decisions and determinations of the Committee shall be final and binding.

ACCEPTED:

By: ______________________________

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Section 3: EX-10.2 (EX-10.2)

Exhibit 10.2

MARLIN BUSINESS SERVICES CORP.

2019 EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT AWARD

The Compensation Committee of the Board of Directors of Marlin Business Services Corp. (the "Committee") has determined to grant to you a performance stock unit award which is convertible to shares of common stock of Marlin Business Services Corp. (the "Company") under the Marlin Business Services Corp. 2019 Equity Compensation Plan (the "Plan"). The terms of the grant are set forth in the attached Performance Stock Unit Award Agreement (the "Agreement") provided to you. The following provides a summary of the key terms of this grant; however, you should read the entire Agreement, along with the terms of the Plan, to fully understand this grant.

SUMMARY OF PERFORMANCE STOCK UNIT GRANT

Grantee:	__________
Date of Grant:	__________
Total Number of Performance Stock Units Granted*:	__________
Vesting:**	The number of performance stock units, if any, that may become earned and vested will be determined based on the level of achievement of the performance goals set forth on Exhibit A to the Agreement for the Performance Period (as defined in the Agreement) and the other terms and conditions as set forth in the Agreement.
Distribution Date:	Performance stock units, if any, that become earned and vested shall be redeemed at the time specified in the Agreement.

* This represents the target number of performance stock units that may be issued under the Agreement. The threshold and maximum number of performance stock units that may be issued under the Agreement are set forth on Exhibit A to the Agreement.

** Except as otherwise provided in the Agreement, the Grantee must remain continuously employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant to the last day of the Performance Period in order to be eligible to earn and vest in any performance stock units subject to this grant for which the Performance Goals (as defined in the Plan) have been met, as certified by the Committee.

MARLIN BUSINESS SERVICES CORP.

2019 EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT AWARD AGREEMENT

This PERFORMANCE STOCK UNIT AWARD AGREEMENT, dated as of________ (the "Date of Grant"), is delivered by Marlin Business Services Corp. (the "Company") to ________ (the "Grantee").

RECITALS

A. The Marlin Business Services Corp. 2019 Equity Compensation Plan (the "Plan") provides for the grant of stock units which are phantom units convertible into shares of common stock of the Company (the "Company Stock") if certain terms and conditions are met.

B. The Compensation Committee of the Board of Directors of the Company (the "Committee") has determined to make a performance stock unit grant under the Plan as an inducement for the Grantee to promote the best interests of the Company and its shareholders and the terms and conditions of such performance stock unit grant, including the performance goals and other terms and conditions of such performance stock unit grant shall be memorialized in this Performance Stock Unit Award Agreement (the "Agreement"). The Grantee may receive a copy of the Plan by contacting ________, ________, at ________, ext. ________.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Agreement and the Plan, the Company hereby grants to the Grantee ________ stock units (collectively, the "Performance Stock Units"). The Performance Stock Units will be earned and vested and distributable if and only to the extent that the Performance Goals (as defined below) and other terms and conditions set forth in this Agreement are met. Each Performance Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Distribution Date (as defined below). The number of Performance Stock Units set forth above is equal to the target number of shares of Company Stock that the Grantee may be eligible to earn and become vested for 100% achievement of the Performance Goals described in Exhibit A. The threshold and maximum number of Performance Stock Units that may be issued under the Agreement are set forth on Exhibit A to the Agreement.

2. Performance Stock Unit Account. The Company shall establish and maintain a Performance Stock Unit account as a bookkeeping account on its records (the "Performance Stock Unit Account") for the Grantee and shall record in such Performance Stock Unit Account the number of Performance Stock Units granted to the Grantee. The Grantee shall not have any interest in any fund or specific assets of the Company by reason of this grant nor the Performance Stock Unit Account established for the Grantee.

3. Performance Goals.

(a) The number of Performance Stock Units subject to this PSU Grant that may become earned and vested is expressly contingent upon the level of achievement of the Performance Goals, as certified by the Committee, and the other terms and conditions of the Agreement.

(b) Unless a Change of Control (as defined in the Plan) occurs prior to the end of the Performance Period, then within forty-five (45) days following the end of the Performance Period the Committee will determine whether and to what extent the Performance Goals have been met and will certify the number of Performance Stock Units in which the Grantee may become earned and vested, if any, as set forth in Exhibit A; provided that, except as provided in Paragraph 4(c), the Grantee must be employed by, or providing service to, the Employer on December 31, [2022] (the "Vesting Date") in order to earn and vest in the Performance Stock Units that the Committee has certified, unless, following the end of the Performance Period, but prior to the date on which the Performance Stock Units are distributed to the Grantee, the Grantee's employment or service is terminated by the Employer on account of Cause (as defined in the Company's Severance Pay Plan for Senior Management (the "Severance Plan")), in which case all such Performance Stock Units shall be immediately forfeited and the Grantee shall not have rights to the distribution of any Performance Stock Units under this Agreement. Any Performance Stock Units for which the Performance Goals were not met at the end of the Performance Period, as certified by the Committee after the end of the Performance Period, shall be forfeited and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units that are forfeited. The Performance Stock Units that become earned and vested as described in this Paragraph shall be distributed to the Grantee on the Distribution Date in accordance with Paragraph 5.

(c) If a Change of Control occurs prior to the end of the Performance Period and, except as provided in Paragraph 4(c), the Grantee is employed by, or providing service to, the Employer, on the date of the Change of Control, then the Performance Period will end on the date of the Change of Control and the Performance Goals will be deemed to have been met at the target level as set forth in Exhibit A; provided that the Grantee must be employed by, or providing service to, the Employer on December 31, [2022] (i.e., the Vesting Date) in order to earn and vest in the Performance Stock Units, unless, on or after the date of the Change of Control, but prior to December 31, [2022], the Grantee's employment or service is terminated by the Employer on account of death, Disability (as defined in the Plan) or a termination without Cause or the Grantee resigns for Good Reason (as defined in the Severance Plan), in which case the date on which the Grantee's employment or service is terminated shall be the Vesting Date (i.e., the Vesting Date shall be accelerated to the date on which the Grantee's employment or service terminates) for purposes of the Grantee earning and becoming vested in the Performance Stock Units that have become vested at the target level pursuant to this Paragraph 3(c). Any Performance Stock Units which relate to Performance Goals achieved at above the target level shall be forfeited and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units that are forfeited. The Performance Stock Units that become earned and vested as described in this Paragraph 3(c) shall be distributed to the Grantee on the Distribution Date in accordance with Paragraph 5.

(d) For the purposes of this Agreement, the term "Performance Period" shall mean, unless otherwise provided in Exhibit A, the period beginning on January 1, [2020] and ending on December 31, [2022].

4. Termination of Employment or Service.

(a) Termination for Cause. If at any time prior to the Distribution Date the Grantee's employment or service with the Employer is terminated by the Employer on account of Cause, then all of the Performance Stock Units subject to this Agreement shall be immediately forfeited as of the date of the Grantee's termination of employment or service with the Employer and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units.

(b) Voluntary Termination Without Good Reason. If at any time prior to the earlier of (i) January 1, [2023] or (ii) the Distribution Date the Grantee's employment or service with the Employer is terminated by the Grantee for any reason other than on account of Good Reason, then all of the Performance Stock Units subject to this Agreement shall be immediately forfeited as of the date of the Grantee's termination of employment or service with the Employer and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units.

(c) Termination by Employer without Cause, Death or Disability; Resignation for Good Reason. If at any time prior to the earlier to occur of (i) January 1, [2023] or (ii) a Change of Control, the Grantee's employment or service with the Employer is terminated by the Employer on account of death, Disability or without Cause or by the Grantee for Good Reason, then the Grantee shall be entitled to a pro rata number of Performance Stock Units, which pro ration shall be determined by multiplying the number of Performance Units that are earned as provided in Section 3 as if the Grantee did not have a termination of employment or service, by a fraction, the numerator of which is the number of days during the Performance Period that the Participant was employed by, or providing service to, to the Employer, and the denominator of which is the total number of days in the Performance Period. The prorated amount, if any, distributable to the Grant as provided in this Paragraph 4(c), based on the level of achievement of the performance goals as provided in Paragraph 3, shall be distributed to the Grantee at the time provided in Paragraph 5.

5. Time and Form of Payment with Respect to Performance Stock Units. The Grantee (or, in the event of death, the Grantee's estate) shall receive a distribution with respect to Performance Stock Units, if any, that become earned and vested as described in Paragraph 3 above as follows (i) with respect to Paragraph 3(b), in February [2023] and (ii) with respect to Paragraph 3(c), (x) if the Grantee is employed by, or providing service to, the Employer on the date of the Change of Control, the earlier of (x) within thirty (30) days following the date on which the Grantee's employment or service terminates or (y) February, [2023] or (y) if the Grantee's employment or service terminates on account of Paragraph 4(c) prior to the date of the Change of Control, within thirty (30) days following the date of the Change of Control. The Performance Stock Units, if any, that have become earned and vested will be distributed in shares of Company Stock (or such other equivalent consideration following a Change of Control), with each earned and vested Performance Stock Unit equivalent to one share of

Company Stock. Fractional Performance Stock Units shall be disregarded. Any Performance Stock Units not earned and vested because of the failure to satisfy the performance conditions and continuing employment and service conditions, are forfeited as described in Paragraphs 3 or 4 above. The date on which the earned and vested Performance Stock Units are distributed as provided in this Paragraph 5 is hereinafter referred to as the "Distribution Date".

6. Dividend Equivalents. Should any ordinary dividends be declared and paid with respect to the shares of Company Stock during the period between (a) the Date of Grant and (b) the Distribution Date (i.e., shares of Company Stock issuable under the Performance Stock Units are not issued and outstanding for purposes of entitlement to the dividend), the Company shall credit to a dividend equivalent bookkeeping account (the "Dividend Equivalent Account") the value of the dividends that would have been paid if the outstanding Performance Stock Units credited to the Grantee's Performance Stock Unit Account at the time of the declaration of the dividend were outstanding shares of Company Stock. At the same time that the corresponding Performance Stock Units are converted to shares of Company Stock and distributed to the Grantee as set forth in Paragraph 5, the Company shall pay to the Grantee a lump sum cash payment equal to the value of the dividends credited to the Grantee's Dividend Equivalent Account that correspond to such vested and earned Performance Stock Units; provided, however, that any dividends that were credited to the Grantee's Dividend Equivalent Account that are attributable to Performance Stock Units that have been forfeited as provided in Paragraphs 3 or 4 above shall be forfeited and not payable to the Grantee. No interest shall accrue on any dividend equivalents credited to the Grantee's Dividend Equivalent Account.

7. Change of Control. Except as otherwise set forth in this Agreement, the provisions set forth in the Plan applicable to a Change of Control shall apply to the Performance Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

8. Acknowledgment by Grantee. By accepting this grant, the Grantee acknowledges that with respect to any right to redemption pursuant to this Agreement, the Grantee is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Grantee hereby covenants for himself or herself, and anyone at any time claiming through or under the Grantee not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Grantee also agrees to be bound by the terms of the Plan and this Agreement. The Grantee further agrees to be bound by the determinations and decisions of the Committee with respect to this Agreement and the Plan and the Grantee's rights to benefits under this Agreement and the Plan, and agrees that all such determinations and decisions of the Committee shall be binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest under this Agreement and the Plan on behalf of the Grantee.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the redemption of the Performance Stock Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The issuance of shares of Company Stock pursuant to this Agreement is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock on the Distribution Date, the Grantee agrees to be bound by the Company's policies regarding the transfer of the shares of Company Stock and understands that there may be certain times during the year in which the Grantee will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares of Company Stock. The Grantee also acknowledges and agrees that this grant is subject to any applicable clawback, recoupment or other policies relating to shares of Company Stock implemented by the Company, as in effect from time to time.

(c) As soon as administratively practicable following the Distribution Date, a certificate representing the shares of Company Stock that are redeemed shall be issued to the Grantee.

10. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Agreement and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the meanings set forth in the Plan. This Agreement is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Agreement pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Grantee's acceptance of this Agreement is the Grantee's agreement to be bound by the interpretations and decisions of the Committee with respect to this Agreement and the Plan.

11. No Rights as Shareholder. The Grantee shall not have any rights as a shareholder of the Company, including the right to any cash dividends or other distributions (except as provided in Paragraph 6), or the right to vote, with respect to any Performance Stock Units.

12. No Rights to Continued Employment or Service. This grant shall not confer upon the Grantee any right to be retained in the service or employment of the Employer and shall not interfere in any way with the right of the Employer to terminate the Grantee's employment or service at any time. The right of the Employer to terminate at will the Grantee's employment or at any time for any reason is specifically reserved.

13. Assignment and Transfers. Prior to the actual issuance of the shares of Company Stock under the Performance Stock Units which become earned and vested hereunder, the Grantee may not transfer any interest in the Performance Stock Units or dividend equivalents or the underlying shares of Company Stock or pledge or otherwise hedge the sale of those units, dividend equivalents or shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those shares. However, any shares which are earned and vested hereunder but otherwise remain unissued at the time of the Grantee's death shall be transferred pursuant to the provisions of the Grantee's will or the laws of inheritance. Any attempt to transfer, assign, pledge, or encumber the Performance Stock Units or dividend equivalents under this grant by the Grantee shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Agreement may be assigned by the Company without the Grantee's consent.

14. Withholding. The Grantee shall be required to pay to the Employer, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the grant, vesting and redemption of the Performance Stock Units and dividend equivalents. Subject to Committee approval, the Grantee may elect to satisfy any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Stock Units that are earned and vested by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities. Notwithstanding anything to the contrary herein or the Plan, until the Grantee has satisfied the Company's withholding obligation with respect to the shares of Company Stock as described in this Paragraph 14, the Grantee shall not have any rights to sell or transfer any shares of Company Stock that have been distributed to the Grantee pursuant to this Agreement.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Grantee's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

16. Applicable Law. The validity, construction, interpretation and effect of this grant shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the corporate headquarters of the Company, and any notice to the Grantee shall be addressed to such Grantee at the current address shown on the payroll records of the Employer, or to such other address as the Grantee may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code. This grant of Performance Stock Units is intended to be exempt from the requirements of section 409A of the Code in reliance on the short-term deferral exception under section 409A of the Code. Notwithstanding the foregoing, if any Performance Stock Units are subject to the requirements of section 409A of the Code it is intended that this Agreement comply with the requirements of section 409A of the Code with respect to such Performance Stock Units and this Agreement shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution or payment cannot be provided or made at the time specified herein, then such distribution or payment shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed, including if the distribution is subject to the requirements of section 409A of the Code and is paid to the Grantee on account of (i) separation from service, delaying such distribution until six (6) months following the date of the Grantee's separation from service if the Grantee is a specified employee (as defined in section 409A of the Code and its corresponding regulations) at such time and (ii) a change in control, such distribution will only be paid on account of a change in control if such is a change in control within the meaning of section 409A of the Code and its corresponding regulations. In no event may the Grantee, directly or indirectly, designate the calendar year of distribution or payment. The Grantee shall be solely responsible for the tax consequences of the Performance Stock Units and dividend equivalents granted pursuant to this Agreement.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this instrument effective as of the Date of Grant, and the Grantee has placed his or her signature hereon, effective as of the Date of Grant.

MARLIN BUSINESS SERVICES CORP.

By: ______________________________

I hereby accept the grant of Performance Stock Units described in this Agreement. I have read the terms of the Plan and, this Agreement, and agree to be bound by the terms of the Plan and this Agreement. I hereby further agree that all of the decisions and determinations of the Committee shall be final and binding.

ACCEPTED:

By: ______________________________

EXHIBIT A

Performance Goals

The number of Performance Stock Units that may be earned and vested shall be determined based on the level of achievement of the Performance Goals set forth in this Exhibit A and the other terms and conditions set forth in this Exhibit A and the Agreement. Unless otherwise defined herein, all capitalized terms set forth herein shall have the meaning set forth in the Agreement and the Plan.

For purposes of this Agreement, the level of achievement of the Performance Goals shall be determined based on the Company's three-year average "Return on Equity" (as defined below) ("[2020-2022] ROE Performance Goal") during the Performance Period.

1. [2020-2022] ROE Performance Goal

   a. The Return on Equity shall be measured as GAAP net income divided by average equity outstanding on December 31st of the applicable fiscal year, excluding (1) the impact of changes in U.S. Generally Accepted Accounting Principles, (2) unplanned amortization of and/or impairment of intangible assets, (3) costs associated with merger, acquisition or divestiture transactions (regardless of whether transactions are consummated or not and regardless of the period during which the costs were incurred), including any transaction gain or loss, (4) restructuring and reorganization costs, including unplanned severance and related costs, (5) costs associated with unplanned changes to legal, regulatory and compliance requirements, including any losses or gains from litigation, (6) the amount of capital, if any, deemed to have been returned pursuant to changes in regulatory capital requirements, plus costs associated with, unplanned debt and/or equity raising activities that were approved by the Company's Board of Directors, (7) any material changes to U.S. federal tax law or tax rates. The materiality threshold is $500,000 per category per year.

   b. The [2020-2022] ROE Performance Goals are set forth in the chart below:

[2020-2022] ROE Performance Goal

[2020 – 2022] Performance Goals

	% Target	ROE	Shares Earned as a Percentage of Target
Maximum			
Target			
Threshold			

c. Within the time period set forth in Paragraph 3(b) of the Agreement (or, if applicable, Paragraph 3(c) of the Agreement), the Committee will determine and certify the level of the [2020-2022] ROE Performance Goal that was achieved during the Performance Period, with linear interpolation between levels listed on the chart above, and will certify the number of Performance Stock Units, if any, that may become earned and vested, subject to Section 2, below (the "Earned ROE PSUs"). Any fractional units will be rounded down to the nearest whole Performance Stock Unit.

d. For any Performance Stock Units for which the [2020-2022] ROE Performance Goal was not met, such Performance Stock Units shall be immediately forfeited upon the Committee's certification.

2. Notwithstanding the foregoing, if the provisions of Paragraph 3(c) of the Agreement apply as a result of a Change of Control occurring prior to the end of the Performance Period, the number of Performance Stock Units that may become earned and vested for purposes of this Exhibit A shall be deemed to be met at the target level (100%). Any fractional units will be rounded down to the nearest whole Performance Stock Unit.

3. The Committee shall notify the Grantee following such certification as to the number of Performance Stock Units, if any, that may become earned and vested based on the level of achievement of the Performance Goals as certified by the Committee. In order to earn and vest in the number of Performance Stock Units which have been certified by the Committee, the Grantee must satisfy the continuing employment condition as set forth in Paragraphs 3 and 4 of the Agreement and the other terms and conditions set forth in the Agreement.

4. Any Performance Stock Units that become earned and vested shall be converted into an equivalent number of shares of Company Stock and distributed to the Grantee on the applicable Distribution Date, within the time period set forth in Paragraph 5 of the Agreement.

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Section 4: EX-10.3 (EX-10.3)

Exhibit 10.3

MARLIN BUSINESS SERVICES CORP.

2019 EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT AWARD

The Compensation Committee of the Board of Directors of Marlin Business Services Corp. (the "Committee") has determined to grant to you a performance stock unit award which is convertible to shares of common stock of Marlin Business Services Corp. (the "Company") under the Marlin Business Services Corp. 2019 Equity Compensation Plan (the "Plan"). The terms of the grant are set forth in the attached Performance Stock Unit Award Agreement (the "Agreement") provided to you. The following provides a summary of the key terms of this grant; however, you should read the entire Agreement, along with the terms of the Plan, to fully understand this grant.

SUMMARY OF PERFORMANCE STOCK UNIT GRANT

Grantee:	__________
Date of Grant:	__________
Total Number of Performance Stock Units Granted*:	__________
Vesting:**	The number of performance stock units, if any, that may become earned and vested will be determined based on the level of achievement of the performance goals set forth on Exhibit A to the Agreement for the Performance Period (as defined in the Agreement) and the other terms and conditions as set forth in the Agreement.
Distribution Date:	Performance stock units, if any, that become earned and vested shall be redeemed at the time specified in the Agreement.

* This represents the target number of performance stock units that may be issued under the Agreement. The threshold and maximum number of performance stock units that may be issued under the Agreement are set forth on Exhibit A to the Agreement.

** Except as otherwise provided in the Agreement, the Grantee must remain continuously employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant to the last day of the Performance Period in order to be eligible to earn and vest in any performance stock units subject to this grant for which the Performance Goals (as defined in the Plan) have been met, as certified by the Committee.

MARLIN BUSINESS SERVICES CORP.

2019 EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT AWARD AGREEMENT

This PERFORMANCE STOCK UNIT AWARD AGREEMENT, dated as of ________ (the "Date of Grant"), is delivered by Marlin Business Services Corp. (the "Company") to ________ (the "Grantee").

RECITALS

A. The Marlin Business Services Corp. 2019 Equity Compensation Plan (the "Plan") provides for the grant of stock units which are phantom units convertible into shares of common stock of the Company (the "Company Stock") if certain terms and conditions are met.

B. The Compensation Committee of the Board of Directors of the Company (the "Committee") has determined to make a performance stock unit grant under the Plan as an inducement for the Grantee to promote the best interests of the Company and its shareholders and the terms and conditions of such performance stock unit grant, including the performance goals and other terms and conditions of such performance stock unit grant shall be memorialized in this Performance Stock Unit Award Agreement (the "Agreement"). The Grantee may receive a copy of the Plan by contacting ________, ________, at ________, ext. ________.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Agreement and the Plan, the Company hereby grants to the Grantee ________ stock units (collectively, the "Performance Stock Units"). The Performance Stock Units will be earned and vested and distributable if and only to the extent that the Performance Goals (as defined below) and other terms and conditions set forth in this Agreement are met. Each Performance Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Distribution Date (as defined below). The number of Performance Stock Units set forth above is equal to the target number of shares of Company Stock that the Grantee may be eligible to earn and become vested for 100% achievement of the Performance Goals described in Exhibit A. The threshold and maximum number of Performance Stock Units that may be issued under the Agreement are set forth on Exhibit A to the Agreement.

2. Performance Stock Unit Account. The Company shall establish and maintain a Performance Stock Unit account as a bookkeeping account on its records (the "Performance Stock Unit Account") for the Grantee and shall record in such Performance Stock Unit Account the number of Performance Stock Units granted to the Grantee. The Grantee shall not have any interest in any fund or specific assets of the Company by reason of this grant nor the Performance Stock Unit Account established for the Grantee.

3. Performance Goals.

(a) The number of Performance Stock Units subject to this PSU Grant that may become earned and vested is expressly contingent upon the level of achievement of the Performance Goals, as certified by the Committee, and the other terms and conditions of the Agreement.

(b) Unless a Change of Control (as defined in the Plan) occurs prior to the end of the Performance Period, then within forty-five (45) days following the end of the Performance Period the Committee will determine whether and to what extent the Performance Goals have been met and will certify the number of Performance Stock Units in which the Grantee may become earned and vested, if any, as set forth in Exhibit A; provided that, except as provided in Paragraph 4(c), the Grantee must be employed by, or providing service to, the Employer on December 31, [2022] (the "Vesting Date") in order to earn and vest in the Performance Stock Units that the Committee has certified, unless, following the end of the Performance Period, but prior to the date on which the Performance Stock Units are distributed to the Grantee, the Grantee's employment or service is terminated by the Employer on account of Cause (as defined in the Company's Severance Pay Plan for Senior Management (the "Severance Plan")), in which case all such Performance Stock Units shall be immediately forfeited and the Grantee shall not have rights to the distribution of any Performance Stock Units under this Agreement. Any Performance Stock Units for which the Performance Goals were not met at the end of the Performance Period, as certified by the Committee after the end of the Performance Period, shall be forfeited and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units that are forfeited. The Performance Stock Units that become earned and vested as described in this Paragraph shall be distributed to the Grantee on the Distribution Date in accordance with Paragraph 5.

(c) If a Change of Control occurs prior to the end of the Performance Period and, except as provided in Paragraph 4(c), the Grantee is employed by, or providing service to, the Employer, on the date of the Change of Control, then the Performance Period will end on the date of the Change of Control and the Performance Goals will be deemed to have been met at the target level as set forth in Exhibit A; provided that the Grantee must be employed by, or providing service to, the Employer on December 31, [2022] (i.e., the Vesting Date) in order to earn and vest in the Performance Stock Units, unless, on or after the date of the Change of Control, but prior to December 31, [2022], the Grantee's employment or service is terminated by the Employer on account of death, Disability (as defined in the Plan) or a termination without Cause or the Grantee resigns for Good Reason (as defined in the Severance Plan), in which case the date on which the Grantee's employment or service is terminated shall be the Vesting Date (i.e., the Vesting Date shall be accelerated to the date on which the Grantee's employment or service terminates) for purposes of the Grantee earning and becoming vested in the Performance Stock Units that have become vested at the target level pursuant to this Paragraph 3(c). Any Performance Stock Units which relate to Performance Goals achieved at above the target level shall be forfeited and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units that are forfeited. The Performance Stock Units that become earned and vested as described in this Paragraph 3(c) shall be distributed to the Grantee on the Distribution Date in accordance with Paragraph 5.

(d) For the purposes of this Agreement, the term "Performance Period" shall mean, unless otherwise provided in Exhibit A, the period beginning on January 1, [2020] and ending on December 31, [2022].

4. Termination of Employment or Service.

(a) Termination for Cause. If at any time prior to the Distribution Date the Grantee's employment or service with the Employer is terminated by the Employer on account of Cause, then all of the Performance Stock Units subject to this Agreement shall be immediately forfeited as of the date of the Grantee's termination of employment or service with the Employer and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units.

(b) Voluntary Termination Without Good Reason. If at any time prior to the earlier of (i) January 1, [2023] or (ii) the Distribution Date the Grantee's employment or service with the Employer is terminated by the Grantee for any reason other than on account of Good Reason, then all of the Performance Stock Units subject to this Agreement shall be immediately forfeited as of the date of the Grantee's termination of employment or service with the Employer and the Grantee shall not have any rights with respect to the distribution of any portion of the Performance Stock Units.

(c) Termination by Employer without Cause, Death or Disability; Resignation for Good Reason. If at any time prior to the earlier to occur of (i) January 1, [2023] or (ii) a Change of Control, the Grantee's employment or service with the Employer is terminated by the Employer on account of death, Disability or without Cause or by the Grantee for Good Reason, then the Grantee shall be entitled to a pro rata number of Performance Stock Units, which pro ration shall be determined by multiplying the number of Performance Units that are earned as provided in Section 3 as if the Grantee did not have a termination of employment or service, by a fraction, the numerator of which is the number of days during the Performance Period that the Participant was employed by, or providing service to, to the Employer, and the denominator of which is the total number of days in the Performance Period. The prorated amount, if any, distributable to the Grant as provided in this Paragraph 4(c), based on the level of achievement of the performance goals as provided in Paragraph 3, shall be distributed to the Grantee at the time provided in Paragraph 5.

5. Time and Form of Payment with Respect to Performance Stock Units. The Grantee (or, in the event of death, the Grantee's estate) shall receive a distribution with respect to Performance Stock Units, if any, that become earned and vested as described in Paragraph 3 above as follows (i) with respect to Paragraph 3(b), in February [2023] and (ii) with respect to Paragraph 3(c), (x) if the Grantee is employed by, or providing service to, the Employer on the date of the Change of Control, the earlier of (x) within thirty (30) days following the date on which the Grantee's employment or service terminates or (y) February, [2023] or (y) if the Grantee's employment or service terminates on account of Paragraph 4(c) prior to the date of the Change of Control, within thirty (30) days following the date of the Change of Control. The Performance Stock Units, if any, that have become earned and vested will be distributed in shares of Company Stock (or such other equivalent consideration following a Change of Control), with each earned and vested Performance Stock Unit equivalent to one share of

Company Stock. Fractional Performance Stock Units shall be disregarded. Any Performance Stock Units not earned and vested because of the failure to satisfy the performance conditions and continuing employment and service conditions, are forfeited as described in Paragraphs 3 or 4 above. The date on which the earned and vested Performance Stock Units are distributed as provided in this Paragraph 5 is hereinafter referred to as the "Distribution Date".

6. Dividend Equivalents. Should any ordinary dividends be declared and paid with respect to the shares of Company Stock during the period between (a) the Date of Grant and (b) the Distribution Date (i.e., shares of Company Stock issuable under the Performance Stock Units are not issued and outstanding for purposes of entitlement to the dividend), the Company shall credit to a dividend equivalent bookkeeping account (the "Dividend Equivalent Account") the value of the dividends that would have been paid if the outstanding Performance Stock Units credited to the Grantee's Performance Stock Unit Account at the time of the declaration of the dividend were outstanding shares of Company Stock. At the same time that the corresponding Performance Stock Units are converted to shares of Company Stock and distributed to the Grantee as set forth in Paragraph 5, the Company shall pay to the Grantee a lump sum cash payment equal to the value of the dividends credited to the Grantee's Dividend Equivalent Account that correspond to such vested and earned Performance Stock Units; provided, however, that any dividends that were credited to the Grantee's Dividend Equivalent Account that are attributable to Performance Stock Units that have been forfeited as provided in Paragraphs 3 or 4 above shall be forfeited and not payable to the Grantee. No interest shall accrue on any dividend equivalents credited to the Grantee's Dividend Equivalent Account.

7. Change of Control. Except as otherwise set forth in this Agreement, the provisions set forth in the Plan applicable to a Change of Control shall apply to the Performance Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

8. Acknowledgment by Grantee. By accepting this grant, the Grantee acknowledges that with respect to any right to redemption pursuant to this Agreement, the Grantee is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Grantee hereby covenants for himself or herself, and anyone at any time claiming through or under the Grantee not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Grantee also agrees to be bound by the terms of the Plan and this Agreement. The Grantee further agrees to be bound by the determinations and decisions of the Committee with respect to this Agreement and the Plan and the Grantee's rights to benefits under this Agreement and the Plan, and agrees that all such determinations and decisions of the Committee shall be binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest under this Agreement and the Plan on behalf of the Grantee.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the redemption of the Performance Stock Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The issuance of shares of Company Stock pursuant to this Agreement is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock on the Distribution Date, the Grantee agrees to be bound by the Company's policies regarding the transfer of the shares of Company Stock and understands that there may be certain times during the year in which the Grantee will be prohibited from selling, transferring, pledging, donating, assigning, mortgaging, hypothecating or otherwise encumbering the shares of Company Stock. The Grantee also acknowledges and agrees that this grant is subject to any applicable clawback, recoupment or other policies relating to shares of Company Stock implemented by the Company, as in effect from time to time.

(c) As soon as administratively practicable following the Distribution Date, a certificate representing the shares of Company Stock that are redeemed shall be issued to the Grantee.

10. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Agreement and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the meanings set forth in the Plan. This Agreement is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Agreement pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Grantee's acceptance of this Agreement is the Grantee's agreement to be bound by the interpretations and decisions of the Committee with respect to this Agreement and the Plan.

11. No Rights as Shareholder. The Grantee shall not have any rights as a shareholder of the Company, including the right to any cash dividends or other distributions (except as provided in Paragraph 6), or the right to vote, with respect to any Performance Stock Units.

12. No Rights to Continued Employment or Service. This grant shall not confer upon the Grantee any right to be retained in the service or employment of the Employer and shall not interfere in any way with the right of the Employer to terminate the Grantee's employment or service at any time. The right of the Employer to terminate at will the Grantee's employment or at any time for any reason is specifically reserved.

13. Assignment and Transfers. Prior to the actual issuance of the shares of Company Stock under the Performance Stock Units which become earned and vested hereunder, the Grantee may not transfer any interest in the Performance Stock Units or dividend equivalents or the underlying shares of Company Stock or pledge or otherwise hedge the sale of those units, dividend equivalents or shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those shares. However, any shares which are earned and vested hereunder but otherwise remain unissued at the time of the Grantee's death shall be transferred pursuant to the provisions of the Grantee's will or the laws of inheritance. Any attempt to transfer, assign, pledge, or encumber the Performance Stock Units or dividend equivalents under this grant by the Grantee shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Agreement may be assigned by the Company without the Grantee's consent.

14. Withholding. The Grantee shall be required to pay to the Employer, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the grant, vesting and redemption of the Performance Stock Units and dividend equivalents. Subject to Committee approval, the Grantee may elect to satisfy any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Stock Units that are earned and vested by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities. Notwithstanding anything to the contrary herein or the Plan, until the Grantee has satisfied the Company's withholding obligation with respect to the shares of Company Stock as described in this Paragraph 14, the Grantee shall not have any rights to sell or transfer any shares of Company Stock that have been distributed to the Grantee pursuant to this Agreement.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Grantee's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

16. Applicable Law. The validity, construction, interpretation and effect of this grant shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the corporate headquarters of the Company, and any notice to the Grantee shall be addressed to such Grantee at the current address shown on the payroll records of the Employer, or to such other address as the Grantee may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code. This grant of Performance Stock Units is intended to be exempt from the requirements of section 409A of the Code in reliance on the short-term deferral exception under section 409A of the Code. Notwithstanding the foregoing, if any Performance Stock Units are subject to the requirements of section 409A of the Code it is intended that this Agreement comply with the requirements of section 409A of the Code with respect to such Performance Stock Units and this Agreement shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution or payment cannot be provided or made at the time specified herein, then such distribution or payment shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed, including if the distribution is subject to the requirements of section 409A of the Code and is paid to the Grantee on account of (i) separation from service, delaying such distribution until six (6) months following the date of the Grantee's separation from service if the Grantee is a specified employee (as defined in section 409A of the Code and its corresponding regulations) at such time and (ii) a change in control, such distribution will only be paid on account of a change in control if such is a change in control within the meaning of section 409A of the Code and its corresponding regulations. In no event may the Grantee, directly or indirectly, designate the calendar year of distribution or payment. The Grantee shall be solely responsible for the tax consequences of the Performance Stock Units and dividend equivalents granted pursuant to this Agreement.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this instrument effective as of the Date of Grant, and the Grantee has placed his or her signature hereon, effective as of the Date of Grant.

MARLIN BUSINESS SERVICES CORP.

By: ______________________________

I hereby accept the grant of Performance Stock Units described in this Agreement. I have read the terms of the Plan and this Agreement, and agree to be bound by the terms of the Plan and this Agreement. I hereby further agree that all of the decisions and determinations of the Committee shall be final and binding.

ACCEPTED:

By: ______________________________

EXHIBIT A

Performance Goals

The number of Performance Stock Units that may be earned and vested shall be determined based on the level of achievement of the Performance Goals set forth in this Exhibit A and the other terms and conditions set forth in this Exhibit A and the Agreement. Unless otherwise defined herein, all capitalized terms set forth herein shall have the meaning set forth in the Agreement and the Plan.

For purposes of this Agreement, the level of achievement of the Performance Goals shall be determined based on the Company's three-year average "Return on Equity" (as defined below) ("[2020-2022] ROE Performance Goal") during the Performance Period. In addition, the level of achievement of the Performance Goals shall be subject to potential downward adjustment (but not upward adjustment) based on the Company's three-year "Relative TSR" (as defined below) ("[2020-2022] Relative TSR Performance Goal") during the Performance Period.

1. [2020-2022] ROE Performance Goal

   a. The Return on Equity shall be measured as GAAP net income divided by average equity outstanding on December 31st of the applicable fiscal year, excluding (1) the impact of changes in U.S. Generally Accepted Accounting Principles, (2) unplanned amortization of and/or impairment of intangible assets, (3) costs associated with merger, acquisition or divestiture transactions (regardless of whether transactions are consummated or not and regardless of the period during which the costs were incurred), including any transaction gain or loss, (4) restructuring and reorganization costs, including unplanned severance and related costs, (5) costs associated with unplanned changes to legal, regulatory and compliance requirements, including any losses or gains from litigation, (6) the amount of capital, if any, deemed to have been returned pursuant to changes in regulatory capital requirements, plus costs associated with, unplanned debt and/or equity raising activities that were approved by the Company's Board of Directors, (7) any material changes to U.S. federal tax law or tax rates. The materiality threshold is $500,000 per category per year.

b. The [2020-2022] ROE Performance Goals are set forth in the chart below:

[2020-2022] ROE Performance Goal

[2020 – 2022] Performance Goals	% Target	ROE	Shares Earned as a Percentage of Target
Maximum			
Target			
Threshold			

c. Within the time period set forth in Paragraph 3(b) of the Agreement (or, if applicable, Paragraph 3(c) of the Agreement), the Committee will determine and certify the level of the [2020-2022] ROE Performance Goal that was achieved during the Performance Period, with linear interpolation between levels listed on the chart above, and will certify the number of Performance Stock Units, if any, that may become earned and vested, subject to Section 2, below (the "Earned ROE PSUs"). Any fractional units will be rounded down to the nearest whole Performance Stock Unit.

d. For any Performance Stock Units for which the [2020-2022] ROE Performance Goal was not met, such Performance Stock Units shall be immediately forfeited upon the Committee's certification.

2. [2020-2022] Relative TSR Performance Goals

a. "Relative TSR" is tied to the percentile level at which the Company's TSR over the Performance Period stands in relation to the TSR for that period of the companies comprising the Comparator Group (the "Percentile Rank"), rounded to the nearest 0.1%

b. "TSR" is calculated for the Company and each company in the Comparator Group as follows:

$$\text{TSR} = \frac{(\text{Ending Stock Price} - \text{Beginning Stock Price}) + \text{Reinvested Dividends}}{\text{Beginning Stock Price}}$$

For purposes of the foregoing:

"Beginning Stock Price." Defined as the trailing 30 consecutive day average closing stock price, ending on the day immediately prior to the start of the Performance Period.

"Ending Stock Price." Defined as the trailing 30 consecutive day average closing stock price, ending on the last day of the Performance Period.

"Reinvested Dividends." Defined as (i) the aggregate number of shares (including fractional shares) that could have been purchased during the Performance Period had each cash dividend paid on a single share during that period been immediately reinvested in additional shares (or fractional shares) at the closing selling price per share of the common stock on the applicable ex-dividend date multiplied by (ii) Ending Stock Price.

c. "Comparator Group." The Comparator Group, for purposes of determining the [2020-2022] Relative TSR Performance Goal, will consist of the following companies (subject to any adjustments provided for below):

The Comparator Group shall be adjusted only for the following that occurs during the Performance Period:

Acquisition: If a member is acquired, the member is removed from the Comparator Group;

Bankruptcy: If a member becomes bankrupt, the member will remain in the Comparator Group. For the avoidance of doubt, such member could potentially have -100% TSR;

Delisting: If a member becomes delisted from an exchange on which it is listed, the member will remain in the Comparator Group so long as the company is still trading on a market where an independent share price can be determined (i.e., an over-the-counter market). Once a share price can no longer be determined, treatment of the member's results will follow based on the reason for delisting (e.g., acquisition, merger, privatization, bankruptcy, etc.);

Merger: If two members merge with each other, the newly-formed company will remain in the Comparator Group while the deactivated member will be removed;

Privatization: If a member becomes a private company, the member is removed from the Comparator Group; and

Spin-off: If a member spins-off one or more subsidiaries or other affiliated entities, the member will remain in the Comparator Group. The spun off entity will not be added to the Comparator Group. The spin-off will be treated in the same manner as a regular cash dividend paid by that member in an amount equal to the fair market value of the common stock (or fractional share thereof) of the spun-off entity provided.

d. The [2020-2022] Relative TSR Performance Goal adjustments are set forth in the chart below:

	[2020-2022] Relative TSR Percentile Rank	Adjustment to Earned ROE PSUs
Threshold		
Target/Maximum		

e. Within the time period set forth in Paragraph 3(b) of the Agreement (or, if applicable, Paragraph 3(c) of the Agreement), the Committee will determine and certify the level of the [2020-2022] Relative TSR Performance Goal that was achieved during the Performance Period and will certify the number of Performance Stock Units, if any, that may become earned and vested, by adjusting the Earned ROE PSUs in accordance with the table above, with linear interpolation between levels listed on the chart above. Any fractional units will be rounded down to the nearest whole Performance Stock Unit.

f. For any Earned ROE PSUs adjusted downward based on the level of achievement of the [2020-2022] Relative TSR Performance Goal, such Earned ROE PSUs shall be immediately forfeited upon the Committee's certification.

3. Notwithstanding the foregoing, if the provisions of Paragraph 3(c) of the Agreement apply as a result of a Change of Control occurring prior to the end of the Performance Period, the number of Performance Stock Units that may become earned and vested for purposes of this Exhibit A shall be deemed to be met at the target level for both [2020-2022] ROE Performance Goal and [2020-2022] Relative TSR Performance Goal (i.e., 100% achievement with no downward adjustment). Any fractional units will be rounded down to the nearest whole Performance Stock Unit.

4. The Committee shall notify the Grantee following such certification as to the number of Performance Stock Units, if any, that may become earned and vested based on the level of achievement of the Performance Goals as certified by the Committee. In order to earn and vest in the number of Performance Stock Units which have been certified by the Committee, the Grantee must satisfy the continuing employment condition as set forth in Paragraphs 3 and 4 of the Agreement and the other terms and conditions set forth in the Agreement.

5. Any Performance Stock Units that become earned and vested shall be converted into an equivalent number of shares of Company Stock and distributed to the Grantee on the applicable Distribution Date, within the time period set forth in Paragraph 5 of the Agreement.

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Section 5: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION REQUIRED BY RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jeff Hilzinger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marlin Business Services Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the periods covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

/s/ Jeff Hilzinger
Jeff Hilzinger
Chief Executive Officer
Principal Executive Officer

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Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION REQUIRED BY RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael R. Bogansky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marlin Business Services Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the periods covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2020

/s/ Michael R. Bogansky
Michael R. Bogansky
Chief Financial Officer and Senior Vice President
Principal Financial Officer

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Section 7: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Marlin Business Services Corp. for the quarter ended March 31, 2020 (the "Quarterly Report"), Jeff Hilzinger, as Chief Executive Officer, and Michael R. Bogansky, Chief Financial Officer of the Company, each hereby certifies, that pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Marlin Business Services Corp.

Date: May 1, 2020

/s/ Jeff Hilzinger
Jeff Hilzinger
Chief Executive Officer
(Principal Executive Officer)

/s/ Michael R. Bogansky
Michael R. Bogansky
Chief Financial Officer & Senior Vice President
(Principal Financial Officer)

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