FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

FDIC Certificate No. 57449

MEDALLION BANK

(Exact name of registrant as specified in its charter)

Utah	**32-0052486**
(State of Incorporation)	**(IRS Employer Identification No.)**

1100 East 6600 South, Suite 510, Salt Lake City, Utah 84121
(Address of principal executive offices) (Zip Code)

(866) 688-6983
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F	**MBNKP**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

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 the 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 Act). YES ☐ NO ☒

The number of outstanding shares of registrant's common stock, par value $1.00, all of which is held by Medallion Financial Corp., as of August 14, 2024 was 1,000,000.

MEDALLION BANK
FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance, as well as the effects of current economic and geopolitical conditions on operating performance, financial condition, liquidity and prospects. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those more fully described under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, or the following:

- The concentration of our business in consumer lending, which carries a risk of loss that is different from and typically higher than the risk of loss associated with commercial lending, and which has been, and could in the future be, adversely affected by an economic downturn;
- The effects of inflation and economic uncertainty on loan volumes, credit performance and net interest income;
- Our dependence on the credit performance of our loans;
- Our reliance on our relationships with dealerships, contractors and financial service providers ("FSPs");
- Our use of brokered deposit sources for substantially all of our deposit-gathering activities;
- Our dependence on our senior management team for our future success;
- The sufficiency of our allowance for credit losses to cover losses on our loans;
- Competition with other lenders;
- Changes in the taxi and for-hire vehicle industries, which have resulted in increased competition, lower taxi fares and losses in our taxi medallion loan portfolio, as well as decreases in the value of our taxi medallion loan collateral;

- Our access to sources of liquidity and capital to address our liquidity and capital needs;
- A reduction in demand for our products and failure by us to adapt to such reduction;
- Our pursuit and implementation of new business initiatives and strategies, including our Strategic Partnership Program;
- Our determinations with respect to sales of loans we may conduct and the impact of such sales on our retained portfolios;
- Changes in laws, regulations, or policies that apply to us; and
- The incremental costs of operating as a public company.

The foregoing factors should not be considered an exhaustive list and should be read together with the other cautionary statements included in this Form 10-Q. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law.

MEDALLION BANK
STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Interest income				
Loan interest including fees	$ 65,213	$ 56,838	$ 126,637	$ 108,694
Investments	1,546	1,449	3,090	2,527
Total interest income	66,759	58,287	129,727	111,221
Interest expense	16,524	11,337	31,277	19,937
Net interest income	50,235	46,950	98,450	91,284
Provision for credit losses	18,190	8,857	35,192	12,716
Net interest income after provision for credit losses	32,045	38,093	63,258	78,568
Total non-interest income	869	263	1,471	295
Non-interest expense				
Salaries and benefits	4,953	4,588	9,937	8,980
Loan servicing	3,049	2,901	5,916	5,716
Collection costs	1,569	1,506	2,974	2,963
Regulatory fees	888	781	1,865	1,463
Professional fees	385	495	817	1,162
Information technology	273	267	541	498
Occupancy and equipment	226	211	433	413
Other	1,059	996	1,809	1,867
Total non-interest expense	12,402	11,745	24,292	23,062
Income before income taxes	20,512	26,611	40,437	55,801
Provision for income taxes	5,476	7,282	10,922	15,047
Net income	15,036	19,329	29,515	40,754
Less: Preferred stock dividends	1,512	1,512	3,024	3,024
Net income attributable to common shareholder	$ 13,524	$ 17,817	$ 26,491	$ 37,730

The accompanying notes are an integral part of these financial statements.

MEDALLION BANK
STATEMENTS OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)
(in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income after taxes	$ 15,036	$ 19,329	$ 29,515	$ 40,754
Net change in unrealized gains (losses) on investment securities	102	(906)	(49)	(400)
Total comprehensive income	15,138	18,423	29,466	40,354
Less: Preferred stock dividends	1,512	1,512	3,024	3,024
Total comprehensive income attributable to common shareholder	$ 13,626	$ 16,911	$ 26,442	$ 37,330

The accompanying notes are an integral part of these financial statements.

MEDALLION BANK
BALANCE SHEETS
(dollars in thousands)

	(UNAUDITED) As of June 30, 2024	As of December 31, 2023
Assets		
Cash and cash equivalents [(1)]	$ 119,457	$ 110,043
Investment securities, available-for-sale	55,830	54,282
Loans	2,274,740	2,100,338
Allowance for credit losses	(84,213)	(79,283)
Loans, net	2,190,527	2,021,055
Loan collateral in process of foreclosure	3,103	4,165
Fixed assets and right-of-use lease assets, net	8,850	8,140
Deferred tax assets	12,866	12,761
Accrued interest receivable	13,203	13,439
Other assets	39,556	38,171
Total assets	$ 2,443,392	$ 2,262,056
Liabilities and shareholders' equity		
Liabilities		
Deposits and other funds borrowed [(2)]	$ 2,031,782	$ 1,866,657
Accrued interest payable	5,281	4,029
Income tax payable	21,127	21,219
Other liabilities [(3)]	17,983	17,509
Due to affiliates	983	849
Total liabilities	$ 2,077,156	$ 1,910,263
Commitments and contingencies (Note 10)		
Shareholders' equity		
Series E preferred stock, $1.00 par value, 26,303 shares authorized, issued, and outstanding as of June 30, 2024 and December 31, 2023. See note 15 for liquidation preference.	26,303	26,303
Series F preferred stock, $1.00 par value, 1,840,000 shares authorized, issued, and outstanding as of June 30, 2024 and December 31, 2023. See note 14 for liquidation preference.	42,485	42,485
Common stock, $1.00 par value, 7,000,000 shares authorized as of June 30, 2024 and December 31, 2023; 1,000,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023.	1,000	1,000
Additional paid in capital	77,500	77,500
Accumulated other comprehensive loss, net of tax	(4,578)	(4,529)
Retained earnings	223,526	209,034
Total shareholders' equity	366,236	351,793
Total liabilities and shareholders' equity	$ 2,443,392	$ 2,262,056

(1) Includes $117,577 and $108,421 federal funds sold and interest-bearing deposits in other banks as of June 30, 2024 and December 31, 2023, respectively.
(2) Includes $4.6 million and $4.3 million of deferred financing costs as of June 30, 2024 and December 31, 2023, respectively.
(3) Includes $2.7 million and $3.0 million of operating lease liabilities as of June 30, 2024 and December 31, 2023, respectively.

The accompanying notes are an integral part of these financial statements.

MEDALLION BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(dollars in thousands)

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance as of March 31, 2024	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,680)	$ 216,002	$ 358,610
Net income	—	—	—	—	—	—	15,036	15,036
Dividends declared on common stock	—	—	—	—	—	—	(6,000)	(6,000)
Dividends declared on preferred stock - Series E	—	—	—	—	—	—	(592)	(592)
Dividends declared on preferred stock - Series F	—	—	—	—	—	—	(920)	(920)
Net change in unrealized gains on investment securities, net of tax	—	—	—	—	—	102	—	102
Balance as of June 30, 2024	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,578)	$ 223,526	$ 366,236

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance as of December 31, 2023	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,529)	$ 209,034	$ 351,793
Net income	—	—	—	—	—	—	29,515	29,515
Dividends declared on common stock	—	—	—	—	—	—	(12,000)	(12,000)
Dividends declared on preferred stock - Series E	—	—	—	—	—	—	(1,183)	(1,183)
Dividends declared on preferred stock - Series F	—	—	—	—	—	—	(1,840)	(1,840)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(49)	—	(49)
Balance as of June 30, 2024	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,578)	$ 223,526	$ 366,236

MEDALLION BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(dollars in thousands)

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance as of March 31, 2023	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (3,676)	$ 170,143	$ 313,755
Net income	—	—	—	—	—	—	19,329	19,329
Dividends declared on common stock	—	—	—	—	—	—	(5,000)	(5,000)
Dividends declared on preferred stock - Series E	—	—	—	—	—	—	(592)	(592)
Dividends declared on preferred stock - Series F	—	—	—	—	—	—	(920)	(920)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(907)	—	(907)
Balance as of June 30, 2023	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,583)	$ 182,960	$ 325,665

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance as of December 31, 2022	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,183)	$ 155,230	$ 298,335
Net income	—	—	—	—	—	—	40,754	40,754
Dividends declared on common stock	—	—	—	—	—	—	(10,000)	(10,000)
Dividends declared on preferred stock - Series E	—	—	—	—	—	—	(1,184)	(1,184)
Dividends declared on preferred stock - Series F	—	—	—	—	—	—	(1,840)	(1,840)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(400)	—	(400)
Balance as of June 30, 2023	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,583)	$ 182,960	$ 325,665

The accompanying notes are an integral part of these financial statements.

MEDALLION BANK
STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities		
Net income	$ 29,515	$ 40,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,978	3,458
Deferred tax provision (benefit)	(86)	2,232
Provision for credit losses	35,192	12,716
Net change in value of loan collateral in process of foreclosure	—	535
Unrealized income on equity securities	26	—
Changes in operating assets and liabilities:		
Interest receivable	241	(690)
Other tax payable	(92)	4,276
Other assets	(1,769)	(9,015)
Interest payable	1,252	(149)
Other liabilities	774	11,768
Net cash provided by operating activities	71,031	65,885
Cash Flows from Investing Activities		
Loan originations	(493,343)	(574,275)
Proceeds from loan principal payments	240,312	247,023
Proceeds from sale of loans	39,288	62,830
Purchase of investments	(5,212)	(7,008)
Proceeds from principal receipts, sales and maturities of investments	3,578	1,238
Proceeds from sale of repossessed loan collateral	4,662	7,285
Purchase of fixed assets	(1,139)	(1,068)
Net cash used in investing activities	(211,854)	(263,975)
Cash Flows from Financing Activities		
Issuance of time deposits and other borrowed funds	513,019	505,292
Repayments of funds borrowed	(372,893)	(298,723)
Federal and other funds purchased	45,000	28,000
Repayments of federal and other funds purchased	(20,000)	—
Change in due to affiliates	134	(40)
Dividends paid on common stock	(12,000)	(10,000)
Dividends paid on preferred stock - Series E	(1,183)	(1,184)
Dividends paid on preferred stock - Series F	(1,840)	(1,840)
Net cash provided by financing activities	150,237	221,505
Net change in cash and cash equivalents	9,414	23,415
Cash and cash equivalents, beginning of the period	110,043	74,078
Cash and cash equivalents, end of the period	$ 119,457	$ 97,493
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 28,487	$ 18,741
Cash paid for income taxes	11,100	8,539
Non-cash investing activities - loans transferred to loan collateral in process of foreclosure	11,094	10,589

The accompanying notes are an integral part of these financial statements.

MEDALLION BANK
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description of Business – Medallion Bank ("the Bank") is a Federal Deposit Insurance Corporation ("FDIC") insured, limited-service industrial bank formed in May 2002 and headquartered in Salt Lake City, Utah. The Bank is a wholly owned subsidiary of Medallion Financial Corp. ("MFIN"). The Bank originates consumer loans nationally for the purchase of recreation products such as recreational vehicles ("RVs") and boats (which the Bank refers to as the "Recreation Lending" segment and "Recreation" loans), and to finance home improvements such as replacement windows and roofs (which the Bank refers to as the "Home Improvement Lending" segment and "Home Improvement" loans). In the second half of 2014, the Bank ceased originating loans to finance the purchase of taxi medallions (which the Bank refers to as its "Taxi Medallion" loans and previously referred to as "Medallion" loans), though such loans continue to be refinanced as they mature. All loans are financed primarily with time certificates of deposits which are originated nationally through a variety of brokered deposit relationships.

Basis of Presentation – The Bank's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S.") and prevailing industry practices, which require management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ materially from those estimates.

These financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Bank's Annual Report on Form 10-K for the year ended December 31, 2023. These unaudited financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

Cash and cash equivalents – The Bank considers all highly liquid instruments with an original purchased maturity of three months or less, federal funds sold, and interest-bearing deposits in other banks to be cash equivalents. A non-interest-bearing compensating balance of $0.4 million is maintained at a correspondent bank. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that frequently exceed the federally insured limits. Cash also includes $1.3 million of interest-bearing funds deposited in other banks with original terms of 5 to 6 years that cannot be withdrawn but are salable on an active secondary market without penalty.

Investment securities – FASB ASC Topic 320, "Investments – Debt Securities," requires that all applicable investments in debt securities be classified as trading securities, available-for-sale securities or held-to-maturity securities. Investment securities are purchased from time-to-time in the open market at prices that are greater or less than the par value of the investment. The resulting premium or discount is deferred and recognized on a level yield basis as an adjustment to the yield of the related investment. At June 30, 2024 and 2023, the net premium on investment securities totaled $101,000 and $92,000, respectively, and $9,000 and $18,000 was amortized to interest income for the three and six months ended June 30, 2024, and $7,000 and $14,000 for the three and six months ended June 30, 2023. The Bank had $55.8 million and $54.3 million of available-for-sale securities at fair value as of June 30, 2024 and December 31, 2023, respectively. The Topic further requires that held-to-maturity securities be reported at amortized cost and available-for-sale securities be reported at fair value, with unrealized gains and losses excluded from earnings at the date of the financial statements, and reported in accumulated other comprehensive income (loss) as a separate component of shareholders' equity, net of the effect of income taxes, until they are sold. The Bank had $6.4 million and $6.3 million of pre-tax net unrealized loss on available-for-sale securities as of June 30, 2024 and December 31, 2023, respectively. At the time of sale, any gains or losses, calculated by the specific identification method, will be recognized as a component of operating results and any amounts previously included in shareholders' equity, which were recorded net of the income tax effect, will be reversed. In accordance with ASC 326, we do not maintain an allowance for credit losses for accrued interest receivable.

Equity securities – The Bank follows FASB ASC Topic 321, Investments – Equity Securities ("ASC 321"), which requires all applicable investments in equity securities with a readily determinable fair value to be valued as such, and those without a readily determinable fair value to be measured at cost, less any impairment, plus or minus any observable price changes. In the first quarter of 2021, the Bank purchased $2.0 million of equity securities with a readily determinable fair value. Under this classification, all unrealized gains and losses are included within earnings, and the $1.7 million fair value of these securities as of June 30, 2024 and December 31, 2023 are included within other assets on the balance sheets. The Bank did not purchase any equity securities during the three months ended June 30, 2024. See Note 13. "Fair Value of Assets and Liabilities" in these unaudited financial statements.

The table below presents the unrealized portion related to the equity securities held as of June 30, 2024 and June 30, 2023.

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net gains (losses) recognized during the period on equity securities	$ (7)	$ 28	$ (26)	$ —

Loans – In these financial statements, unless otherwise indicated, loans are reported at the principal amount outstanding, inclusive of net deferred acquisition costs, which primarily include deferred fees paid to loan originators which are amortized into interest income over the life of the loan. Where otherwise stated, loans are reported as the principal amount outstanding ("gross").

Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment to the yield of the related loans. At June 30, 2024 and December 31, 2023, net loan origination costs were $44.8 million and $40.2 million, respectively. Net amortization expense for the three and six months ended June 30, 2024 was $2.3 million and $4.3 million, respectively, and for the three and six months ended June 30, 2023 was $2.4 million and $4.3 million, respectively.

Interest income is recognized on an accrual basis. Taxi Medallion and other loans are placed on nonaccrual status, and all uncollected accrued interest is reversed when there is doubt as to the collectability of interest or principal, or if loans are 90 days or more past due, unless management has determined that they are both well-secured and in the process of collection. Interest income on nonaccrual loans is generally recognized when cash is received, unless a determination has been made to apply all cash receipts to principal. Taxi Medallion loans which reach 120 days past due are charged down to their net realizable value and then generally the remaining balances are moved to repossessed loan collateral on the balance sheet. The consumer loan portfolios are typified by a larger number of smaller dollar loans that have characteristics similar to one another. A loan is considered to be nonperforming when based on current information and events, it is likely the Bank will be unable to collect all amounts due according to the contractual terms of the original loan agreement. Management considers loans that are in bankruptcy status, but have not been charged off, to be nonperforming. Consumer loans are placed on nonaccrual when they become 90 days past due, or earlier if they enter bankruptcy, and are charged off in their entirety when deemed uncollectible, or when they become 120 days past due, whichever occurs first, at which time appropriate recovery efforts against both the borrower and the underlying collateral are initiated. For the Recreation loan portfolio, the process to repossess the collateral is generally started at 60 days past due. If the collateral is not located and the account reaches 120 days delinquent, the account is charged off. If the collateral is repossessed, a loss is recorded by writing the collateral down to its fair value less selling costs, and the collateral is sent to auction. When the collateral is sold, the net auction proceeds are applied to the account, and any remaining balance is written off. Proceeds collected on charged-off accounts are recorded as recoveries. Other loans are reserved to fair value when placed on nonaccrual and are charged off when management determines that a loss has occurred. Fair value is determined based upon comparable market prices for substantially similar collateral plus management's estimate of disposal costs, or through the use of a discounted cash flow model. All interest accrued but not collected for loans that are charged off is reversed against interest income. The interest on these loans is accounted for on a cash basis and applied to principal until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Total gross loans 90 days or more past due were $7.2 million, or 0.3%, and $10.6 million, or 0.5%, at June 30, 2024 and December 31, 2023, respectively.

At June 30, 2024, $6.5 million, or substantially less than 1% of Recreation loans, $1.3 million, or substantially less than 1% of Home Improvement loans, $1.7 million, or 56% of other loans, and $1.2 million, or 100% of Taxi Medallion loans were on nonaccrual. At December 31, 2023, $9.7 million, or 1% of Recreation loans, $1.5 million, or substantially less than 1% of Home Improvement loans, $1.7 million, or 75% of other loans, and $1.3 million, or 100% of Taxi Medallion loans were on nonaccrual. The amount of interest income on nonaccrual loans that would have been recognized if the loans had been paying in accordance with their original terms was $27,000 ($32,000 of which has been applied to principal) and $169,000 ($62,000 of which has been applied to principal) for the three and six months ended June 30, 2024, respectively, and $3,000 ($1,000 of which was applied to principal) and $121,000 ($32,000 of which was applied to principal) for the three and six months ended June 30, 2023, respectively.

Modified and nonperforming loans – In situations where borrowers are experiencing financial difficulties, the Bank may modify the contractual cash flow of a loan. The Bank strives to identify borrowers in financial difficulty early and work with them to modify their loans to more affordable terms before they are required to be charged off. These modifications may include principal forgiveness, interest rate reduction, other-than-insignificant-payment delays or other term extensions intended to minimize the economic loss to the Bank and to avoid foreclosure or repossession of the collateral. For modifications where the Bank forgives principal, the entire amount of such principal forgiveness is immediately charged off. All modified loans are considered nonperforming loans.

When the Bank identifies a loan as nonperforming, the credit loss is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate. When collateral is the sole source of repayment for the loan, the Bank may measure credit loss based on the fair value of the collateral. If foreclosure is probable, the Bank uses the current fair value of the collateral less selling costs instead of discounted cash flows.

If the Bank determines that the value of a nonperforming loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), the Bank recognizes a reduction in the value of the asset by charging off the difference between the recorded amount and the newly determined value. When the value of a nonperforming loan is calculated using discounted expected cash flows, interest income is recognized using the loan's effective interest rate over the remaining life of the loan.

Allowance for credit losses – The Bank adheres to ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC 326"). This accounting standard, commonly referred to as the current expected credit loss ("CECL") methodology, requires the Bank to estimate all expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts. For consumer loans, the Bank segments its loan portfolio by risk pool and uses a probability of default ("PD")/loss given default ("LGD") model to determine the size of its allowance. For each loan, PD and LGD values are assigned based on the delinquency status of the loan. Those values are determined by historical delinquent loan performance for the respective loan pool and actual loss rates within that pool. The PD value time series for each loan is then modified using a model that incorporates statistically significant macroeconomic factors, such as unemployment rate and consumer spending, to predict increases or decreases in expected default rates. Those modifications are applied over a twelve-month reasonable and supportable forecast period followed by a six-month reversion period. As a final step, qualitative factors may be added to each loan pool based on management judgment, increasing or decreasing the size of the allowance for a particular loan pool. For all Taxi Medallion loans, the Bank maintains specific reserves adjusting the loans down to net collateral value. The allowance is evaluated on a regular basis by management and, in addition to the quantitative components of the CECL methodology, is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, prevailing economic conditions, and excess concentration risks. This evaluation is inherently subjective, as it requires estimates, including those based on changes in economic conditions and forecasted economic conditions, that are susceptible to significant revision as more information becomes available. Credit losses are deducted from the allowance and subsequent recoveries are added back to the allowance.

Fixed assets – Fixed assets are stated at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense while significant improvements are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Capitalized leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining lease term.

Deferred Costs – Deferred financing costs represent costs associated with obtaining Bank deposits, which are netted with deposits on the balance sheet and are amortized into interest expense on a straight line basis over the lives of the related deposits.

In addition, the Bank capitalizes certain loan acquisition costs in the process of originating loans. These deferred loan acquisition costs are paid to loan originators and are amortized into interest income over the life of the loan. Amortization expense was $2.3 million and $4.3 million for the three and six months ended June 30, 2024, respectively, and $2.4 million and $4.3 million for the three and six months ended June 30, 2023, respectively. The amounts which are netted with loans on the Bank's balance sheet were $44.8 million and $40.2 million as of June 30, 2024 and December 31, 2023, respectively.

Income taxes – Income taxes are accounted for using the asset and liability approach in accordance with FASB ASC Topic 740, Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their existing tax bases. The Bank files its federal tax returns on a consolidated company basis with MFIN.

Other comprehensive income (loss) – The Bank had $102,000 of net unrealized gain and $49,000 of net unrealized loss due to the change in fair value of available-for-sale securities and interest-bearing funds in other banks for the three and six months ended June 30, 2024, respectively, and $0.9 million and $0.4 million of net unrealized loss for the three and six months ended June 30, 2023, respectively.

Restrictions on dividends, loans, and advances – Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to MFIN. The total amount of dividends that may be paid at any date is generally limited to the retained earnings of the Bank. However, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards.

Financial instruments – FASB ASC Topic 825, "Financial Instruments," requires disclosure of fair value information about certain financial instruments, whether assets, liabilities or off-balance-sheet commitments, if practicable. See also Note 12. "Fair Value of Financial Instruments" in these unaudited financial statements.

Fair value of assets and liabilities – The Bank follows FASB ASC Topic 820, "Fair Value Measurements and Disclosures," ("FASB ASC 820"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 defines fair value as an exit price (i.e., a price that would be received to sell, as opposed to acquire, an asset or transfer a liability), and emphasizes that fair value is a market-based measurement. It establishes a fair value hierarchy that distinguishes between assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. Further, it specifies that fair value measurement should consider adjustment for risk, such as the risk inherent in the valuation technique or its inputs. See also Note 13. "Fair Value of Assets and Liabilities" in these unaudited financial statements.

Stock compensation - Employees and officers of the Bank are eligible to participate in MFIN's equity incentive plan (the "Plan"). The Plan provides for grants of stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance stock awards, and other awards to employees. The Plan is administered by the Compensation Committee of the Board of Directors of MFIN. For stock options, the option price per share may not be less than the current market value of MFIN's common stock on the date the option is granted. The term and vesting periods of an option may not exceed ten years, and the terms of the restricted stock and other types of equity incentive award grants are determined by the Compensation Committee of the Board of Directors of MFIN. The Bank's stock-based compensation expense was $0.4 million and $0.9 million for the three and six months ended June 30, 2024, respectively, and $0.3 million and $0.6 million and for the three and six months ended June 30, 2023, respectively, which was allocated to the Bank by MFIN and was included in salary and benefits cost and director fees.

Recently Issued Accounting Standards — In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements." The amendments in this update include requirements to clarify or improve financial statement disclosures and presentations. The Bank is assessing the impact of the update on its financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The main objective of this update is to improve financial reporting disclosure of incremental segment information on an annual and interim basis for all public entities, which will enable investors to develop more decision-useful financial analyses. The amendments in this update are effective for fiscal years beginning after December 15, 2023 and to be included in interim periods beginning after December 15, 2024. The Bank is assessing the impact of the update on the accompanying financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The main objective of this update is to provide transparency about income tax information through improvements to income tax disclosures primarily related to rate reconciliation and income taxes paid information. The amendments in this update are effective for the annual periods beginning after December 15, 2024. The Bank is assessing the impact of the update on the accompanying financial statements.

2. Investment Securities

Fixed maturity securities available-for-sale consisted of the following:

	June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 43,255	$ 2	$ (4,763)	$ 38,494
State and municipalities	16,751	52	(1,620)	15,183
Agency bonds	2,183	—	(30)	2,153
Total	$ 62,189	$ 54	$ (6,413)	$ 55,830

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 44,653	$ —	$ (4,791)	$ 39,862
State and municipalities	13,733	21	(1,501)	12,253
Agency bonds	2,187	—	(20)	2,167
Total	$ 60,573	$ 21	$ (6,312)	$ 54,282

The amortized cost and estimated fair value of investment securities as of June 30, 2024 by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2024	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 2,039	$ 1,996
Due after one year through five years	5,820	5,608
Due after five years through ten years	8,380	7,370
Due after ten years	45,950	40,856
Total	$ 62,189	$ 55,830

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position consisted of the following:

	June 30, 2024			
	Less than Twelve Months		Twelve Months and Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ (30)	$ 1,988	$ (4,733)	$ 36,024
State and municipalities	(70)	3,130	(1,550)	10,005
Agency bonds	—	—	(30)	2,153
Total	$ (100)	$ 5,118	$ (6,313)	$ 48,182

	December 31, 2023			
	Less than Twelve Months		Twelve Months and Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ (78)	$ 5,797	$ (4,714)	$ 33,971
State and municipalities	(204)	4,839	(1,296)	7,371
Agency bonds	—	—	(20)	2,167
Total	$ (282)	$ 10,636	$ (6,030)	$ 43,509

The Bank had 60 securities at June 30, 2024 and December 31, 2023 with unrealized losses that have not been recognized into income. The investments are mortgage-backed securities and similar instruments with conservative characteristics, a substantial majority of which are directly or indirectly guaranteed by the U.S. Government. The Bank regularly reviews investment securities for impairment resulting from credit loss using both qualitative and quantitative criteria, as necessary. Based on the Bank's assessment, no material impairments for credit loss were recognized during the period. The Bank presently does not intend to sell its investment securities that are in an unrealized loss position and believes that it is unlikely that it will be required to sell these securities before they recover their book value.

As of June 30, 2024 and December 31, 2023, the Bank did not hold investments in any single issuer with an aggregate book value that exceeded 10% of the Bank's equity, other than U.S. Government agency residential mortgage-backed securities issued by the Federal National Mortgage Association.

3. Loans and Allowance for Credit Losses

Loans are summarized as follows:

	June 30, 2024	December 31, 2023
	(in thousands)	
Recreation [1]	$ 1,497,428	$ 1,336,226
Home Improvement [1]	773,184	760,617
Taxi Medallion [2]	1,171	1,255
Other [3]	2,957	2,240
Total loans	$ 2,274,740	$ 2,100,338
Deferred loan acquisition costs, net	44,837	40,183
Total gross loans	$ 2,229,903	$ 2,060,155

(1) Collectively evaluated for impairment.
(2) Individually evaluated for impairment.
(3) Other loans are individually evaluated for impairment with the exception of Strategic Partnership loans, which are collectively evaluated for impairment.

Changes in the allowance for credit losses are summarized as follows:

	Recreation [1]	Home Improvement [1]	Taxi Medallion [2]	Other [3]	Total
			(in thousands)		
Balance as of March 31, 2024	$ 60,011	$ 17,930	$ 707	$ —	$ 78,648
Provision (benefit) for credit losses	15,794	3,278	(882)	—	18,190
Loan charge-offs	(14,627)	(4,063)	—	—	(18,690)
Recoveries	3,962	1,243	860	—	6,065
Balance as of June 30, 2024	$ 65,140	$ 18,388	$ 685	$ —	$ 84,213

	Recreation [1]	Home Improvement [1]	Taxi Medallion [2]	Other [3]	Total
			(in thousands)		
Balance as of December 31, 2023	$ 57,533	$ 21,019	$ 731	$ —	$ 79,283
Provision (benefit) for credit losses	32,825	4,176	(1,809)	—	35,192
Loan charge-offs	(32,728)	(8,961)	—	—	(41,689)
Recoveries	7,510	2,154	1,763	—	11,427
Balance as of June 30, 2024	$ 65,140	$ 18,388	$ 685	$ —	$ 84,213

(1) Collectively evaluated for impairment.
(2) Individually evaluated for impairment.
(3) Other loans are individually evaluated for impairment with the exception of Strategic Partnership loans, which are collectively evaluated for impairment.

	Recreation [1]	Home Improvement [1]	Taxi Medallion [2]	Other [3]	Total
			(in thousands)		
Balance as of March 31, 2023	$ 49,936	$ 14,658	$ 1,041	$ 26	$ 65,661
Provision (benefit) for credit losses	10,135	3,739	(5,017)	—	8,857
Loan charge-offs	(9,166)	(2,575)	(220)	—	(11,961)
Recoveries	3,282	626	4,982	—	8,890
Balance as of June 30, 2023	$ 54,187	$ 16,448	$ 786	$ 26	$ 71,447

	Recreation (1)	Home Improvement (1)	Taxi Medallion (2)	Other (3)	Total
			(in thousands)		
Balance as of December 31, 2022	$ 41,966	$ 11,340	$ 8,298	$ 26	$ 61,630
CECL transition amount upon ASC 326 adoption	10,038	1,518	—	—	11,556
Provision (benefit) for credit losses	17,886	6,820	(11,979)	(11)	12,716
Loan charge-offs	(21,756)	(4,489)	(3,814)	—	(30,059)
Recoveries	6,053	1,259	8,281	11	15,604
Balance as of June 30, 2023	$ 54,187	$ 16,448	$ 786	$ 26	$ 71,447

(1) Collectively evaluated for impairment.
(2) Individually evaluated for impairment.
(3) Other loans are individually evaluated for impairment with the exception of Strategic Partnership loans, which are collectively evaluated for impairment.

The Recreation and Home Improvement loan portfolios are primarily consumer credit-driven, whereby borrowers are assessed a score based on credit history, credit performance, and related factors weighted in a credit scoring model that determines whether a borrower is qualified. Credit losses in these portfolios fluctuate with economic conditions and can range widely over time. Other loans are made infrequently, and on a case-by-case basis, after performing thorough borrower review, including credit and collateral checks. The risk associated with these types of loans is specific to that particular credit, and such risks are monitored and tracked closely.

The following tables set forth the gross charge-offs by year of origination that occurred during the three and six months ended June 30, 2024:

	Three Months Ended June 30, 2024						
	2024	2023	2022	2021	2020	Prior	Total
				(in thousands)			
Recreation	$ 99	$ 4,099	$ 5,049	$ 1,990	$ 986	$ 2,404	$ 14,627
Home Improvement	40	1,508	1,594	507	119	295	4,063
Taxi Medallion	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total	$ 139	$ 5,607	$ 6,643	$ 2,497	$ 1,105	$ 2,699	$ 18,690

	Six Months Ended June 30, 2024						
	2024	2023	2022	2021	2020	Prior	Total
				(in thousands)			
Recreation	$ 99	$ 7,862	$ 11,867	$ 5,487	$ 2,275	$ 5,138	$ 32,728
Home Improvement	40	3,032	3,274	1,670	406	539	8,961
Taxi Medallion	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total	$ 139	$ 10,894	$ 15,141	$ 7,157	$ 2,681	$ 5,677	$ 41,689

The following tables set forth the gross charge-offs by year of origination that occurred during the three and six months ended June 30, 2023:

	Three Months Ended June 30, 2023						
	2023	2022	2021	2020	2019	Prior	Total
	(in thousands)						
Recreation	$ 44	$ 3,568	$ 2,344	$ 785	$ 918	$ 1,507	$ 9,166
Home Improvement	39	1,548	473	158	91	266	2,575
Taxi Medallion	—	—	—	—	—	221	221
Other	—	—	—	—	—	—	—
Total	$ 83	$ 5,116	$ 2,817	$ 943	$ 1,009	$ 1,994	$ 11,962

	Six Months Ended June 30, 2023						
	2023	2022	2021	2020	2019	Prior	Total
	(in thousands)						
Recreation	$ 44	$ 7,176	$ 5,414	$ 2,456	$ 2,472	$ 4,194	$ 21,756
Home Improvement	39	2,452	1,101	301	222	374	4,489
Taxi Medallion	—	—	—	—	—	3,814	3,814
Other	—	—	—	—	—	—	—
Total	$ 83	$ 9,628	$ 6,515	$ 2,757	$ 2,694	$ 8,382	$ 30,059

Allowance for credit losses may be allocated for specific loans, but the allowance is general in nature and is available to absorb losses from any loan type. The following table provides a summary of the gross loan portfolio by its performance status and by type:

	Performing		Nonperforming		Total [1]	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	(in thousands)					
Recreation	$ 1,442,235	$ 1,283,222	$ 6,274	$ 9,369	$ 1,448,509	$ 1,292,591
Home Improvement	775,961	762,567	1,305	1,502	777,266	764,069
Taxi Medallion	—	—	1,171	1,255	1,171	1,255
Other	1,300	553	1,657	1,687	2,957	2,240
Total	$ 2,219,496	$ 2,046,342	$ 10,407	$ 13,813	$ 2,229,903	$ 2,060,155

(1) Amounts exclude net deferred origination costs of $44.8 million.

The tables below show the aging of all loan types (gross loans) as of June 30, 2024 and December 31, 2023:

	June 30, 2024						
	Days Past Due						
	30-59	60-89	90+	Total Past Due	Current	Total [1]	Recorded Investment 90+ Days and Accruing
	(in thousands)						
Recreation	$ 35,094	$ 13,278	$ 5,938	$ 54,310	$ 1,394,199	$ 1,448,509	$ —
Home Improvement	3,637	1,993	1,305	6,935	770,331	777,266	—
Taxi Medallion	—	—	—	—	1,171	1,171	—
Other	—	—	—	—	2,957	2,957	—
Total	$ 38,731	$ 15,271	$ 7,243	$ 61,245	$ 2,168,658	$ 2,229,903	$ —

(1) Amounts exclude net deferred origination costs of $44.8 million.

	December 31, 2023						
	Days Past Due						
	30-59	60-89	90+	Total Past Due	Current	Total [1]	Recorded Investment 90+ Days and Accruing
	(in thousands)						
Recreation	$ 40,282	$ 15,039	$ 9,095	$ 64,416	$ 1,228,175	$ 1,292,591	$ —
Home Improvement	3,936	2,562	1,502	8,000	756,069	764,069	—
Taxi Medallion	123	—	—	123	1,132	1,255	—
Other	—	—	—	—	2,240	2,240	—
Total	$ 44,341	$ 17,601	$ 10,597	$ 72,539	$ 1,987,616	$ 2,060,155	$ —

(1) Amounts exclude net deferred origination costs of $44.8 million.

4. Fixed Assets

Fixed assets and their related useful lives were as follows:

	Useful lives	As of June 30, 2024	As of December 31, 2023
		(in thousands)	
Computer software [1]	3 years	$ 6,131	$ 5,050
Equipment	3-5 years	432	373
Furniture and fixtures	5-10 years	372	372
Leasehold improvements	3-5 years	148	148
		7,083	5,943
Less accumulated depreciation and amortization		(962)	(834)
Net fixed assets		$ 6,121	$ 5,109

(1) Includes $5.8 million of work in process that will be depreciated when placed in service.

Depreciation expense was $63,000 and $127,000 for the three and six months ended June 30, 2024, respectively, and $70,000 and $140,000 for the three and six months ended June 30, 2023, respectively.

5. Deposits and Other Funds Borrowed

Deposits and other funds borrowed consisted of the following:

	As of June 30, 2024	As of December 31, 2023
	(in thousands)	
Brokered certificates of time deposits[1]	$ 1,982,746	$ 1,842,757
Retail savings deposits	10,856	14,881
Listing service deposits	16,054	11,801
Strategic partner collateral deposits	1,750	1,500
Total deposits	$ 2,011,406	$ 1,870,939
Federal Reserve and other borrowings	25,000	—
Total deposits and funds borrowed	$ 2,036,406	$ 1,870,939

(1) Excludes $4.6 million and $4.3 million of deferred financing costs as of June 30, 2024 and December 31, 2023, respectively.

The scheduled maturities of brokered certificates of time deposit, listing service deposits, and retail savings deposits were as follows:

	Six months ended June 30, 2024[1]
	(in thousands)
2025	$ 867,211
2026	390,139
2027	434,160
2028	118,517
2029	199,629
Total	$ 2,009,656

(1) Excludes $4.6 million of deferred financing costs and $1.8 million of strategic partner reserve deposits.

Most deposits are raised through the use of investment brokerage firms who package deposits qualifying for FDIC insurance into pools that are sold to the Bank. The rates paid on these brokered deposits are highly competitive with market rates paid by other financial institutions. Additionally, a brokerage fee is paid depending on the maturity of the deposits, which averages less than 15 basis points, and which is capitalized and amortized to interest expense over the life of the respective pool. The total amount capitalized as of June 30, 2024 and December 31, 2023 was $4.6 million and $4.3 million, respectively, of which $0.6 million and $1.2 million was amortized to interest expense for the three and six months ended June 30, 2024, respectively, and $0.5 million and $1.0 million for the three and six months ended June 30, 2023, respectively. The Bank also originates time deposits through internet listing services, which are deposits from other financial institutions, and retail savings deposits through a third-party service provider. All time deposits are in denominations of $250,000 or less. Interest on deposits is accrued daily and paid monthly, quarterly, semiannually or at maturity. As of June 30, 2024 and December 31, 2023, the total amount of uninsured deposits at the Bank was $1.1 million and $0.8 million, respectively. The weighted average interest rate of deposits outstanding, including brokerage fees amortized into interest expense as of June 30, 2024 and December 31, 2023 was 3.62% and 3.18%, respectively.

The following table presents additional maturity information for time deposits:

	As of June 30, 2024	As of December 31, 2023
	(in thousands)	
Three months or less	$ 226,507	$ 176,834
Over three months through six months	151,130	190,494
Over six months through one year	478,718	296,637
Over one year	1,142,445	1,190,593
Total(1)(2)(3)	$ 1,998,800	$ 1,854,558

(1) Excludes $4.6 million and $4.3 million of deferred financing costs as of June 30, 2024 and December 31, 2023, respectively.

(2) Excludes $1.8 million and $1.5 million of strategic partner reserve deposit as of June 30, 2024 and December 31, 2023, respectively.

(3) Excludes $10.9 million and $14.9 million of retail savings deposits as of June 30, 2024 and December 31, 2023, respectively. These savings deposits have no fixed maturity dates.

As of June 30, 2024 and December 31, 2023, the Bank had unsecured and undrawn federal funds lines with correspondent banks of $75.0 million. As of June 30, 2024, the Bank had $99.2 million in home improvement loans pledged as collateral to the Federal Reserve with an advance rate of approximately 40% of book value. The Bank had approximately $40.1 million in secured borrowing capacity with the Federal Reserve, of which $25 million was utilized as of June 30, 2024. The discount window facility is not committed, and any borrowings by the Bank from the discount window facility are at the discretion of the Federal Reserve.

6. Income Taxes

The components of the Bank's tax provision for the three and six months ended June 30, 2024 and 2023 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Current				
Federal	$ 4,330	$ 5,551	$ 8,103	$ 9,433
State	1,552	1,991	2,905	3,382
Deferred				
Federal	(298)	(146)	(63)	1,688
State	(108)	(114)	(23)	544
Net provision for income taxes	$ 5,476	$ 7,282	$ 10,922	$ 15,047

The following table presents a reconciliation of statutory federal income tax provision to actual income tax provision reported for the three and six months ended June 30, 2024 and 2023, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Statutory Federal income tax provision at 21%	$ 4,307	$ 5,588	$ 8,492	$ 11,718
State and local income taxes, net of federal income tax provision	1,134	1,472	2,236	3,086
Change in effective state income tax rate				—
Non-deductible expenses	31	33	189	49
Other	4	189	5	194
Total provision for income taxes	$ 5,476	$ 7,282	$ 10,922	$ 15,047

The following table sets forth the significant components of the Bank's deferred and other tax assets and liabilities as of June 30, 2024 and December 31, 2023:

	As of June 30, 2024	As of December 31, 2023
	(in thousands)	
Provision for credit losses	$ 22,698	$ 21,424
Deferred loan acquisition costs	(11,895)	(10,660)
Unrealized losses on investments	1,780	1,761
Other	283	236
Net deferred tax assets	$ 12,866	$ 12,761

Deferred tax assets and liabilities relate to temporary differences between the financial reporting and income tax bases of the Bank's assets and liabilities, as well as the impact of tax loss carryforwards or carrybacks, and are measured using the enacted income tax laws and rates that will be in effect when such differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible pursuant to ASC Topic 740, “Income Taxes.” Management considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management’s evaluation of the realizability of deferred tax assets must consider both positive and negative evidence.

The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Based on these considerations, no valuation allowance was deemed necessary as of June 30, 2024 and December 31, 2023.

The Bank's U.S. federal and certain state operations are included in various MFIN consolidated tax returns, and, in such cases, MFIN makes payments to tax authorities on the Bank's behalf. The Bank and MFIN maintain a tax sharing agreement for any operations included in an MFIN consolidated tax return, pursuant to which MFIN charges the Bank for any taxes owed and reimburses the Bank for current tax benefits generated. Such charges or reimbursements are based upon the Bank's separate income tax liability calculated as if the Bank had filed a separate federal or state tax return, as the case may be.

7. Other Transactions with Affiliates

The Bank has loans and other assets that are sourced and serviced by the Bank's and MFIN's affiliates. The Bank's aggregated Taxi Medallion and other loans were $2.8 million and $2.9 million, and other assets serviced totaled $7.0 million and $8.6 million, as of June 30, 2024 and December 31, 2023, respectively. The Bank paid $0.4 million and $0.8 million of loan servicing fees to MFIN affiliates for the three and six months ended June 30, 2024, respectively, and $0.5 million and $1.1 million for the three and six months ended June 30, 2023, respectively.

As of June 30, 2024 and December 31, 2023, the Bank owed $883,000 and $749,000, respectively, to affiliates for monthly servicing fees on loans, charges for corporate overhead, and legal expenses, partially offset by payments due to the Bank from collection of loan payments by affiliates. As of June 30, 2024 and December 31, 2023, the Bank held a $100,000 collateral deposit due to MFIN. The Bank compensated MFIN for corporate services in the amounts of $105,000 and $217,000 for the three and six months ended June 30, 2024, respectively, and $108,000 and $229,000 for the three and six months ended June 30, 2023, respectively.

8. 401(k) Plan

The Bank participates in the 401(k) Plan offered by MFIN. The 401(k) Plan covers all full- and part-time employees of the Bank who have reached the age of 18 and have a minimum of thirty (30) days of service. Under the 401(k) Plan, an employee may elect to defer not less than 1% and not more than the applicable limits set forth in the Internal Revenue Code. Employee contributions are invested in various mutual funds according to the directions of the employee. Once eligible full-time employees have completed a minimum of 90 days of service and part-time employees have worked at least 1,000 hours, MFIN matches employee contributions to the 401(k) Plan in an amount per employee equal to fifty percent of the first 8% of the employee's annual contributions, subject to legal limits. The Bank provided $91,000 and $180,000 in employer matching for the three and six months ended June 30, 2024, respectively, and $81,000 and $159,000 for the three and six months ended June 30, 2023, respectively.

9. Segment Reporting

The Bank has three business segments that reflect the main types of lending and other operations at the Bank, which are Recreation Lending, Home Improvement Lending, and Other (as defined below). The segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of the segments are intended to reflect each segment as if it were essentially a stand-alone business.

The Recreation Lending segment is a consumer finance business that works with third-party dealers and financial service providers ("FSPs") for the purpose of financing recreational products concentrated in RVs, boats and collector cars. The Home Improvement Lending segment is a consumer finance business that works with contractors and FSPs to finance residential home improvements concentrated in roofing, swimming pools, and windows. The "Other" segment includes Taxi Medallion loans, activities related to the Bank's Strategic Partnership Program, other loans that are not Recreation, Home Improvement or Taxi Medallion loans, and cash, investments and net non-interest earning assets.

Where segments use services provided by corporate support units or another segment, the costs of those services are allocated to the respective segments. The expense is generally allocated based on the actual cost and use of services provided.

The following tables present segment results for the periods indicated.

Three Months Ended June 30, 2024

(dollars in thousands)	Recreation	Home Improvement	Other	Total
Total interest income	$ 47,490	$ 17,652	$ 1,617	$ 66,759
Total interest expense	9,880	5,531	1,113	16,524
Net interest income	37,610	12,121	504	50,235
Provision (benefit) for credit losses	15,794	3,278	(882)	18,190
Other expense, net of non-interest income	7,532	3,601	400	11,533
Net income before taxes	14,284	5,242	986	20,512
Income tax provision	3,813	1,400	263	5,476
Net income after tax	$ 10,471	$ 3,842	$ 723	$ 15,036
Balance sheet data				
Loans	$ 1,497,428	$ 773,184	$ 4,128	$ 2,274,740
Total assets	1,464,991	765,557	212,844	2,443,392
Total deposits and other funds borrowed[1]	1,213,412	673,196	149,798	2,036,406
Selected financial ratios				
Return on average assets	3.00 %	2.05 %	1.47 %	2.57 %
Return on average equity	19.57	13.39	9.63	16.77
Interest yield	13.30	9.32	7.13	11.91
Net interest margin	10.53	6.40	1.22	8.55
Reserve coverage	4.35	2.38	16.60	3.70
Delinquency status[2]	3.63	0.90	—	2.69
Annualized net charge-off (recovery) ratio	2.99	1.49	(85.13)	2.31

Six Months Ended June 30, 2024

(dollars in thousands)	Recreation	Home Improvement	Other	Total
Total interest income	$ 91,417	$ 35,098	$ 3,212	$ 129,727
Total interest expense	18,472	10,564	2,241	31,277
Net interest income	72,945	24,534	971	98,450
Provision (benefit) for credit losses	32,825	4,177	(1,810)	35,192
Other expense, net of non-interest income	14,655	7,189	977	22,821
Net income before taxes	25,465	13,168	1,804	40,437
Income tax provision	6,883	3,551	488	10,922
Net income after tax	$ 18,582	$ 9,617	$ 1,316	$ 29,515
Balance sheet data				
Loans	$ 1,497,428	$ 773,184	$ 4,128	$ 2,274,740
Total assets	1,464,991	765,557	212,844	2,443,392
Total deposits and other funds borrowed[1]	1,213,412	673,196	149,798	2,036,406
Selected financial ratios				
Return on average assets	2.74 %	2.57 %	1.40 %	2.58 %
Return on average equity	17.69	16.60	9.02	16.63
Interest yield	13.20	9.29	6.34	11.81
Net interest margin	10.54	6.49	1.24	8.57
Reserve coverage	4.35	2.38	16.60	3.70
Delinquency status[2]	3.63	0.90	—	2.69
Annualized net charge-off (recovery) ratio	3.64	1.80	(91.71)	2.82

(1) Excludes $4.6 million of deferred financing costs.
(2) 30 days or more past due.

Three Months Ended June 30, 2023

(dollars in thousands)	Recreation	Home Improvement	Other	Total
Total interest income	$ 41,109	$ 15,292	$ 1,886	$ 58,287
Total Interest expense	6,698	3,712	927	11,337
Net interest income	34,411	11,580	959	46,950
Provision (benefit) for credit losses	10,135	3,739	(5,017)	8,857
Other expense, net of non-interest income	6,848	3,513	1,121	11,482
Net income before taxes	17,428	4,328	4,855	26,611
Income tax provision	4,791	1,177	1,314	7,282
Net income after tax	$ 12,637	$ 3,151	$ 3,541	$ 19,329
Balance sheet data				
Loans	$ 1,331,114	$ 728,468	$ 4,381	$ 2,063,963
Total assets	1,304,702	723,733	191,534	2,219,969
Total deposits and other funds borrowed[(1)]	1,053,307	609,484	182,700	1,845,491
Selected financial ratios				
Return on average assets	4.09 %	1.82 %	7.60 %	3.66 %
Return on average equity	27.24	12.16	50.66	24.38
Interest yield	13.03	8.79	40.17	11.58
Net interest margin	10.91	6.65	88.19	9.27
Reserve coverage	4.07	2.26	0.54	3.46
Delinquency status[(2)]	3.22	0.73	—	2.33
Annualized net charge-off (recovery) ratio	1.87	1.12	(443.47)	0.63

Six Months Ended June 30, 2023

(dollars in thousands)	Recreation	Home Improvement	Other	Total
Total interest income	$ 79,008	$ 28,941	$ 3,272	$ 111,221
Total interest expense	11,759	6,526	1,652	19,937
Net interest income	67,249	22,415	1,620	91,284
Provision (benefit) for credit losses	17,886	6,820	(11,990)	12,716
Other expense, net of non-interest income	13,576	6,914	2,277	22,767
Net income before taxes	35,787	8,681	11,333	55,801
Income tax provision	9,672	2,334	3,041	15,047
Net income after tax	$ 26,115	$ 6,347	$ 8,292	$ 40,754
Balance sheet data				
Loans	$ 1,331,114	$ 728,468	$ 4,381	$ 2,063,963
Total assets	1,304,702	723,733	191,534	2,219,969
Total deposits and other funds borrowed[(1)]	1,053,307	609,484	182,700	1,845,491
Selected financial ratios				
Return on average assets	4.36 %	1.91 %	9.58 %	4.00 %
Return on average equity	28.71	12.58	63.13	26.35
Interest yield	12.93	8.66	18.87	11.45
Net interest margin	11.00	6.71	41.03	8.98
Reserve coverage	4.07	2.26	0.56	3.46
Delinquency status[(2)]	3.22	0.73	—	2.33
Annualized net charge-off (recovery) ratio	2.57	0.97	(113.41)	1.52

(1) Excludes $3.9 million of deferred financing costs.
(2) 30 days or more past due.

10. Commitments and Contingencies

Loans – As of June 30, 2024 and December 31, 2023, the Bank had $5.7 million and $3.0 million in commitments to extend credit to customers for unfunded amounts.

Leases – The Bank leases office space under a non-cancelable operating lease that expires in November 2030. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Bank recognizes lease expense for these leases on a straight-line basis over the lease term. The Bank accounts for lease components including rent, real estate taxes and insurance costs separately from non-lease components like common-area maintenance fees. Leases include options to renew, with renewal terms that can extend the lease term for one or more years. The exercise of lease renewal options is at the Bank's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Operating lease right-of-use assets and lease liabilities are as follows:

	As of June 30, 2024	As of December 31, 2023
	(in thousands)	
Assets		
Operating lease right-of-use assets	$ 2,729	$ 3,031
Liabilities		
Operating lease liabilities	$ 2,721	$ 3,015

Operating lease costs were $163,000 and $306,000 for the three and six months ended June 30, 2024, respectively, and $141,000 and $273,000 for the three and six months ended June 30, 2023, respectively.

Supplemental cash flow information related to operating leases for the three and six months ended June 30, 2024 was payments of $139,000 and $285,000, respectively, against amounts included in the measurement of lease liabilities, compared to $142,000 and $285,000 for the three and six months ended June 2023, respectively.

The weighted-average remaining lease term for operating leases was 6.3 years. The weighted-average discount rate used for operating leases was 6.75% as of June 30, 2024 and 2023.

There were no material operating leases that the Bank entered into and were yet to commence as of June 30, 2024.

	As of June 30, 2024
	(in thousands)
Remainder of 2024	$ 280
2025	574
2026	591
2027	578
2028	443
Thereafter	847
Total lease payments	3,313
Less imputed interest	(592)
Present value of lease liabilities	$ 2,721

11. Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the bank regulators about components, risk weightings and other factors.

FDIC-insured banks, including the Bank, are subject to various legal limitations on the extent to which banks may finance or otherwise supply funds to certain of their affiliates. In particular, the Bank is subject to certain restrictions on any extensions of credit to, or other covered transactions with, MFIN or its affiliates such as certain purchases of assets.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as defined in the regulations (set forth in the table below). Additionally, as conditions of granting the Bank's application for federal deposit insurance, the FDIC ordered that the Tier 1 leverage capital to total assets ratio, as defined, be not less than 15%, and that an adequate allowance for credit losses be maintained. As of June 30, 2024 and December 31, 2023, the Bank's Tier 1 leverage capital ratio was 16.1% and 16.2%, respectively. The Bank's actual capital amounts and ratios and the regulatory minimum ratios are presented in the following table:

	June 30, 2024		December 31, 2023		Minimum Regulatory Requirements as of June 30, 2024	Well-Capitalized Requirements
	Amount	Ratio	Amount	Ratio		
	(dollars in thousands)					
Tier 1 leverage capital	$ 374,974	16.1%	$ 362,561	16.2%	4.0%	5.0%
CET1 risk-based capital	306,186	13.2	293,774	13.6	7.0	6.5
Tier 1 risk-based capital	374,974	16.1	362,561	16.8	8.5	8.0
Total risk-based capital	404,742	17.4	390,153	18.1	10.5	10.0

In the table above, the minimum risk-based ratios reflect the capital conservation buffer of 2.5%. As of both June 30, 2024 and December 31, 2023, the minimum regulatory requirements, inclusive of the capital conservation buffer, were the binding requirements for risk-based requirements, and the "well capitalized" requirements were the binding requirements for Tier 1 leverage capital. With the adoption of ASC 326, "Financial Instruments – Credit Losses," on January 1, 2023, the Bank elected to phase in the regulatory capital effects of the CECL transition amount, which reduced the capital impact by $4.2 million in 2024 and increased the Tier 1 leverage capital ratio by 15 basis points.

12. Fair Value of Financial Instruments

FASB ASC Topic 825, "Financial Instruments," requires disclosure of fair value information about certain financial instruments, whether assets, liabilities or off-balance-sheet commitments, if practicable. The following methods and assumptions were used to estimate the fair value of each class of financial instrument. Fair value estimates that were derived from broker quotes cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument:

- **(a) Loans –** A discounted cash flow method under the income approach is utilized to estimate the market value of the loan portfolio. The discounted cash flow method relies upon assumptions about the amount and timing of scheduled principal and interest payments, principal prepayments, and current market rates. The loan portfolio is aggregated into categories based on loan type and credit quality. For each loan category, weighted average statistics, such as coupon rate, age, and remaining term are calculated. These are Level 3 valuations. Prior to the second quarter of 2024, fair value was reported as approximating book value.
- **(b) Investment securities** –The Bank's investments are recorded at the estimated fair value of such investments.
- **(c) Equity securities** – The Bank's equity securities are recorded at cost less any impairment plus or minus observable price changes.
- **(d) Cash and cash equivalents** – Book value equals market value.
- **(e) Accrued interest receivable** – Book value equals market value.
- **(f) Floating rate borrowings** – Due to the short-term nature of these instruments, the carrying amount approximates fair value.
- **(g) Fixed rate borrowings –** Market values for certificates of deposit are estimated by using discounted cash flow analyses, based on market spreads to benchmark rates, and are considered Level 2 valuations. Prior to the second quarter of 2024, fair value was reported as approximating book value.
- **(h) Accrued interest payable** – Due to the short-term nature of these instruments, the carrying amount approximates fair value.
- **(i) Commitments to extend credit** – The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also includes a consideration of the

difference between the current levels of interest rates and the committed rates. As of June 30, 2024 and December 31, 2023, the estimated fair value of these off-balance sheet instruments was not material.

The Bank's financial instruments consisted of the following:

	June 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial Assets				
Cash and cash equivalents[1]	$ 119,457	$ 119,457	$ 110,043	$ 110,043
Investment securities	55,830	55,830	54,282	54,282
Loans, net	2,190,527	2,179,479	2,021,055	2,021,055
Equity securities[2]	1,722	1,722	1,748	1,748
Accrued interest receivable	13,203	13,203	13,439	13,439
Financial Liabilities				
Deposits and other funds borrowed[3]	2,034,656	1,975,036	1,869,439	1,869,439
Accrued interest payable	5,281	5,281	4,029	4,029

(1) Includes federal funds sold and interest-bearing deposits in other banks.
(2) Included in other assets on the Balance Sheets.
(3) Excludes $4.6 million and $4.3 million of deferred financing costs, and $1.8 million and $1.5 million of strategic partner reserve deposits for June 30, 2024 and December 31, 2023, respectively.

13. Fair Value of Assets and Liabilities

The Bank follows the provisions of FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

In accordance with FASB ASC 820, the Bank has categorized its assets and liabilities measured at fair value, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

As required by FASB ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a level 3 fair value measurement may include inputs that are observable (level 1 and 2) and unobservable (level 3). Therefore, gains and losses for such assets and liabilities categorized within the level 3 table below may include changes in fair value that are attributable to both observable inputs (level 1 and 2) and unobservable inputs (level 3).

Assets and liabilities measured at fair value and recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Bank has the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives, most U.S. Government and agency securities, and certain other sovereign government obligations).

Level 2. Assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

A) Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);

B) Quoted prices for identical or similar assets or liabilities in non-active markets (for example, corporate and municipal bonds, which trade infrequently);

C) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and

D) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage-related assets, including loans, securities, and derivatives).

Level 3. Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the assets or liabilities (examples include certain private equity investments, and certain residential and commercial mortgage-related assets (including loans, securities, and derivatives)).

Changes in the observability of valuation inputs may result in a reclassification for certain assets or liabilities.

Reclassifications impacting level 3 of the fair value hierarchy are reported as transfers in/out of the level 3 category.

The following tables present the Bank's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Interest-bearing deposits in other banks	$ —	$ 1,250	$ —	$ 1,250
Available-for-sale investment securities (1)	—	55,830	—	55,830
Equity securities	1,722	—	—	1,722
Total	$ 1,722	$ 57,080	$ —	$ 58,802

(1) Total unrealized loss of $0.1 million net of tax was included in other comprehensive income (loss) for the year ended June 30, 2024 related to these assets.

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Interest-bearing deposits in other banks	$ —	$ 1,250	$ —	$ 1,250
Available-for-sale investment securities (1)	—	54,282	—	54,282
Equity securities	1,748	—	—	1,748
Total	$ 1,748	$ 55,532	$ —	$ 57,280

(1) Total unrealized loss of $0.3 million net of tax was included in other comprehensive income (loss) for the year ended December 31, 2023 related to these assets.

The following tables present the Bank's fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of June 30, 2024 and December 31, 2023:

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Nonperforming loans (gross)	$ —	$ —	$ 9,379	$ 9,379
Loan collateral in process of foreclosure	—	—	3,103	3,103
Other assets	—	—	5,346	5,346
Total	$ —	$ —	$ 17,828	$ 17,828

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Nonperforming loans (gross)	$ —	$ —	$ 12,591	$ 12,591
Loan collateral in process of foreclosure	—	—	4,165	4,165
Other assets	—	—	6,165	6,165
Total	$ —	$ —	$ 22,921	$ 22,921

Significant Unobservable Inputs

ASC Topic 820 requires disclosure of quantitative information about the significant unobservable inputs used in the valuation of assets and liabilities classified as level 3 within the fair value hierarchy. The table below is not intended to be all-inclusive, but rather to provide information on significant unobservable inputs and valuation techniques used by the Bank.

The valuation techniques and significant unobservable inputs used in non-recurring level 3 fair value measurements of assets and liabilities as of June 30, 2024 are as follows:

(Dollars in thousands)	Fair Value at June 30, 2024	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Nonperforming loans (gross)	$ 9,379	Market approach	Historical and actual loss experience	0.0% - 23.06%
			Transfer prices(1)	$0.0 - 79.5
			Collateral value	N/A
Loan collateral in process of foreclosure	3,103	Market approach	Transfer prices(1)	$0.0 - 79.5
			Collateral value(2)	$2.5 - 51.3
Other Assets	5,346	Market approach	Transfer prices(1)	$0.0 - 79.5

(Dollars in thousands)	Fair Value at December 31, 2023	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Nonperforming loans (gross)	$ 12,591	Market approach	Historical and actual loss experience	0.0% - 28.48%
			Transfer prices(1)	$0.0 - 79.5
			Collateral value	N/A
Loan collateral in process of foreclosure	4,165	Market approach	Transfer prices(1)	$0.0 - 79.5
			Collateral value(2)	$2.3 - 45.0
Other Assets	6,165	Market approach	Transfer prices(1)	$0.0 - 79.5

(1) Represents amount net of liquidation costs.
(2) Relates to the Recreation Lending segment.

14. Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F

On December 17, 2019, the Bank closed an initial public offering of 1,840,000 shares of its Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F ("Series F") with a $46.0 million aggregate liquidation amount, or $25 per share, yielding net proceeds of $42.5 million, which were recorded in the Bank's shareholders' equity. Dividends are payable quarterly from the date of issuance to, but excluding, April 1, 2025, at a rate of 8% per annum, and from and including April 1, 2025, at a floating rate equal to a benchmark rate (which is based on the Secured Overnight Financing Rate, or SOFR, and is expected to be three-month Term SOFR) plus a spread of 6.46% per annum.

On January 25, 2024, the Bank's Board of Directors (the "Board") declared a quarterly cash dividend of $0.50 per share on the Series F, to shareholders of record at the close of business on March 15, 2024, which was paid on April 1, 2024. On April 25, 2024, the Board declared a quarterly cash dividend of $0.50 per share on the Series F to shareholders of record at the close of business on June 15, 2024, which was paid on July 1, 2024. On July 25, 2024, the Board declared a quarterly cash dividend of $0.50 per share on the Series F to shareholders of record at the close of business on September 16, 2024, which is payable on October 1, 2024.

15. Small Business Lending Fund Program (SBLF)

On February 27, 2009 and December 22, 2009, the Bank issued, and the U.S. Treasury purchased under the TARP Capital Purchase Program (the "CPP"), the Bank's fixed rate non-cumulative Perpetual Preferred Stock, Series A, B, C, and D for an aggregate purchase price of $21.5 million in cash. On July 21, 2011, the Bank issued, and the U.S. Treasury purchased 26,303 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series E ("Series E"), for an aggregate purchase price of $26.3 million under the SBLF, with a liquidation amount of $1,000 per share. The SBLF is a voluntary program intended to encourage small business lending by providing capital to qualified smaller banks at favorable rates. In connection with the issuance of the Series E, the Bank exited the CPP by redeeming the Series A, B, C, and D shares; and received approximately $4.0 million, net of dividends due, on the repaid securities. The Bank previously paid a dividend rate of 1% on the Series E, which increased to 9% in the first quarter of 2016. On March 28, 2024, the Board declared a quarterly cash dividend of $22.50 per share on the Series E, which was paid on April 1, 2024. On June 20, 2024, the Board declared a quarterly cash dividend of $22.50 per share on the Series E, which was paid on July 1, 2024.

16. Subsequent Events

The Bank has evaluated subsequent events from the balance sheet date through the date at which the financial statements were available to be issued and determined that there are no other items to disclose.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Objective

The following is a discussion of our financial condition as of June 2024, as compared to December 2023, and our results of operations for the three and six months ended June 2024 and 2023. This section is intended to provide management's perspective of its results of operations. This discussion and analysis should be read in conjunction with our unaudited financial statements and related notes thereto presented elsewhere, as well as our audited financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023. In addition to historical information, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially. See "Cautionary Note Regarding Forward-Looking Statements." For a more complete discussion of the factors that could affect our future results, see Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

General

We are a Utah-chartered, Federal Deposit Insurance Corporation ("FDIC") insured industrial bank headquartered in Salt Lake City, Utah. We specialize in providing consumer loans through dealers and financial service providers ("FSPs") for the purchase of recreation products such as recreational vehicles ("RVs") and boats, and through contractors and FSPs for the purchase of home improvements, such as replacement windows and roofs, along with offering loan origination services to fintech partners. Formed in 2002 and opened in December 2003, we are a wholly owned subsidiary of Medallion Financial Corp. ("MFIN"), a finance company. As a consolidated subsidiary of MFIN, the Bank's assets, liabilities, results of operations and cash flows are reflected in MFIN's consolidated financial statements. Financial information relating to the Bank in the Bank's disclosures, including this Form 10-Q, may not be comparable to financial information about the Bank in MFIN's Securities and Exchange Commission ("SEC") filings because of intercompany assets, liabilities, revenues and expenses between the Bank, on the one hand, and MFIN and MFIN's other consolidated subsidiaries, on the other hand, that are eliminated in consolidation, as well as methodological differences in segment disclosures. The methodological differences in segment disclosures reflect differences in the assets, liabilities, revenues, expenses, and activities of the Bank, on a standalone basis, and MFIN, on a consolidated basis.

In 2004, our first full year of operation, we acquired a consumer loan portfolio and hired the related employees from a company exiting the banking business. Following this acquisition, we began originating consumer loans used to purchase RVs and boats (which we refer to as our "Recreation Lending" segment and our "Recreation" loans). Over the next decade, we expanded this niche RV/marine finance business, which is now our primary business segment and our largest loan portfolio. In 2012, we diversified the Bank by adding a quality-oriented, home improvement consumer finance business (which we refer to as our "Home Improvement Lending" segment and our "Home Improvement" loans). The team of employees we hired in connection with this expansion brought substantial prime credit underwriting experience into the Bank. Today, our two consumer lending segments constitute the majority of the activity at the Bank.

In the second half of 2014, we ceased originating loans to finance the purchase of taxi medallions (which we refer to as our "Taxi Medallion" loans and previously referred to as "Medallion" loans), though we have continued to refinance those loans as they mature and the Bank from time to time has provided financing to purchasers in connection with the disposition of repossessed taxi medallion collateral. As of June 2024, Taxi Medallion loans represented substantially less than 1 percent of our loan portfolio.

As of June 2024, we had total assets of $2.4 billion, including a loan portfolio, net of the allowance for credit losses, of $2.2 billion, and equity capital of $366.2 million. We seek to maintain capital ratios in excess of those required for well-capitalized status under the FDIC's regulatory framework, including a 15% Tier 1 leverage ratio (Tier 1 capital to average assets) as required by the FDIC as a condition of obtaining federal deposit insurance.

As used throughout this Form 10-Q, all references to "Medallion Bank," the "Bank," "we," "us," and "our" mean Medallion Bank, an industrial bank organized and existing under the laws of the State of Utah, unless the context otherwise requires. References to this "Form 10-Q" are to our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2024. All references to June 2024 and 2023 refer to our three and six months ended, or the dates, as the context requires, June 30, 2024 and June 30, 2023, respectively. All references to December 2023 refer to our year ended, or the date, as the context requires, December 31, 2023.

Any discrepancies included in this Form 10-Q between totals and the sums of the percentages and dollar amounts presented are due to rounding.

Unless otherwise specified, loan portfolios and loan balances are presented inclusive of net deferred loan acquisition costs. References to "gross" loans are to the face amounts of the loans, i.e., loan balances presented exclusive of net deferred loan acquisition costs.

Our Business

Our primary business is consumer lending, substantially all of which is conducted through third-party sellers of consumer goods and services in our Recreation Lending and Home Improvement Lending segments. As of June 2024, our Recreation and Home Improvement loan portfolios together were $2.3 billion, representing 92.9% of our total assets, with a weighted average yield (which is equal to gross interest income minus amortization of loan origination costs) of 11.9% and 11.8%, respectively, for the three and six months ended June 30, 2024. We work directly with dealerships, contractors and FSPs largely via digital tools and Application Programming Interfaces ("APIs") to offer financing for consumers, including those with past credit challenges. Business in the consumer lending segments is moderately seasonal, with the spring and summer quarters (the second and third quarters) being more active both for the purchase of recreation products and home improvements, which correspondingly results in higher origination volumes during those quarters. Consumers typically make fewer purchases of recreation products and home improvements during the fall and winter quarters (the fourth and first quarters, respectively), which results in lower origination volumes during those quarters. The degree to which our consumer loan businesses are seasonal also depends upon weather, with heavy winters making the business more seasonal.

We make consumer loans to borrowers in all 50 U.S. states, plus the District of Columbia, and currently work with dealerships in 46 states in connection with our Recreation Lending segment and with contractors in 45 states in connection with our Home Improvement Lending segment. We serve our dealers and contractors primarily using digital tools such as lending websites and mobile applications for phone or tablet, or via APIs designed to facilitate system-to-system credit transactions. Additionally, we have dedicated teams of business development, relationship management and customer service employees that provide dealers and contractors with the support and services they require to meet the needs of their customers.

Recreation Lending

Our Recreation Lending segment has historically been a high-return business focused on originating Recreation loans at the point of sale via dealers and FSPs. In addition to offering prime credit financing, we specialize in helping recreation product dealerships finance customers with past credit challenges, including bankruptcy, tax liens, collections and other credit issues. All of our Recreation loans are serviced by a third-party loan servicer, and we have used the same loan servicer since the business's inception.

Recreation loans represented $1.5 billion, or 66%, of our loan portfolio, as of June 2024. The loans are secured primarily by RVs, boats and collector cars with a smaller proportion of loans secured by other collateral such as trailers, powersport vehicles and boat motors. The weighted average yield of our Recreation loan portfolio was 13.30% and 13.20% for the three and six months ended June 30, 2024. During the three and six months ended June 30, 2024, we originated $209.6 million and $315.3 million of Recreation loans, an increase of $19.6 million and $23.6 million from the three and six months ended June 30, 2023.

Recreation Lending operates like a traditional indirect auto finance business, including the use of technology at the point of sale to facilitate the transaction. We maintain non-exclusive relationships with approximately 3,300 dealers and FSPs, not all of which are active at any one time. FSPs are entities that provide finance and insurance services to small dealers that do not have the desire or ability to provide such services themselves. The ability of FSPs to aggregate the financing and relationship management for many small dealers, and to engage in transactions in low-cost ways through the use of APIs or digital tools, makes them valuable to the Bank. We receive approximately half of our loan volume from dealers and the other half from FSPs. Management monitors the number of dealers and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. In the three and six months ended June 2024, approximately 39% and 41% of Recreation Lending's new loan originations, respectively, and in the three and six months ended June 2023 approximately 37% and 39%, respectively, were from our top ten dealer and FSP relationships. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration within the segment's loan originations, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

Home Improvement Lending

We work directly with contractors and FSPs to offer flexible consumer financing for window, siding and roof replacements, swimming pool installations, and other home improvement projects. Our core product is a standard installment loan, which features affordable monthly payments and competitive interest rates for prime credit customers at no cost to the contractor. We also offer a variety of promotional loan options to help contractors close a challenging sale. Promotional loan options include same-as-cash, no interest and deferred payment features, which allow borrowers to reduce the total cost of financing or start repayments when it is most convenient. All credit transactions are submitted to the Bank electronically, with the majority delivered via API or a custom mobile application designed for the contractor's phone or tablet.

Home Improvement loans represented $773.2 million, or 34%, of our loan portfolio as of June 2024. The loans are secured by the personal property installed, and the security interest for some of these loans is perfected with a Uniform Commercial Code ("UCC") fixture filing. The weighted average yield of the Home Improvement loan portfolio was 9.32% and 9.29% for the three and six months ended June 30, 2024. During the three and six months ended June 30, 2024, we originated $68.0 million and $119.6 million of Home Improvement loans, a decrease of $49.0 and $92.5 million from the three and six months ended June 30, 2023, respectively. The decrease in origination volumes during the three and six months ended June 2024 was the result of management's efforts to mitigate loan portfolio concentration risks.

Home Improvement Lending operates in a manner similar to Recreation Lending, with a few key differences. We currently maintain a smaller number of non-exclusive relationships; the Bank has relationships with approximately 900 contractors and FSPs. Management monitors the number of contractors and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. Most of our home improvement-financed sales take place in the borrower's home instead of a store, with the contractor presenting the borrower with a bid that includes a financing option. A large proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing background rather than by contractor employees that provide financing services. The result is contractor demand for financing services that facilitate an in-home transaction (e.g., digital tools including mobile applications for phone or tablet, support for E-SIGN compliant electronic signatures, and extended operating hours) and additional resources to help the salesperson throughout the financing process. In the three and six months ended June 2024, approximately 56% and 55%, of Home Improvement Lending's new loan originations were from our top ten contractor and FSP relationships, respectively. In each of the three and six months ended June 2023, approximately 61% of Home Improvement Lending's new loan originations were from our top ten contractor and FSP relationships. The percentage of new loan originations by the top ten contractor and FSP relationships is a measure of concentration within the segment's loan originations, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

Other

Our remaining operations, which are reported in our "Other" segment in the financial statements contained elsewhere in this report, include our legacy portfolio of Taxi Medallion loans and related operations, our Strategic Partnership Program (described further below), and other loans, as well as cash, investments and net non-interest earning assets. Other loans represented $4.1 million, or less than 1%, of the Bank's loan portfolios as of June 2024.

Through our Strategic Partnership Program, we partner with non-banks offering loans and other financial services to their customers. As of June 2024, we have signed agreements with three active Strategic Partnership Program clients. The associated activities are currently limited to originating loans or other receivables facilitated by our Strategic Partners and selling those loans or receivables to our Strategic Partners or other third parties without recourse within a specified time after origination. Revenues are currently derived primarily from contracted program fees paid to us by our Strategic Partners and interest income earned while the loans or receivables remain on our books, offset by any transaction fees paid by us to our Strategic Partners for their role in processing loan applications or servicing loans. We have incurred compliance and other expenses associated with the development of the Strategic Partnership Program and expect continued and increasing costs as the Strategic Partnership Program grows. The scope of our activities may change over time as we further develop this line of business.

Business Environment

The U.S. financial markets have continued to experience volatility and disruptions as concerns about the impact of higher inflation, elevated interest rates, a potential recession, and ongoing geopolitical tensions have weighed on market participants and consumers. These factors have resulted in generally higher interest expense for deposits for certain banking institutions, created disruptions in supply chains and economic activity and have had adverse impacts on certain business sectors.

The U.S. Federal Reserve held policy rates steady in the second quarter of 2024. However, the demand for our products and creditworthiness of our borrowers may be adversely affected if market interest rates remain high. High market interest rates could continue to increase our cost of funds, which has adversely affected and could continue to adversely affect our net interest margin. We have experienced, and may continue to experience, changes in loan origination credit quality mix, particularly for Recreation loans, that result in increased credit quality but at the expense of loan interest income yield. In addition, market participants and regulators have focused on the impact that rising interest rates have had on the market values of available-for-sale and held-to-maturity securities portfolios of banks. Our investment portfolio is small, and unrealized losses were not material, relative to our total assets and shareholders' equity as of June 2024.

For additional information on the impact on our business of macroeconomic conditions that affect the U.S. economy, consumer spending and consumer credit, see Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Critical Accounting Estimates

We follow financial accounting and reporting policies that are in accordance with U.S. generally accepted accounting principles ("GAAP"). Some of these significant accounting policies require management to make difficult, subjective or complex judgments. The policies noted below, however, are deemed to be our “critical accounting policies” under the definition given to this term by the SEC: those made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. These estimates are most important to the presentation of a company’s financial condition and results of operations, and require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The judgments used by management in applying the critical accounting policies may be affected by deterioration in the economic environment, which may result in changes to future financial results. Specifically, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes to the allowance for credit losses in future periods, and the inability to collect on outstanding loans could result in increased credit losses.

Allowance for Credit Losses

In analyzing the adequacy of the allowance for credit losses for Recreation and Home Improvement loans, we segment our loan portfolio by risk pool to reach what we believe to be an appropriate level of homogeneity and use a probability of default ("PD")/ loss given default ("LGD") model to calculate the allowance. For each loan, PD and LGD values are assigned based on the delinquency status of the loan. Those values are determined by historical delinquent loan performance for the respective loan pool and actual loss rates within that pool. The PD value time series for each loan is then modified using a model that incorporates statistically significant macroeconomic factors, such as unemployment rate and consumer spending, to predict increases or decreases in expected default rates. Those modifications are applied over a twelve-month reasonable and supportable forecast period followed by a six-month reversion period. As a final step, qualitative factors may be added to each loan pool based on management judgment, increasing or decreasing the size of the allowance for a particular loan pool. Because Taxi Medallion loans have all been deemed nonperforming, they have been adjusted down to net collateral value using specific reserves as required under ASC 326. Performing loans are recorded at book value and the general reserve maintained to absorb expected losses consistent with GAAP.

Management is primarily responsible for the overall adequacy of the allowance. The allowance is evaluated on a regular basis, at least quarterly, by management and is based upon management’s periodic review of the factors noted above. In addition, allowance adequacy is also approved by the board of directors and assessed by the Bank’s internal audit function, which performs independent credit reviews and a review of the allowance model. Bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related allowance for credit losses. These regulatory agencies may require us to increase our allowance for credit losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the allowance for credit losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

Under the CECL lifetime loss standard in effect since January 1, 2023, we calculate the allowance for credit losses using both quantitative and qualitative factors. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in credit characteristics of our loans, loan prepayment and other cash flow-related behaviors, and macroeconomic factors. Periodically, we update our allowance model assumptions based on prior experience. The most recent updates, which occurred in the three months ended March 31, 2024, included a redevelopment of our macroeconomic factor model, which reduced the dependency on movements in Treasury rates and increased dependency on labor force participation. The adjustments had the effect of increasing the Recreation loan allowance and decreasing the Home Improvement loan allowance compared to December 31, 2023.

Our quantitative loss factor rates increased 43 and 21 basis points for Recreation and Home Improvement loans, respectively, in June 2024 compared to June 2023, as a result of rising loss rates, elevated delinquencies, and expected losses determined by macroeconomic factors. Our qualitative loss factor rates decreased by 12 basis points and 9 basis points for Recreation and Home Improvements loans, respectively, in June 2024 compared to June 2023, as a result of the transition of some of the qualitative component of the reserve calculation to quantitative calculations. If our qualitative loss factor rates were to increase (or decrease) 50 basis points, our Recreation and Home Improvement general reserve would increase (or decrease) by $7.2 million and $3.9 million, respectively.

We charge off Recreation, Home Improvement and Taxi Medallion loans in the period that such loans are deemed uncollectible or when they reach 120 days delinquent.

Deferred Taxes

Deferred taxes reflect the impact of temporary differences between the carrying amount of assets and liabilities and their tax basis and are stated at tax rates expected to be in effect when taxes are actually paid or recovered. Deferred tax assets are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their existing tax bases. In addition, a valuation allowance is recorded when it is deemed that some or all of the deferred tax assets will not be realized due to temporary differences.

Key Elements for three and six months ended June 30, 2024 compared to three and six months ended June 30, 2023

Below are key elements of our performance for the three and six months ended June 2024 compared to the three and six months ended June 2023.

- Net income was $15.0 million and $29.5 million for the three and six months ended June 2024, compared to $19.3 million and $40.8 million for the three and six months ended June 2023. See "Net Income" in "Results of Operations" later in this Form 10-Q.

- Pre-provision net revenue (“PPNR”), which is a non-GAAP financial measure calculated by excluding our provision for credit losses from our pre-tax income, was $38.7 million and $75.6 million for the three and six months ended June 2024, compared to PPNR of $35.5 million and $68.5 million for the three and six months ended June 2023. The increase in PPNR was driven by an increase in net interest income as a result of growth in both our Recreation and Home Improvement loan portfolios. See “Non-GAAP Financial Measures” below for additional information, including a reconciliation of PPNR to the most comparable GAAP presentation.

- Loan origination volumes decreased 11% and 16% to $301.9 million and $474.9 million during the three and six months ended June 2024, compared to the three and six months ended June 2023. The decrease was driven by more restrictive underwriting standards and management’s efforts to mitigate loan portfolio concentration risk, particularly in Home Improvement Lending.

- Net interest income increased 7.0% and 7.9% to $50.2 million and $98.5 million for the three and six months ended June 2024, compared to the three and six months ended June 2023, primarily due to higher average balances in our Recreation and Home Improvement loan portfolios.

- Our efficiency ratio, which is calculated by dividing total non-interest expense by the sum of net interest income and non-interest income, was 24.27% and 24.31% for the three and six months ended June 2024, a decrease of 61 and 87 basis points from the efficiency ratios for the three and six months ended June 2023, primarily due to higher salary and benefits costs from employee growth during the period.

- Loan delinquencies 30 days or greater decreased by 76 basis points to 2.69% of period-end loan portfolio balances as of June 2024 compared to December 2023, driven by a seasonal improvement in credit performance for both Recreation and Home improvement loans.

- Our annualized net charge-off rate increased 168 and 130 basis points to 2.31% and 2.82% for the three and six months ended June 2024, compared to the three and six months ended June 2023, due primarily to an increase in net charge-offs in the Recreation and Home Improvement loan portfolios and a decrease in net recoveries of Taxi Medallion loans.

- Our provision for credit losses was $18.2 million and $35.2 million, increasing by $9.3 million and $22.5 million for the three and six months ended June 2024 compared to the three and six months ended June 2023. The increase was primarily due to increased charge-offs and delinquencies in the Recreation and Home Improvement loan portfolios and fewer Taxi Medallion loan recoveries and settlements, partially offset by fewer expected losses in the Home Improvement loan portfolio.

- Our Tier 1 capital increased by $12.4 million from December 2023, reflecting net income that was partially offset by dividends paid during the three and six months ended June 2024. Our Tier 1 leverage ratio was 16.1% at June 2024 and 16.2% at December 2023.

Results of Operations

Net Income

Net income was $15.0 million and $29.5 million for the three and six months ended June 2024, compared to net income of $19.3 million and $40.8 million for the three and six months ended June 2023. The decrease in net income for the six months ended June 2024 was driven by increases in provision for credit losses, partially offset by an increase in net interest income.

The returns on average shareholders' equity and average total assets for the three months ended June 2024 were 16.77% and 2.57%, respectively compared to 24.38% and 3.66%, respectively, for the three months ended June 2023. The returns on average shareholders' equity and average total assets for the six months ended June 2024 were 16.63% and 2.58%, respectively, compared to 26.35% and 4.00%, respectively, for the six months ended June 2023. The declines for the three and six months ended June 2024 were driven primarily by the decrease in net income described above.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Interest income	$ 66,759	$ 58,287	$ 129,727	$ 111,221
Interest expense	16,524	11,337	31,277	19,937
Net interest income	50,235	46,950	98,450	91,284
Provision for credit losses	18,190	8,857	35,192	12,716
Net interest income after provision for credit losses	32,045	38,093	63,258	78,568
Non-interest gain	869	263	1,471	295
Non-interest expense	12,402	11,745	24,292	23,062
Earnings before provision for income taxes	20,512	26,611	40,437	55,801
Provision for income taxes	5,476	7,282	10,922	15,047
Net income	$ 15,036	$ 19,329	$ 29,515	$ 40,754

Other Financial and Statistical Data

The following tables set forth certain other financial and statistical data for the periods indicated:

	As of and for the Three Months Ended June 30,			
	2024		2023	
	$	%	$	%
	(dollars in thousands)			
Return on average assets		2.57		3.66
Return on average equity		16.77		24.38
Equity to assets		14.99		14.67
Non-interest expense as a % of average loan receivables		2.26		2.39
Efficiency ratio(1)		24.27		24.88
Effective income tax rate		26.70		27.36
Total loan receivables	2,274,739		2,063,963	
Average balances				
Recreation	1,436,201		1,265,664	
Home Improvement	761,468		698,185	
Taxi Medallion	1,192		1,054	
Other	2,871		3,300	
Interest-earning cash and equivalents	1,250		1,250	
Federal funds invested	103,711		91,006	
Securities available for sale	54,846		52,178	
Equity securities	1,728		1,745	
Net charge-offs				
Recreation	10,665	2.99	5,886	1.87
Home Improvement	2,821	1.49	1,948	1.12
Taxi Medallion	(860)	(290.18)	(4,761)	(1811.79)
Other	—	—	—	—
Allowance for credit losses as a % of period-end loan receivables				
Recreation	(65,140)	4.35	(54,187)	4.07
Home Improvement	(18,388)	2.38	(16,447)	2.26
Taxi Medallion	(685)	58.50	(787)	59.00
Other	—	—	(26)	0.85
30+ days past due as a % of period-end loan receivables				
Recreation	54,311	3.63	42,881	3.22
Home Improvement	6,935	0.90	5,301	0.73
Taxi Medallion	—	—	—	—
Other	—	—	—	—
Asset quality ratios				
Gross nonperforming loans to total gross loans		0.47		0.46
Allowance for credit losses to gross nonperforming loans		809.20		759.86

(1) Efficiency ratio is the ratio of non-interest expense to the sum of net interest income and non-interest income.

	As of and for the Six Months Ended June 30,			
	2024		2023	
	$	%	$	%
	(dollars in thousands)			
Return on average assets		2.58		4.00
Return on average equity		16.63		26.35
Equity to assets		14.99		14.67
Non-interest expense as a % of average loan receivables		2.27		2.43
Efficiency ratio[(1)]		24.31		25.18
Effective income tax rate		27.01		26.96
Total loan receivables	2,274,739		2,063,963	
Average balances				
Recreation	1,392,207		1,232,339	
Home Improvement	759,774		673,635	
Taxi Medallion	1,212		4,828	
Other	2,656		3,133	
Interest-earning cash and equivalents	1,250		1,250	
Federal funds invested	96,444		82,547	
Securities available for sale	54,427		50,477	
Equity securities	1,737		1,736	
Net charge-offs			14455	
Recreation	25,218	3.64	15,702	2.57
Home Improvement	6,808	1.80	3,230	0.97
Taxi Medallion	(1,764)	(292.69)	(4,467)	(186.58)
Other	—	—	(10)	(0.64)
Allowance for credit losses as a % of period-end loan receivables				
Recreation	(65,140)	4.35	(54,187)	4.07
Home Improvement	(18,388)	2.38	(16,447)	2.26
Taxi Medallion	(685)	58.50	(787)	59.00
Other	—	—	(26)	0.85
30+ days past due as a % of period-end loan receivables				
Recreation	54,311	3.63	42,881	3.22
Home Improvement	6,935	0.90	5,301	0.73
Taxi Medallion	—	—	—	—
Other	—	—	—	—
Asset quality ratios				
Gross nonperforming loans to total gross loans		0.47		0.46
Allowance for credit losses to gross nonperforming loans		809.20		759.86

(1) Efficiency ratio is the ratio of non-interest expense to the sum of net interest income and non-interest income.

Average Balance Sheet

The following tables provide average balance sheet details for the periods indicated, which are used in the discussion of interest income, interest expense and net interest income that follows:

	As of and for the Three Months Ended June 30,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(dollars in thousands)					
Assets [1]						
Interest-earning assets						
Interest-earning cash and cash equivalents	$ 1,250	$ 5	1.61%	$ 1,250	$ 5	1.60%
Federal funds sold	103,711	1,023	3.97	91,006	925	4.08
Securities available for sale	54,846	506	3.71	52,178	508	3.91
Equity securities	1,728	12	3.03	1,745	11	2.53
Loan receivables						
Recreation	1,436,201	47,490	13.30	1,265,676	41,109	13.03
Home Improvement	761,468	17,651	9.32	698,185	15,292	8.79
Taxi Medallion	1,192	—	3.37	1,054	331	125.96
Other	2,871	72	8.69	3,300	106	12.76
Total loan receivables	2,201,732	65,213	11.91	1,968,215	56,838	11.58
Allowance for credit losses	(81,392)			(68,934)		
Net loan receivables	2,120,340			1,899,281		
Non-interest-earning assets:						
Cash and due from banks	440			378		
Accrued interest receivable	12,849			12,903		
Repossessed inventory – Recreation	1,414			1,222		
Repossessed inventory – Taxi Medallion	12,140			17,931		
Other assets held in bankruptcy	1,800			1,800		
Deferred and other tax assets, net	12,616			10,063		
Other assets	33,584			29,683		
Total assets	$ 2,356,718			$ 2,119,440		
Interest-bearing liabilities						
Interest-bearing deposit accounts	$ 1,930,331	$ 16,504	3.44%	$ 1,742,965	$ 11,336	2.61%
Borrowings	16,250	20	0.50	7,000	1	0.06
Total interest-bearing liabilities	$ 1,946,581	$ 16,524	3.41%	$ 1,749,965	$ 11,337	2.60%
Non-interest-bearing liabilities						
Accrued interest payable	4,159			2,593		
Other liabilities	19,807			19,021		
Due to affiliates	631			642		
Dividends payable	1,960			1,710		
Taxes payable	22,941			27,572		
Shareholders' equity	360,639			317,937		
Total liabilities and equity	$ 2,356,718			$ 2,119,440		
Interest rate spread			7.95%			8.46%
Net interest income		$ 50,235			$ 46,950	
Net interest margin			8.55%			8.91%

(1) Certain prior year amounts have been reclassified for consistency with the current year presentation.

	As of and for the Six Months Ended June 30,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(dollars in thousands)					
Assets						
Interest-earning assets						
Interest-earning cash and cash equivalents	$ 1,250	$ 10	1.61%	$ 1,250	$ 10	1.61%
Federal funds sold	96,444	2,077	4.33	82,547	1,628	3.98
Securities available for sale	54,427	979	3.62	50,477	868	3.47
Equity Securities	1,737	24	2.89	1,736	21	2.44
Loan receivables						
Recreation	1,392,207	91,417	13.20	1,232,346	79,008	12.93
Home Improvement	759,774	35,098	9.29	673,635	28,941	8.66
Medallion	1,212	5	2.49	4,828	562	23.47
Other	2,656	117	8.10	3,133	183	11.78
Total loan receivables	2,155,849	126,637	11.81	1,913,942	108,694	11.45
Allowance for credit losses	(80,158)			(68,689)		
Net loan receivables	2,075,691			1,845,253		
Total interest-earning assets	$ 2,309,707	$ 129,727	11.30 %	$ 2,049,952	$ 111,221	10.94 %
Non-interest-earning assets						
Cash and due from banks	411			375		
Accrued interest receivable	12,816			12,481		
Loan origination fees	—			—		
Repossessed inventory – Recreation	1,573			1,375		
Repossessed inventory – Taxi Medallion	12,340			18,180		
Other assets held in bankruptcy	1,800			1,800		
Deferred and other tax assets, net	12,597			10,462		
Other assets	32,210			28,194		
Total assets	$ 2,303,296			$ 2,054,130		
Interest-bearing liabilities						
Interest-bearing deposit accounts	$ 1,889,475	$ 31,257	3.33%	$ 1,690,024	$ 19,936	2.38%
Borrowings	9,286	20	0.43	4,000	1	0.05
Total interest-bearing liabilities	$ 1,898,761	$ 31,277	3.31%	1,694,024	$ 19,937	2.37%
Non-interest-bearing liabilities						
Accrued interest payable	3,708			2,448		
Other liabilities	18,169			16,748		
Due to affiliates	641			628		
Dividends payable	2,240			1,954		
Taxes payable	22,862			26,482		
Shareholders' equity	356,915			311,846		
Total liabilities and equity	$ 2,303,296			$ 2,054,130		
Interest rate spread			7.98%			8.57%
Net interest income		98,450			91,284	
Net interest margin			8.57%			8.98%

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities, and typically constitutes a substantial majority of our total revenue. For the three and six months ended June 2024, net interest income was $50.2 million and $98.5 million, respectively, compared to $47.0 million and $91.3 million, respectively, for the three and six months ended June 2023. The following sections provide a description of the component parts of net interest income:

Interest Income

Interest income is comprised of interest and fees on loans, which includes discounts paid by dealers, contractors and FSPs to compensate us for all or part of the promotional financing provided to their customers, and interest on cash and cash equivalents and investment securities. We include interest and fees on loans and any past due interest and fees deemed to be collectible in interest income. Fees on loans and certain direct loan origination costs are deferred and amortized over the expected life of the loan to better match income and expense in accordance with GAAP. Both fees and costs are captured in interest and fees on loans, with fees increasing yield and costs decreasing yield. See Note 1. "Organization and Summary of Significant Accounting Policies" in the unaudited financial statements included elsewhere in this Form 10-Q for additional information on our revenue recognition policy for interest income.

Interest income increased by $8.5 million, or 15%, for the three months ended June 2024, compared to the three months ended June 2023, and by $18.5 million, or 17%, for the six months ended June 2024 compared to the six months ended June 2023, due primarily to higher average balances and yields in our Recreation and Home Improvement loan portfolios.

The yield on our average loans outstanding increased to 11.91% for the three months ended June 2024, compared to 11.58% for the three months ended June 2023, and increased to 11.81% for the six months ended June 2024 compared to 11.45% for six months ended June 2023. The rising yield was due to increases in the average interest rates on new loans originated for both Recreation and Home Improvement loans and an increase in the percentage of Recreation loans in the portfolio mix.

Interest Expense

Interest expense increased by $5.2 million and $11.3 million, or 46% and 57%, for the three and six months ended June 2024, compared to the three and six months ended June 2023, respectively, driven by an increase in our overall cost of funds and growth in our deposit liabilities. Our average cost of funds increased to 3.41% and 3.31% for the three and six months ended June 2024 compared to 2.60% and 2.37%for the three and six months ended June 2023, respectively, mostly due to increases in the interest rates paid on newly issued deposits compared to maturing deposits, reflecting the current higher interest rate environment.

Provision for Credit Losses

Our provision for credit losses was $18.2 million and $35.2 million for the three and six months ended June 2024, respectively, compared to $8.9 million and $12.7 million for the three and six months ended June 2023, respectively, an increase of $9.3 million and $22.5 million, or 105% and 177%, respectively. The increase was primarily due to increased charge-offs and delinquencies in the Recreation and Home Improvement loan portfolios and fewer Taxi Medallion loan recoveries and settlements, partially offset by a reduction in expected losses in the Home Improvement loan portfolio.

Recreation and Home Improvement Loan Provisions

The provision for Recreation loans for the three and six months ended June 2024 was $15.8 million and $32.8 million, respectively, compared to $10.1 million and $17.9 million for the three and six months ended June 2023, respectively. The provision for Home Improvement loans for the three and six months ended June 2024 was $3.3 million and $4.2 million, respectively, compared to $3.7 million and $6.8 million, for the three and six months ended June 2023, respectively.

Periodically, we update our allowance model assumptions based on prior experience. The most recent of these updates, which occurred during the three months ended March 31, 2024, included a redevelopment of our macroeconomic factor model, which reduced the dependency on movements in Treasury rates and increased dependency on labor force participation. The adjustments had the effect of increasing the Recreation loan allowance for credit losses and decreasing the Home Improvement loan allowance for credit losses, which had consistent effects on the provision for credit losses.

Our quantitative loss rate calculation increased by 43 basis points and 21 basis points for Recreation and Home Improvements loans, respectively, in June 2024, compared to June 2023, as a result of rising loss rates, elevated delinquencies, and expected losses determined by macroeconomic factors. Our qualitative loss factor rates decreased by 12 basis points and 9 basis points for Recreation and Home Improvements loans, respectively, in June 2024, compared to June 2023, as a result of the transition of some of the qualitative component of the reserve calculation to quantitative calculations over the reasonable and supportable forecast period, and management's assessment of the adequate reserve level for the portfolios.

Taxi Medallion Loan Provisions

The benefit for credit losses for Taxi Medallion loans for the three and six months ended June 2024 was $0.9 million and $1.8 million, compared to $5.0 million and $12.0 million for the three and six months ended June 2023. The decrease in the benefit for credit losses in the three and six months ended June 2024 compared to the three and six months ended June 2023 was primarily driven by fewer settlements that reduced the size of the Taxi Medallion loan portfolio and its related reserve, and fewer Taxi Medallion loan recoveries.

The determination of taxi medallion collateral fair value is derived quarterly for each jurisdiction. Nonperforming Taxi Medallion loans, which, as of June 2024, included all Taxi Medallion loans, are valued at collateral value for the most recent quarter. Collateral value for Taxi Medallion loans is generally determined utilizing factors deemed relevant under the circumstances of the market including but not limited to: actual transfers, pending transfers, median and average sales prices, discounted cash flows, market direction and sentiment, and general economic trends for the industry and economy. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

For additional information about the provision for credit losses and the allowance, see the discussion of asset quality and the allowance for credit losses below, as well as in Note 3. “Loans and Allowance for Credit Losses” in the unaudited financial statements included elsewhere in this Form 10-Q.

Non-Interest Income

For the three months ended June 2024, non-interest income was $0.9 million, compared to $0.3 million for the three months ended June 2023. The increase in non-interest income for the three months ended June 2024 over the three months ended June 2023 was due to an increase in fee income related to our Recreation loans and our Strategic Partnership Program.

For the six months ended June 2024, non-interest income was $1.5 million, compared to $0.3 million for the six months ended June 2023. The increase in non-interest income for the six months ended June 2024 was due to an increase in fee income related to our Recreation loans, fewer write downs of Taxi Medallion loan collateral in the process of foreclosure, and from our Strategic Partnership Program. Repossessed taxi medallion collateral was $1.7 million of the $3.1 million in loan collateral in process of foreclosure at June 2024.

Non-Interest Expense

Non-interest expense was $12.4 million and $24.3 million for the three and six months ended June 2024, compared to $11.7 million and $23.1 million for the three and six months ended June 2023, respectively. The increase was due primarily to higher salary and benefits costs, which included increases in our number of employees from 128 as of December 31, 2023 to 130 as of March 31, 2024 and 135 as of June 30, 2024.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Salaries and benefits	$ 4,953	$ 4,588	$ 9,937	$ 8,980
Loan servicing	3,049	2,901	5,916	5,716
Collection costs	1,569	1,506	2,974	2,963
Regulatory fees	888	781	1,865	1,463
Professional fees	385	495	817	1,162
Information technology	273	267	541	498
Occupancy and equipment	226	211	433	413
Other	1,059	996	1,809	1,867
Total	$ 12,402	$ 11,745	$ 24,292	$ 23,062

Transactions with Affiliates

We benefit from services we receive from MFIN and certain other affiliates. In 2010, MFIN formed Medallion Servicing Corp. ("MSC") to provide loan servicing, collection and other customer services to the Bank pursuant to a loan servicing agreement. The services provided by MSC to the Bank include services in connection with the liquidation of our Taxi Medallion loan portfolio, loans in the process of foreclosure, and certain other assets. We also receive certain corporate services, including support for human resources and legal, from MFIN pursuant to a corporate services agreement. We expect to continue to incur servicing and collection costs as a result of ongoing servicing and workouts associated with the Taxi Medallion loan portfolio. Costs related to human resources services will depend on the number of employees at the Bank, and costs for legal support will vary from period to period depending on the projects active at the time. As of June 2024 and December 2023, the Bank held a $100,000 collateral deposit due to MFIN.

In the three and six months ended June 2024, we compensated MFIN for loan servicing in the amount of $0.4 million and $0.8 million, respectively, which was a decrease of $0.1 million and $0.3 million over the related compensation in the three and six months ended June 2023, respectively. This was due to an ongoing decline in servicing and collection activity associated with Taxi Medallion loans as the portfolio continued to decrease in size. We compensated MFIN in the amount of $0.1 million and $0.2 million for corporate services in the three and six months ended June 2024 and 2023.

Provision for Income Taxes

Our income tax expense reflects management's best estimate of current and future taxes to be paid. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state and federal operating income. These assumptions about future taxable income require judgment and are consistent with the plans we use to manage our segments.

As a consolidated entity with MFIN for tax purposes, the Bank makes its estimated tax payments to MFIN instead of directly to the Internal Revenue Service. The Bank makes some of its state tax payments directly to states to which it has an obligation and some on a consolidated basis with MFIN.

In the three months ended June 2024, we recognized income tax expense of $5.5 million, compared to $7.3 million in the three months ended June 2023. Our effective income tax rate for the three months ended June 2024 was 26.7% compared to 27.4% for the three months ended June 2023.

In the six months ended June 2024, we recognized income tax expense of $10.9 million compared to $15.0 million in the six months ended June 2023. Our effective income tax rate for the six months ended June 2024 and 2023 was 27.0%.

Segment Results

Based on our internal operating structure, we determined our operations are organized into three reportable segments representing our two core businesses – Recreation Lending and Home Improvement Lending – and an Other segment. As we grow and develop our Strategic Partnership Program, which is currently included within our Other segment, we will monitor our segment composition for sufficiency.

Our Recreation Lending segment is a consumer finance business that works with third-party dealers and FSPs for the purpose of financing RVs, boats and other consumer recreational equipment. The Home Improvement Lending segment is a consumer finance business that works with contractors and FSPs in order to finance residential home improvements. The Other segment consists of our remaining operations, including Taxi Medallion loans, activities related to our Strategic Partnership Program and other loans. The primary factors considered in determining the reportable segments for our core businesses include the nature of the underlying collateral financed, the resources used to provide the products and services to our dealers, contractors and FSPs, and our internal operating structure.

The segment information reported is based on the “management approach” as described in ASC 280. The Bank’s segment results are intended to reflect each segment as if it were a stand-alone business. Management’s accounting process uses various estimates and allocation methodologies to measure the performance of each segment. To establish the financial performance for each segment, the Bank allocates funding costs and certain non-interest expenses to each segment, as applicable.

As a consolidated subsidiary of MFIN, the Bank’s assets, liabilities, results of operations and cash flows are reflected in MFIN’s consolidated financial statements. Financial information relating to the Bank in the Bank’s disclosures, including this Form 10-Q, may not be comparable to financial information about the Bank in MFIN’s SEC filings because of intercompany assets, liabilities, revenues and expenses between the Bank, on the one hand, and MFIN and MFIN’s other consolidated subsidiaries, on the other hand, that are eliminated in consolidation, as well as methodological differences in segment disclosures. The methodological differences in segment disclosures reflect differences in the assets, liabilities, revenues, expenses and activities of the Bank, on a standalone basis, and MFIN, on a consolidated basis.

Recreation Lending

The Recreation Lending segment has historically been a return-oriented prime and non-prime consumer finance business which is a significant source of income for the Bank, accounting for 71% and 70% of our interest income for the three and six months ended June 2024, respectively and 71% for the three and six months ended June 2023. The loans are secured primarily by RVs, boats and collector cars.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Gross interest income	$ 50,704	$ 44,134	$ 97,583	$ 84,568
Amortization of loan origination costs	(3,214)	(3,025)	(6,166)	(5,560)
Other income	307	—	556	—
Interest expense	(9,880)	(6,698)	(18,472)	(11,759)
Provision for credit losses	(15,794)	(10,135)	(32,825)	(17,886)
Servicing fees	(2,968)	(2,567)	(5,842)	(5,098)
Salaries	(2,791)	(2,376)	(5,494)	(4,747)
Direct	(522)	(439)	(816)	(796)
Overhead	(1,558)	(1,466)	(3,059)	(2,935)
Net income before taxes	$ 14,284	$ 17,428	$ 25,465	$ 35,787
Average loans outstanding	$1,436,201	$1,265,664	$1,392,207	$1,232,339
(as a % of average loans outstanding)				
Gross interest income	14.20%	13.99%	14.10%	13.84%
Amortization of loan origination costs	(0.90)	(0.96)	(0.89)	(0.91)
Other income	0.09	—	0.08	—
Interest expense	(2.77)	(2.12)	(2.67)	(1.92)
Provision for credit losses	(4.42)	(3.21)	(4.74)	(2.93)
Servicing fees	(0.83)	(0.81)	(0.84)	(0.83)
Salaries	(0.78)	(0.75)	(0.79)	(0.78)
Direct	(0.15)	(0.14)	(0.12)	(0.13)
Overhead	(0.44)	(0.46)	(0.44)	(0.48)
Net income before taxes	4.00	5.52	3.68	5.86

Net income before taxes decreased $3.1 million to $14.3 million in the three months ended June 2024 compared to the three months ended June 2023, primarily due to an increase in provision for credit losses as a result of increased charge-offs and loan delinquency, partially offset by net interest income growth.

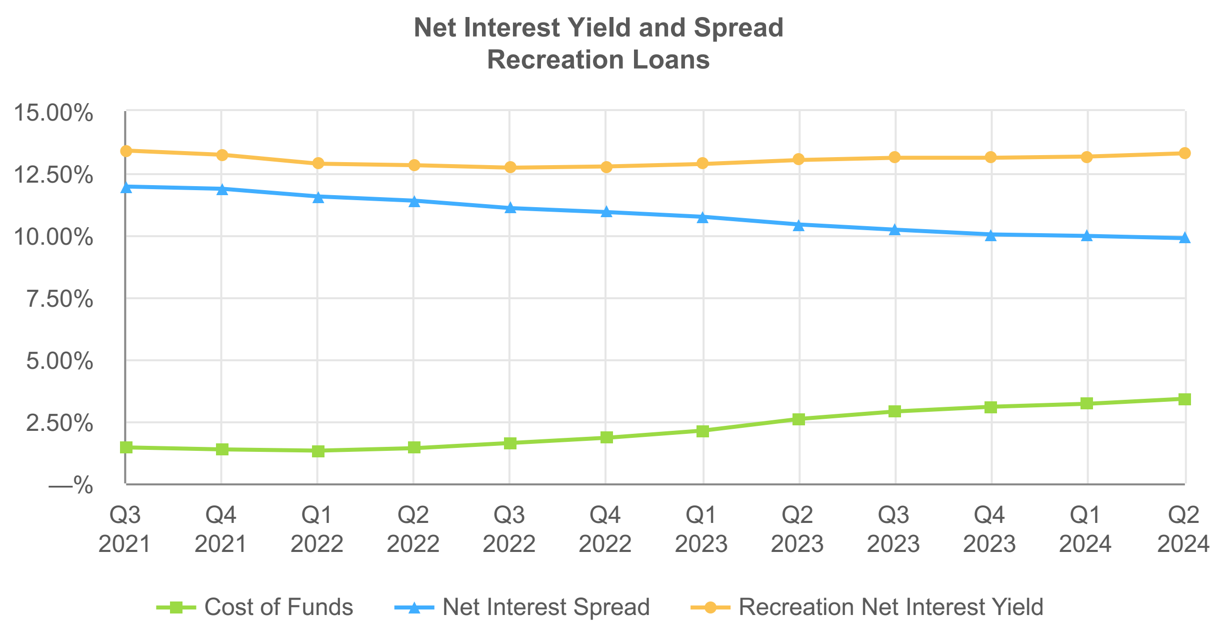
Net income before taxes decreased $10.3 million to $25.5 million in the six months ended June 2024 compared to the six months ended June 2023, primarily due to an increase in provision for credit losses as a result of increased charge-offs and loan delinquency, the adoption of updated assumptions in the allowance model, and partially offset by net interest income growth.

During the three and six months ended June 2024, we originated $209.6 million and $315.3 million of Recreation loans, an increase of $19.6 million and $23.6 million from the three and six months ended June 2023, driven by elevated loan demand and management's competitive market positioning efforts. In the table below are the quarterly loan originations from the first quarter of 2022 through the second quarter of 2024.

	2024	2023	2022
Q1	$ 105,765	$ 101,681	$ 114,406
Q2	209,563	190,008	170,207
Q3		92,603	149,151
Q4		62,749	79,297

In addition to offering prime credit financing, we specialize in helping recreation product dealerships finance customers with past credit challenges, which include bankruptcy, tax liens, collections and other credit issues. As of June 2024 and 2023, the weighted average origination FICO scores of our loans outstanding were 685 and 681 for this portfolio, respectively. The weighted average FICO scores at the time of origination for the loans funded in the six months ended June 2024 and 2023 were 689 and 678, respectively. Management uses weighted average FICO scores as an indicator of portfolio risk. Starting in the first quarter of 2023, the weighted average FICO score at the time of origination is calculated using the highest of the borrower and co-borrower FICO scores, which is consistent with our underwriting practices. Prior period numbers have been conformed to the current presentation. Due to our use during underwriting of custom credit scoring models that we believe more effectively assess credit risk than FICO scores alone, weighted average FICO scores alone are not a comprehensive assessment of credit risk.

Recreation loans represented $1.5 billion, or 66%, of the Bank's loan portfolio as of June 2024, compared to $1.3 billion, or 64%, of the Bank's loan portfolio as of December 2023. The gross interest yields of our Recreation loan portfolio were 14.20% and 14.10% for the three and six months ended June 2024, respectively, compared to 13.99% and 13.84% for the three and six months ended June 2023, respectively. The net interest yields of our Recreation loan portfolio were 13.30% and 13.21% for the three and six months ended June 2024, respectively, compared to 13.03% and 12.93% for the three and six months ended June 2023, respectively. Due to market interest rate increases starting in 2022, our funding costs have increased faster than our net interest yields, compressing our net interest spread as shown in the table below. That compression slowed for Recreation loans in recent periods as we passed along more of our increased costs to borrowers.



The Bank maintains active relationships with approximately 3,300 dealers and FSPs, not all of which are active at any one time. The ability of FSPs to aggregate the financing and relationship management for many small dealers makes them valuable to the Bank. Management monitors the number of dealers and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. In the three and six months ended June 2024, 39% and 41% of Recreation Lending's new loan originations were from our top ten dealer and FSP relationships, compared to 37% and 39% for the three and six months ended June 2023. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration within the segment, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

The Recreation loan portfolio consists of thousands of geographically distributed loans with an average loan size of $20,300. The loans are fixed rate loans with an average loan term at origination of 14.4 years. The weighted average maturity of our loans outstanding is 10.7 years. See "Loan Portfolios." The loan terms and weighted average maturities aid management in making appropriate funding type and maturity decisions and provide investors with information about the characteristics of our loan portfolio and asset-liability management activities. Recreation loans are made to borrowers residing in all fifty states, with the highest concentrations in Texas and Florida at 16% and 10% at June 2024, respectively, compared to concentrations in Texas and Florida at 15%, and 10% of loans outstanding at December 2023, respectively, and with no other states over 10%. Recreation loans are secured primarily by RVs, boats and collector cars, with RV loans making up 54% of the portfolio, boat loans making up 20% of the portfolio, and collector cars making up 11% of the portfolio at June 2024, compared to 55%, 19% and 10%, at December 2023, respectively, with no other collateral types over 10%. The percentages of new loan originations by state and by collateral type provide management and investors with information about concentration exposures, which management uses to monitor concentrations and determine whether to undertake diversification efforts.

Our Recreation Lending net charge-offs for the three and six months ended June 2024 were 2.99% and 3.64% of average loans outstanding, respectively, compared to 1.87% and 2.57% for the three and six months ended June 2023. The increase in net charge-offs in our Recreation Lending segment in the three and six months ended June 2024 was due to declining credit performance across the portfolio, partially offset by improving credit quality at loan origination.

Our Recreation Lending provisions for credit losses for the three and six months ended June 2024 were 4.42% and 4.74% of average loans outstanding, compared to provisions for credit losses of 3.21% and 2.93% for the three and six months ended June 2023, respectively. The increase from the three months ended June 2023 to June 2024 was largely due to increased delinquency and credit loss rates, with the increase from the six months ended June 2023 to June 2024 also reflecting the effects of adopting new assumptions in the allowance for credit losses model.

We maintain an allowance for Recreation credit losses that was $65.1 million, or 4.35%, of the Recreation loan portfolio as of June 2024. The recovery rates and typical time periods for repossessing and liquidating the collateral underlying our Recreation loans mitigates our exposure to credit losses in this portfolio. Our practice is to perfect security interests in the underlying collateral, when possible, except when it is impractical given the small size of the loan or collateral perfection requirements in particular states. If state law permits titling of collateral, we typically perfect our interest via the titling process, which designates the Bank as a lien holder on the title for the collateral and thus facilitates the process for repossession under applicable state law. If a UCC filing is the only mechanism to perfect our interest in collateral, we record that UCC filing in state records.

Home Improvement Lending

The Home Improvement Lending segment originates loans secured primarily by window, siding, and roof replacements, and swimming pool installations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
		(dollars in thousands)		
Gross interest income	$ 16,738	$ 14,625	$ 33,247	$ 27,687
Amortization of loan origination costs	913	667	1,851	1,254
Other income	3	2	5	3
Interest expense	(5,531)	(3,712)	(10,564)	(6,526)
Provision for credit losses	(3,278)	(3,739)	(4,177)	(6,820)
Servicing fees	(848)	(730)	(1,625)	(1,457)
Salaries	(1,773)	(1,776)	(3,602)	(3,478)
Direct	(139)	(174)	(257)	(326)
Overhead	(843)	(835)	(1,710)	(1,656)
Net income before taxes	$ 5,242	$ 4,328	$ 13,168	$ 8,681
Average loans outstanding	$ 761,468	$ 698,185	$ 759,774	$ 673,635
(as a % of average loans outstanding)				
Gross interest income	8.84 %	8.40 %	8.80 %	8.29 %
Amortization of loan origination costs	0.48	0.38	0.49	0.38
Other income	—	—	—	—
Interest expense	(2.92)	(2.13)	(2.80)	(1.95)
Provision for credit losses	(1.73)	(2.15)	(1.11)	(2.04)
Servicing fees	(0.45)	(0.42)	(0.43)	(0.44)
Salaries	(0.94)	(1.02)	(0.95)	(1.04)
Direct	(0.07)	(0.10)	(0.07)	(0.10)
Overhead	(0.45)	(0.48)	(0.45)	(0.50)
Net income before taxes	2.77	2.49	3.49	2.60

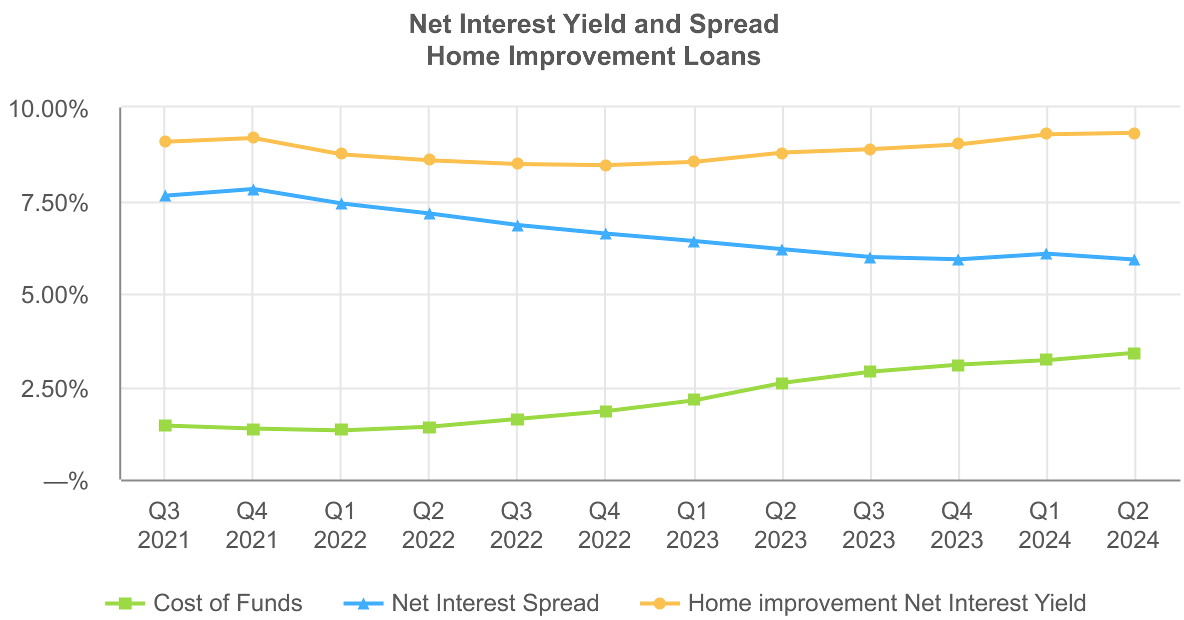
Net income before taxes increased to $5.2 million and $13.2 million for the three and six months ended June 2024, compared to $4.3 million and $8.7 million in 2023, mostly due to an increase in gross interest income and a decrease in provision for credit losses, partially offset by an increase in interest expense.

During the three and six months ended June 30, 2024, we originated $68.0 million and $119.6 million of Home Improvement loans, a decrease of $49.0 million and $92.5 million from the three and six months ended June 30, 2023, driven primarily by more restrictive underwriting standards in 2024 compared to 2023 and management's efforts to mitigate loan portfolio concentration risks. In the table below are the quarterly loan originations from the first quarter of 2022 through the second quarter of 2024.

	2024	**2023**	**2022**
Q1	$ 51,576	$ 94,981	$ 89,820
Q2	67,990	117,035	105,173
Q3		79,333	100,451
Q4		66,045	97,099

Home Improvement loans represented $773.2 million, or 34%, of the Bank's loan portfolios as of June 2024, compared to $760.6 million and 36% of the Bank's loan portfolios as of December 2023. Home Improvement Lending provides us with high-quality assets; as of June 2024 and 2023, the weighted average origination FICO scores of our loans outstanding in this portfolio were 764 and 755, respectively. The weighted average FICO scores at the time of origination for the loans funded in the six months ended June 2024 and 2023 were 778 and 770, respectively. Management uses weighted average FICO scores as an indicator of portfolio risk. Starting in the first quarter of 2023, the weighted average FICO score at origination is calculated using the highest of the borrower and co-borrower FICO scores, which is consistent with our underwriting practices. Prior period numbers have been conformed to the current presentation. Due to our use of custom credit scoring models during underwriting, which we believe more effectively assess credit risk than FICO scores alone, weighted average FICO scores alone are not a comprehensive assessment of credit risk.

The gross interest yields of the Home Improvement Lending portfolio were 8.84% and 8.80% for the three and six months ended June 2024, respectively, compared to 8.40% and 8.29% for the three and six months ended June 2023, respectively. The net interest yields of the Home Improvement Lending portfolio were 9.32% and 9.29% for the three and six months ended June 2024, respectively, compared to 8.79% and 8.66% for the three and six months ended June 2023, respectively. Due to market interest rate increases starting in 2022, our funding costs have increased faster than our net interest yields, compressing our net interest spread as shown in the graph below.



The Bank currently has active relationships with approximately 900 contractors and FSPs. Management monitors the number of contractors and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. In the three and six months ended June 2024, 56% and 55% of Home Improvement Lending's new loan originations, respectively, were from our top ten contractor and FSP relationships, compared to 61% for the three and six months ended June 2023. The Home Improvement loan portfolio is concentrated in roofs, swimming pools and windows at 40%, 21% and 13% at June 2024, respectively, compared to concentrations in roofs, swimming pools and windows at 41%, 20%, and 13% at December 2023, respectively, with no other collateral types over 10%. Home Improvement loans are made to borrowers residing in all fifty states, with the highest concentrations in Florida and Texas at 11% and 10% each as of June 2024, compared to concentrations in Texas and Florida at 10% each at December 2023, and with no other states over 10%. The percentage of new loan originations by the top ten relationships, by collateral type and by state provides management and investors with information about concentration exposures that management uses to determine whether to undertake diversification efforts.

The weighted average maturity of our loans outstanding was 12.2 years as of June 2024 and the average loan size was $20,000. The average loan term at origination is 13.8 years. See "Loan Portfolios." The loan terms and weighted average maturities aid management in making appropriate funding type and maturity decisions and provide investors with information about the characteristics of our loan portfolio and asset-liability management activities.

Our Home Improvement Lending net charge-offs for the three and six months ended June 30, 2024 were 1.49% and 1.80% of average loans outstanding, respectively, and 1.12% and 0.97% for the three and six months ended June 30, 2023, respectively. The increase in net charge-offs for the three and six months ended June 30, 2024 was due to declining credit performance across the portfolio, partially offset by improving credit quality at loan origination.

Our Home Improvement Lending provisions for credit losses for the three and six months ended June 30, 2024 were 1.73% and 1.11% of average loans outstanding, respectively, compared to 2.15% and 2.04% for the three and six months ended June 30, 2023, respectively. The decrease in the three and six months ended June 2024 was largely due to a decline in expected credit losses and slower portfolio growth on lower loan origination volumes, partially offset by increased current credit losses.

We maintain an allowance for Home Improvement credit losses that was $18.4 million, or 2.38%, of the Home Improvement loan portfolio as of June 2024. Losses in the Home Improvement loan portfolio are initially gross losses because recoveries are relatively slow, sometimes taking years to realize. This is due to the nature of the UCC fixture filing, which is our means of perfecting the security interest for Home Improvement loans. Recovery is generally realized upon the sale or refinance of the underlying real property. We obtain the right to file a UCC fixture filing in county records for all loans in the security agreement of our loan, but our practice is to record UCC fixture filings at origination for only those loans which finance swimming pool installations, for home improvement projects with large loan amounts, or for borrowers who have relatively low credit scores. We often record UCC fixture filings after origination for loans without perfected collateral that become delinquent. The UCC fixture filing does not give us the right to foreclose, and we do not repossess collateral. Instead, the UCC filing appears in real property records to notify lienholders of our interest in the personal property affixed to that real property.

Other

The Other segment includes Taxi Medallion loans, activities related to our Strategic Partnership Program and other loans, as well as cash, investments and net non-interest earning assets.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
	(dollars in thousands)			
Gross interest income	$ 1,618	$ 1,885	$ 3,212	$ 3,272
Amortization of loan origination costs	—	—	—	—
Other income	560	261	910	292
Interest expense	(1,114)	(927)	(2,241)	(1,652)
Benefit for credit losses	882	5,016	1,810	11,989
Servicing fees	(552)	(875)	(1,009)	(1,708)
Salaries	(390)	(436)	(841)	(754)
Direct	(14)	(62)	(29)	(81)
Overhead	(4)	(7)	(8)	(25)
Net income before taxes	$ 986	$ 4,855	$ 1,804	$ 11,333
Average outstanding balance	$ 165,598	$ 150,533	$ 157,726	$ 143,971
(as a % of average loans outstanding)				
Gross interest income	3.93%	5.02%	4.10%	4.58%
Amortization of loan origination costs	—	—	—	—
Other income	1.36	0.70	1.16	0.41
Interest expense	(2.70)	(2.47)	(2.86)	(2.31)
Benefit for credit losses	2.14	13.37	2.31	(16.79)
Servicing fees	(1.34)	(2.33)	(1.29)	(2.39)
Salaries	(0.95)	(1.16)	(1.07)	(1.06)
Direct	(0.03)	(0.16)	(0.04)	(0.11)
Overhead	(0.01)	(0.02)	(0.01)	(0.04)
Net income before taxes	2.40	12.93	2.30	15.87

Net income before taxes for the Other segment was $1.0 million and $1.8 million in the three and six months ended June 2024, compared to net income before taxes of $4.9 million and $11.3 million for the three and six months ended June 2023. The declines in both the three and six months ended June 2024 were driven by fewer settlements related to Taxi Medallion loans that resulted in lower credit loss provision benefits when compared to the prior period.

Other loans represented $4.1 million, or 0.18%, and $3.5 million, or 0.17%, of the Bank's loan portfolios as of June 2024 and December 2023, respectively.

Included in Other loans is a Taxi Medallion loan portfolio that is small and continues to decline in size. Until September 2014, we originated Taxi Medallion loans, which finance the purchase of taxi medallions, in connection with MFIN's business. However, due to the dramatic impact of ride-sharing companies like Uber and Lyft on taxi fare volumes and taxi medallion values, we transitioned away from this aspect of our business. We continue to refinance Taxi Medallion loans as they mature, given the relative scarcity of alternative financing for such borrowers. All loans associated with our Taxi Medallion loan portfolio are secured by taxi medallions and guaranteed by the taxi medallion owners. Our Taxi Medallion loan portfolio declined from $393.9 million at its peak in July 2014 to $1.2 million and $1.3 million as of June 2024 and December 2023, respectively. Credit loss reserves are currently 58.50% of the outstanding Taxi Medallion loan portfolio as of June 2024 and the Taxi Medallion loan portfolio is substantially less than 1% of our total assets as of June 2024, down from a high of 46.9% as of December 2011.

The following table presents the Bank's total exposure to Taxi Medallion loans and related assets within our Other segment:

	As of June 30, 2024	As of December 31, 2023
	(in thousands)	
Loans	$ 1,171	$ 1,255
Allowance for credit losses	(685)	(731)
Loans, net	486	524
Repossessed inventory- taxi medallion	1,662	2,386
Remarketed assets, net [1]	5,346	6,165
Total	$ 7,494	$ 9,075

(1) Includes $5.0 million of payments on loans shown as a liability on the balance sheet.

Loan Portfolios

Total loans increased by $174.4 million to $2.3 billion as of June 2024 from $2.1 billion as of December 2023, driven by Recreation and Home Improvement loan growth. Our total loan-to-deposit ratio decreased to 111.8% as of June 2024, compared to 112.4% as of December 2023.

	As of June 30, 2024		As of December 31, 2023	
	Amount	%	Amount	%
	(dollars in thousands)			
Loan receivables				
Recreation	$ 1,497,428	65.8%	$ 1,336,226	63.6%
Home Improvement	773,184	33.9%	760,617	36.2%
Taxi Medallion	1,171	0.1%	1,255	0.1%
Other	2,957	0.2%	2,240	0.1%
Total	$ 2,274,740	100.00%	$ 2,100,338	100.00%

As of June 2024 and December 2023, the Recreation loan portfolio represented 65.8% and 63.6% of outstanding loan balances, respectively, while our Home Improvement loan portfolio represented 33.9% and 36.2%, respectively, and the Taxi Medallion loan portfolio represented less than 1%. The decline in the proportion represented by the Home Improvement loan portfolio was the result of slower loan originations as management addressed portfolio concentration risk.

Because of high prepayment speeds due both to early pay-downs and payoffs, the average life associated with our Recreation and Home Improvement loan portfolios is significantly shorter than the average maturity. The average life of our Recreation loans is projected to be 42 months, while the average life of our Home Improvement loans is projected to be 34 months. The average life of our loans aids management in making appropriate funding type and maturity decisions, and provides investors with information about the characteristics of our loan portfolios and asset-liability management activities. Our calculations use the contractual amortization amount plus projected credit losses and monthly prepayment speeds consistent with our experience over the prior 12 months for both portfolios. In the case of Recreation loans, the projected loss assumption is 367 basis points, and the prepayment speed assumption is 1.70% per month. For Home Improvement loans, the projected loss assumption is 172 basis points, and the prepayment speed assumption is 2.39% per month. For comparison, the average maturities referenced elsewhere in this Form 10-Q are based on the contractual terms of the loans in each portfolio.

	As of June 30, 2024				
	Months to Maturity				
	Within 1 year	1-5 years	5-15 years	15+ years	Total (1)
			(in thousands)		
Fixed rate					
Recreation	$ 2,238	$ 126,053	$ 1,276,347	$ 42,832	$ 1,447,470
Home Improvement	17,434	30,926	603,276	125,630	777,266
Taxi Medallion	1,107	64	—	—	1,171
Other	1,300	1,657	—	—	2,957
Adjustable rate					
Recreation	$ 391	$ 648	$ —	$ —	$ 1,039
Home Improvement	—	—	—	—	—
Taxi Medallion	—	—	—	—	—
Other	—	—	—	—	—
Total gross loans	$ 22,470	$ 159,348	$ 1,879,623	$ 168,462	$ 2,229,903

(1) Amounts exclude net deferred origination costs of $44.8 million.

Credit Quality

For Recreation and Home Improvement loans, we consider the borrower's payment history and current payment performance as leading indicators of credit quality. Recreation, Home Improvement and Taxi Medallion loans are generally considered nonperforming when they become 90 days delinquent based on contractual terms, at which time the accrual of interest income is discontinued, or when otherwise individually evaluated and specifically reserved.

	Gross Performing	Gross Nonperforming	Total (1)
		(in thousands)	
As of June 30, 2024			
Recreation	$ 1,442,235	$ 6,274	$ 1,448,509
Home Improvement	775,961	1,305	777,266
Taxi Medallion	—	1,171	1,171
Other	1,300	1,657	2,957
Total	$ 2,219,496	$ 10,407	$ 2,229,903
As of December 31, 2023			
Recreation	$ 1,283,222	$ 9,369	$ 1,292,591
Home Improvement	762,567	1,502	764,069
Taxi Medallion	—	1,255	1,255
Other	553	1,687	2,240
Total	$ 2,046,342	$ 13,813	$ 2,060,155

(1) Amounts exclude net deferred origination costs of $44.8 million.

The decrease in the value of gross nonperforming loans as of June 2024 compared to June 2023 was due to a combination of seasonally higher credit losses and declining delinquency in the Recreation and Home Improvement loan portfolios.

During the six months ended June 2024, 68% of our Recreation loans originated were prime receivables and 32% were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit histories. The table below shows non-prime loan originations as a percentage of total loan originations for Recreation loans.

Recreation Loans

Year Ended	Total Originations	Non-prime Originations	Non-prime %
	(dollars in thousands)		
2024[1]	$ 315,328	$ 99,698	31.6 %
2023	447,039	152,045	34.0
2022	513,062	180,697	35.2
2021	441,911	130,296	29.5
2020	294,888	95,325	32.3

(1) Includes originations through June 30, 2024.

During the six months ended June 2024, more than 99% of our Home Improvement loans originated were prime receivables and less than 1% were non-prime receivables with obligors who have adverse credit histories. The table below shows non-prime loan originations as a percentage of total loan originations for Home Improvement loans.

Home Improvement Loans

Year Ended	Total Originations	Non-prime Originations	Non-prime %
	(dollars in thousands)		
2024[1]	$ 119,566	$ 397	0.3 %
2023	357,394	3,094	0.9
2022	392,543	5,068	1.3
2021	258,049	4,034	1.6
2020	193,103	1,379	0.7

(1) Includes originations through June 30, 2024.

Nonperforming Assets

Nonperforming assets include nonperforming loans as well as other repossessed assets. Loans are generally placed on nonaccrual status upon becoming 90 days past due. At the time a loan is placed on nonaccrual status, the accrued but uncollected interest receivable is reversed and accounted for on a cash basis or cost recovery basis, until qualifying for return to accrual status.

	As of June 30, 2024	As of December 31, 2023
	(dollars in thousands)	
Loans on nonaccrual:		
Recreation	$ 6,274	$ 9,369
Home Improvement	1,305	1,502
Taxi Medallion	1,171	1,255
Other	1,657	1,687
Total	$ 10,407	$ 13,813
Other repossessed inventory - Recreation	$ 1,441	$ 1,779
Other repossessed inventory - Taxi Medallion	1,662	2,387
Other remarketed assets, net	5,346	6,165
Other assets held in bankruptcy	1,800	1,800
Total nonperforming assets	$ 20,656	$ 25,944
Asset quality ratios:		
Total gross nonaccrual loans to total loans	0.46%	0.66%
Total nonperforming assets to total assets	0.63%	0.87%
Allowance for credit losses to gross nonaccrual loans	809.20%	573.97%
Allowance for credit losses to total loans	3.70%	3.77%

Our repossessed assets as of June 2024 and December 2023 were $8.4 million and $10.3 million, respectively. The decrease was driven by the liquidation of repossessed Taxi Medallion and Recreation collateral.

Delinquencies

Loan delinquencies of 30 days or more as a percentage of period-end loan balances outstanding decreased to 2.69% as of June 2024, compared to 3.45% as of December 2023. The 76 basis point decrease was driven primarily by a seasonal decline in Recreation and Home Improvement delinquencies.

	Current	30-59	60-89	90+	Total (1)
			(in thousands)		
As of June 30, 2024					
Recreation	$ 1,394,199	$ 35,094	$ 13,278	$ 5,938	$ 1,448,509
Home Improvement	770,331	3,637	1,993	1,305	777,266
Taxi Medallion	1,171	—	—	—	1,171
Other	2,957	—	—	—	2,957
Total	$ 2,168,658	$ 38,731	$ 15,271	$ 7,243	$ 2,229,903
As of December 31, 2023					
Recreation	$ 1,228,175	$ 40,282	$ 15,039	$ 9,095	$ 1,292,591
Home Improvement	756,069	3,936	2,562	1,502	764,069
Taxi Medallion	1,132	123	—	—	1,255
Other	2,240	—	—	—	2,240
Total	$ 1,987,616	$ 44,341	$ 17,601	$ 10,597	$ 2,060,155

(1) Amounts exclude net deferred origination costs of $44.8 million.

Net Charge-Offs

Net charge-offs consist of the unpaid principal balance of loans that we determine are uncollectible, net of recovered amounts. For loans with tangible collateral that we repossess with intent to sell, charge-offs are also net of the estimated fair value of that collateral minus disposition costs. We exclude accrued and unpaid finance charges and fees from recorded charge-off amounts. Instead, charged-off and recovered finance charges and fees are included in interest and fees on loans.

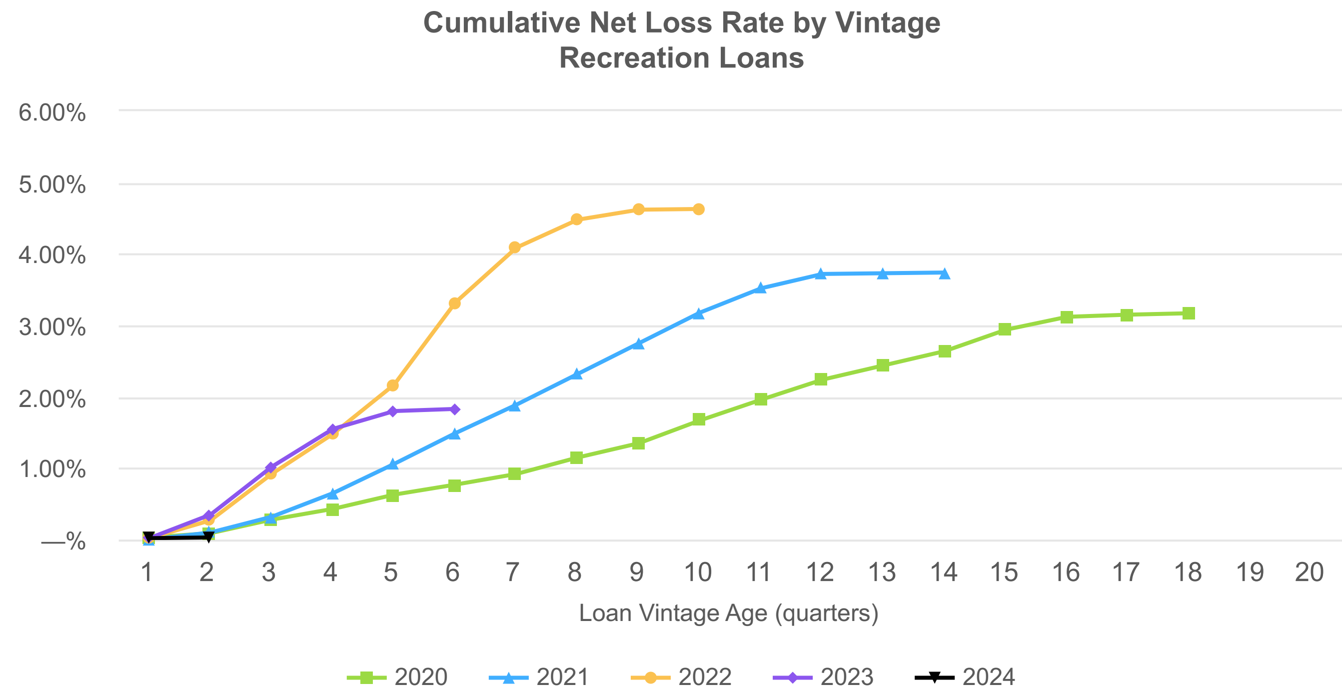
Charge-offs are recorded as a reduction to the allowance for credit losses, and subsequent recoveries of previously charged-off amounts are credited to the allowance for credit losses. Costs incurred to recover charged-off loans are recorded as collection expense and included in other expense in our statements of comprehensive income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Recreation	2.99%	1.87%	3.64%	2.57%
Home Improvement	1.49%	1.12%	1.80%	0.97%
Taxi Medallion (1)	(290.18%)	(1,811.79%)	(292.69%)	(186.58%)
Other	—%	—%	—%	(0.64%)

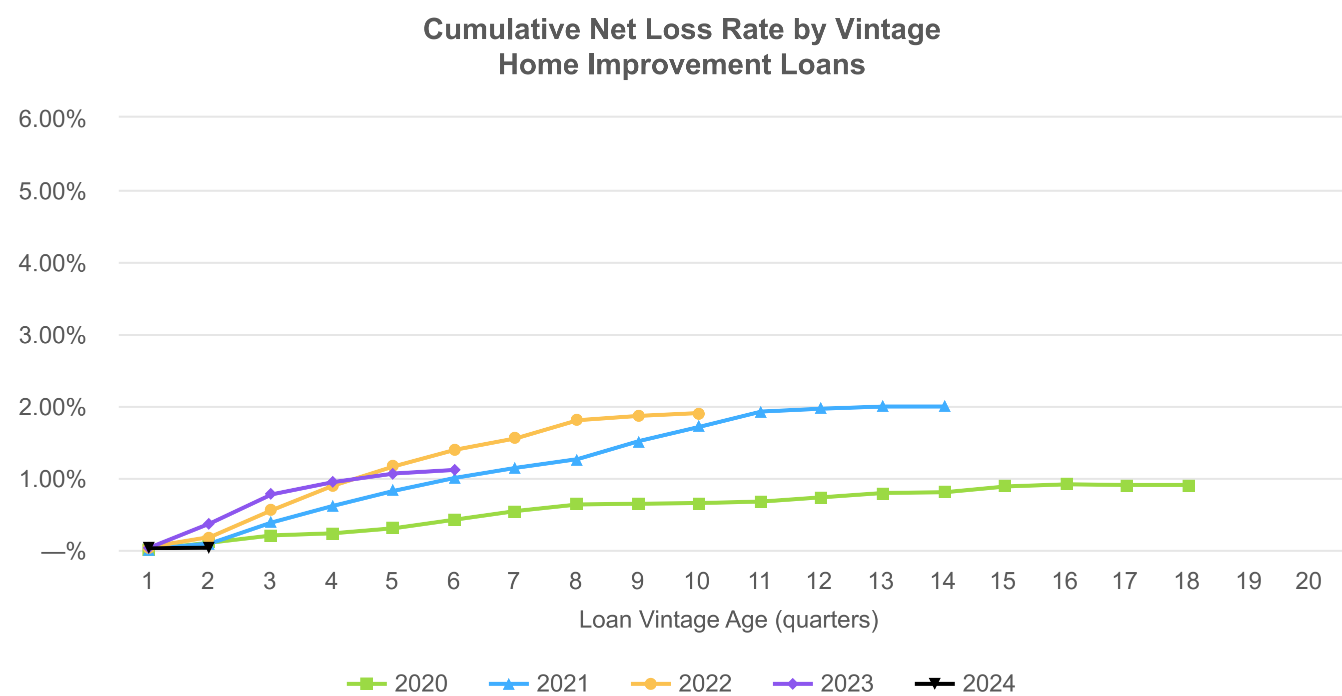
(1) Negative percentage indicates a recovery.

Our net charge-offs during the three and six months ended June 2024 increased to $12.6 million and $30.3 million, respectively, compared to $3.1 million and $14.5 million in the three and six months ended June 2023, respectively. The increase in net charge-offs was due to increases in charge-offs in the Recreation and Home Improvement loan portfolios, and fewer Taxi Medallion loan recoveries. We recorded $0.9 million and $1.8 million in total net Taxi Medallion loan recoveries for the three and six months ended June 2024, respectively compared to $4.8 million and $4.5 million for the three and six months ended June 2023, respectively.

In the graph below are the Recreation loan cumulative loss rates by annual origination vintage for the last 5 calendar years. Cumulative loss rates by vintage allow management to compare loss experience as underwriting requirements change and through economic cycles.



In the graph below are the Home Improvement loan cumulative loss rates by annual origination vintage for the last 5 calendar years. Cumulative loss rates by vintage allow management to compare loss experience as underwriting requirements change and through economic cycles.



Allowance for Credit Losses

The allowance is maintained at a level estimated by management to absorb current expected credit losses in the loan portfolios and is based on management's continuing evaluation of the portfolio, the related credit characteristics, loan prepayment and other cash flow-related behaviors, and macroeconomic factors affecting the portfolios. As of June 2024 and December 2023, our allowance totaled $84.2 million and $79.3 million, which represented 3.70% and 3.77% of total loans, respectively. The increase in the size of the allowance for credit losses as of June 2024 was primarily driven by asset growth and a larger allowance rate for Recreation and Taxi Medallion portfolios, partially offset by a smaller allowance rate for the Home Improvement portfolio.

For a summary of our accounting methodologies relating to the allowance for credit losses, see the Allowance for Credit Losses section of our significant accounting policies in Note 1. "Organization and summary of significant accounting policies" in the unaudited financial statements included elsewhere in this Form 10-Q.

	As of June 30, 2024				As of December 31, 2023			
	Loan Amount	% of Total Loans	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	% of Total Loans	Allowance Amount	Allowance as a % of Loan Amount
	(dollars in thousands)							
Loan receivables:								
Recreation	$ 1,497,428	65.8%	$ 65,140	4.35%	$1,336,226	63.6%	$ 57,533	4.31%
Home Improvement	773,184	34.0%	18,388	2.38	760,617	36.2%	21,019	2.76
Taxi Medallion	1,171	0.1%	685	58.50	1,255	0.1%	731	58.25
Other	2,957	0.1%	—	—	2,240	0.1%	—	—
Total	$ 2,274,740	100.00%	$ 84,213	3.70%	$2,100,338	100.00%	$ 79,283	3.77%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Beginning balance - ACL	$ 78,648	$ 65,661	$ 79,283	$ 73,186
Charge-offs:				
Recreation	14,627	9,166	32,728	21,756
Home Improvement	4,063	2,575	8,961	4,489
Taxi Medallion	—	220	—	3,814
Other	—	—	—	—
Total charge-offs	$ 18,690	$ 11,961	$ 41,689	$ 30,059
Recoveries:				
Recreation	$ 3,962	$ 3,282	$ 7,510	$ 6,053
Home Improvement	1,243	626	2,154	1,259
Taxi Medallion	860	4,982	1,763	8,281
Other	—	—	—	11
Total recoveries	$ 6,065	$ 8,890	$ 11,427	$ 15,604
Net charge-offs	12,625	3,071	30,262	14,455
Provision	18,190	8,857	35,192	12,716
Ending balance - ACL	$ 84,213	$ 71,447	$ 84,213	$ 71,447
Ratios:				
ACL to total loans	3.70%	3.46%	3.70%	3.46%
Net charge-offs to average loans	2.31%	0.63%	2.82%	1.52%

Funding, Liquidity and Capital Resources

Our funding, liquidity and capital policies are designed to ensure that the Bank has the liquidity and capital resources to support our daily operations, our expected business growth, potential risks associated with our lending activities, and our regulatory and policy requirements in a cost-effective and prudent manner through expected and unexpected market environments. The table below presents the components of our sources of funding:

	For the Six Months Ended June 30, 2024			For the Six Months Ended June 30, 2023		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
	(dollars in thousands)					
Interest-bearing deposit accounts [1]	$1,889,475	99.51%	3.33%	$1,690,051	99.76%	2.38%
Borrowings	9,286	0.49	0.43	4,000	0.24	0.05
Total interest-bearing liabilities	$1,898,761	100.00%	3.31%	$1,694,051	100.00%	2.37%

(1) Certain prior year amounts have been reclassified for consistency with the current year presentation.

The increase in the average interest rate on interest-bearing deposits from 2.38% for the year ended December 2023 to 3.33% for the six months ended June 2024 was primarily due to increases in interest rates paid on new deposits compared to rates paid on maturing deposits.

Deposits

We obtain substantially all of the funding for our business through time certificates of deposit in amounts less than or equal to the current FDIC deposit insurance coverage limit of $250,000, originated nationally through a variety of deposit broker relationships. Brokered deposits typically offer a low-cost source of funding compared to credit facilities and other funding sources utilized by non-bank lending businesses. Except in the case of death or adjudicated incapacity, brokered deposits may not be withdrawn prior to maturity, which aids us in the management of our liquidity position. In October 2020, we began to originate time deposits through internet listing services. These deposits are from other organizations, primarily financial institutions and, as of June 2024 and December 2023, we had $16.1 million and $11.8 million, respectively, in listing service deposits. Under our banking charter, we are not authorized to accept demand deposits, but we are able to offer savings accounts. During 2023, we began offering retail savings deposits through a third-party service provider, which had a balance of $10.9 million, or 0.54% of our total deposits, as of June 2024. Retail savings deposits, while improving our deposit diversity, may be withdrawn by depositors with few limitations. We do not currently plan for these deposits to be a significant percentage of our overall deposits.

We monitor the term, maturity schedule and concentrations of our brokered and listing service time deposits to manage our funding risk, and we regularly assess the Bank's liquidity position through stress tests. As of June 2024 and December 2023, the weighted average maturity of our time certificates of deposit was 644 days and 649 days, respectively. As a policy, we maintain a minimum of eight active deposit broker relationships, which is intended to ensure that our funding is stable and consistent.

Our ability to use brokered deposits to fund our business is subject to the capitalization requirements set forth in the FDIC's regulatory framework. A bank may not accept or renew brokered deposits unless it is "well-capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts or renews brokered deposits is subject to additional restrictions on the interest rates it may offer. There are no such restrictions under the FDIA on a bank that is "well-capitalized." As described below, we seek to maintain our capital ratios well above the quantitative thresholds for well-capitalized status.

Short-Term Borrowings

Our short-term borrowings consist of unsecured federal funds lines offered by our correspondent banks, and a secured Federal Reserve discount window facility, to address temporary funding needs when it is not necessary or feasible to acquire time certificates of deposit through our network of brokers. The unsecured federal funds lines are accommodations that can be terminated at any time for any reason. As of June 2024 and December 2023, we had two active unsecured federal funds lines with credit limits of $40.0 million and $35.0 million, plus a secured Federal Reserve discount window facility with credit availability of approximately $40.1 million, giving us a total of $115.1 million in short-term borrowing capacity, of which $25 million was outstanding at June 2024. The discount window facility is not committed, and any borrowings by the Bank from the discount window facility are at the discretion of the Federal Reserve.

As of June 2024 and December 2023, $25 million and $0 was drawn against the Federal Reserve discount window facility, respectively, and $0 was drawn on the unsecured federal funds lines. The $25 million drawn against the Federal Reserve discount window facility as of June 2024 was repaid in full in July 2024.

Liquidity

We seek to ensure that we have adequate liquidity to sustain business operations, fund asset growth and meet regulatory expectations under normal and stress conditions. We maintain policies outlining the overall framework and general principles for managing liquidity risk, which is the responsibility of our Asset and Liability Management Committee. Those policies include a general strategy of matching maturities of deposits and loans, maintaining cash and securities at a minimum of 5% of total assets, and ensuring consistent access to a variety of funding sources. On a regular basis, we perform liquidity stress testing and contingency planning as part of our liquidity management process. During such tests, we evaluate a range of stress scenarios including Bank-specific and systemic events that could impact funding sources and our ability to meet liquidity needs.

We maintain a portfolio of cash and investment securities for liquidity purposes, which as of June 2024 and December 2023 had $175.3 million and $164.3 million, respectively, of cash and cash equivalents and agency residential mortgage-backed securities, non-mortgage-backed agency securities, and Utah Housing Corporation bonds. The increase in cash and investments as of June 2024 compared to December 2023 was due to normal growth associated with our increasing asset size. As additional sources of liquidity, as of June 2024 and December 2023, we had an aggregate of $90.1 million and $113.0 million, respectively, of unused capacity in unsecured federal funds lines from correspondent banks and the secured discount window facility with the Federal Reserve. See “Short-Term Borrowings” above for details about these credit facilities.

As a general matter, our investments are highly liquid, giving us the ability to readily convert them to cash. The level and composition of our liquidity portfolio may fluctuate based upon the level of expected maturities of our funding sources as well as operational requirements, market conditions, and management's judgment.

Capital and Payment of Dividends

As a Utah state-chartered industrial bank, we are required to maintain minimum levels of regulatory capital. These standards generally are as stringent as the comparable capital requirements imposed on national banks. We are also subject to FDIC regulations that apply to every FDIC-insured depository institution, a system of mandatory and discretionary supervisory actions that generally become more severe as the capital levels of an individual institution decline. The regulations establish five capital categories for purposes of determining our treatment under these prompt corrective action (“PCA”) provisions: “well-capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized.”

We are currently and have historically been capitalized in excess of minimum regulatory requirements. As of June 2024, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.2%, 16.1% and 17.4%, respectively, and we had a Tier 1 capital to total assets leverage ratio of 16.1%. As of December 2023, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.6%, 16.8% and 18.1%, respectively, and we had a Tier 1 capital to total assets leverage ratio of 16.2%.

	As of June 30, 2024		As of December 31, 2023		Minimum Regulatory Requirements[(1)]	Well-Capitalized Requirements
	Amount	Ratio	Amount	Ratio		
	(dollars in thousands)					
Tier 1 leverage capital	$ 374,974	16.1%	$ 362,561	16.2%	4.0%	5.0%
CET-1 risk-based capital	306,186	13.2	293,774	13.6	7.0	6.5
Tier 1 risk-based capital	374,974	16.1	362,561	16.8	8.5	8.0
Total risk-based capital	404,742	17.4	390,153	18.1	10.5	10.0

(1) As a condition to receipt of FDIC insurance, we entered into the 2003 Capital Maintenance Agreement requiring us to maintain a 15% Tier 1 leverage ratio. This level of capital far exceeds the minimum requirement for capital adequacy purposes and is above the threshold for well-capitalized status under the FDIC’s regulatory framework.

Failure to meet minimum capital requirements can result in the initiation of certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material adverse effect on our business, results of operations and financial condition. In addition, because we obtain substantially all of the funding for our businesses from brokered certificates of deposit, failure to maintain “well-capitalized” status would have a material adverse effect on our business, results of operations and financial condition.

During the year ended December 2023, we paid total dividends on our common stock of $20.0 million to MFIN. In January 2024, the Bank's Board of Directors (the "Board") declared a $6.0 million cash dividend on the common stock that was paid on February 15, 2024. On April 25, 2024, the Board declared a $6.0 million cash dividend on the common stock that was paid on May 15, 2024. On July 25, 2024, the Board declared a $6.0 million cash dividend on the common stock that will be paid on August 15, 2024.

On January 25, 2024, the Board declared a quarterly cash dividend of $0.50 per share on the Bank's Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F ("Series F"), to shareholders of record at the close of business on March 15, 2024, which was paid on April 1, 2024. On April 25, 2024, the Board declared a quarterly cash dividend of $0.50 per share on the Series F to shareholders of record at the close of business on June 15, 2024, which was paid on July 1, 2024. On July 25, 2024, the Board declared a quarterly cash dividend of $0.50 per share on the Series F to shareholders of record at the close of business on September 16, 2024, which is payable on October 1, 2024.

We paid dividends on our Series E Preferred Stock issued to the U.S. Treasury under the Small Business Lending Fund Program of $2.4 million in the three months ended June 2024 and 2023. The dividend rate of 9% will remain stable for so long as our Series E Preferred Stock remains outstanding. In addition, if the Bank is not "publicly traded" within the meaning of our Articles, then so long as any share of the Series E Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common equity, any other shares of junior stock or parity stock. So long as our shares of Series F Preferred Stock are listed on The Nasdaq Capital Market or another securities exchange, we will not be negatively impacted by that restriction.

Regulatory Capital Requirements

We are subject to risk-based and leverage-based capital ratio requirements under the U.S. Basel III capital rules adopted by the federal banking regulators.

The rules establish minimum risk-based capital ratios and prompt corrective action thresholds that require banking organizations to maintain a minimum common equity Tier 1 ("CET1") capital ratio of 4.5%, a Tier 1 capital ratio of 6.0%, a total capital ratio of 8.0% and a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average consolidated assets for the quarter.

A capital conservation buffer of 2.5% above the risk-based capital ratios is required for banking institutions to avoid restrictions on their ability to make capital distributions, including paying dividends. As of June 2024, our risk-based capital ratios were above the regulatory minimums that incorporated the 2.5% capital conservation buffer.

Recently Issued Accounting Standards

For discussion of accounting standards recently issued but not yet effective, refer to Note 1. "Organization and Summary of Significant Accounting Policies" in the unaudited financial statements included elsewhere in this Form 10-Q.

Non-GAAP Financial Measures

This Form 10-Q presents non-GAAP financial measures, in addition to GAAP financial measures, to provide investors with additional information. The adjustments to reconcile from the applicable GAAP financial measures to the non-GAAP financial measures are presented in the following table. We consider these adjustments to be relevant to ongoing operating results and provide a meaningful basis for period-to-period comparisons. We use these non-GAAP financial measures to assess our performance and for presentations of our performance to investors. We believe that presenting these non-GAAP financial measures permits investors to assess our performance on the same basis as that applied by our management and the financial services industry.

Non-GAAP financial measures have inherent limitations and are not necessarily comparable to similar financial measures that may be presented by other financial services companies. Although non-GAAP financial measures are frequently used to evaluate a company, they have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of results reported under GAAP.

Pre-Provision Net Revenue

PPNR is calculated by excluding our provision for credit losses from our pre-tax income for the relevant period. PPNR enables management and others to assess the performance of the Bank exclusive of the effects of the provision for credit losses and the ability of the Bank to generate earnings sufficient to cover credit losses. We believe PPNR is a useful performance indicator because it allows the investor to better view the revenue growth generated by our consumer lending platform.

	For the Six Months Ended June 30,	
	2024	**2023**
(in thousands)		
GAAP net income	$ 29,515	$ 40,754
Plus: Provision for credit losses	35,192	12,716
Plus: Income tax expense	10,922	15,047
Pre-provision net revenue	$ 75,629	$ 68,517

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is defined as the sensitivity of income, fair values and capital to changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market prices and rates. The primary risk to which we are exposed is interest rate movement inherent in our lending and deposit-taking activities.

The principal objective of asset/liability management is to manage the sensitivity of net income to changes in interest rates. Asset/liability management is governed by policies approved by our Board. Day-to-day oversight of this function is performed by our Asset and Liability Management Committee. Management and our Board, on an ongoing basis, review our overall interest rate risk position and strategies.

Interest Rate Risk Management

Our Asset and Liability Management Committee seeks to manage our interest rate risk by structuring our balance sheet to maximize net interest income while maintaining an acceptable level of risk exposure to changes in market interest rates. We analyze interest rate risk using a combination of net interest income and balance sheet valuation simulations, shocks to those simulations, and scenario and market value analyses. We actively monitor the level of exposure with the goal that movements in interest rates would not adversely and unexpectedly negatively affect future earnings. We use net interest income sensitivity analysis as our primary metric to measure and manage the interest rate sensitivities of our loan and investment securities portfolios.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rate scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. Our simulation incorporates contractual cash flows and repricing characteristics for all assets and liabilities and incorporates the effects of changing interest rates on the prepayment and attrition rates of certain assets and liabilities. The analysis is highly dependent upon a variety of assumptions including assumptions about new business volumes, loan and investment prepayment rates, deposit rate floors, interest rate curves and economic conditions. These scenarios include both parallel and non-parallel rate shocks. Our simulation does not assume any specific future actions are taken to mitigate the impacts of changing interest rates.

If interest rates changed in parallel by the amounts below	The following estimated percentage increase/(decrease) to net interest income would result at June 30, 2024	The following estimated percentage increase/(decrease) to net interest income would result at June 30, 2023
Down 100 basis points	0.98%	0.97%
Up 100 basis points	(0.90)%	0.21%
Down 200 basis points	2.10%	1.95%
Up 200 basis points	(1.81)%	0.40%
Down 300 basis points	3.19%	2.93%
Up 300 basis points	(2.73)%	0.60%
Down 400 basis points	4.29%	3.80%
Up 400 basis points	(3.66)%	0.79%

The shift in net interest income variances in the June 30, 2024 simulation compared to the June 30, 2023 simulation is largely due to updates to our interest rate risk models to reflect changes in assumptions consistent with recent experience. We remain slightly sensitive to liabilities as of June 30, 2024. The updated beta assumptions, or the degree to which market rate changes are adopted in our loan portfolio, cause net interest income to decrease in scenarios where rates are shocked up and increase in scenarios where rates are shocked down. The June 30, 2024 simulation also includes a revised assumption that slightly modifies the expected lags in loan rate repricing to better match recent experience.

We also evaluate the impact of interest rate risk by utilizing Economic Value of Equity ("EVE") modeling. This analysis measures the present value of all estimated future cash flows of the Bank over the estimated remaining life of the balance sheet. EVE is calculated as the difference between the market value of assets and liabilities. The EVE calculation utilizes only the current balance sheet, and therefore does not factor in any future changes in balance sheet size, balance sheet mix, yield curve relationships or product spreads, which may mitigate the impact of any interest rate changes.

Management examines the effect of interest rate changes on EVE. The sensitivity of EVE to changes in interest rates is a measure of longer-term interest rate risk and highlights the potential capital at risk due to adverse changes in market interest rates.

If interest rates changed in parallel by the amounts below:	The following estimated percentage increase/(decrease) to EVE would result June 30, 2024	The following estimated percentage increase/(decrease) to EVE would result June 30, 2023
Down 100 basis points	4.11%	3.40%
Up 100 basis points	(3.76)%	(3.11)%
Down 200 basis points	8.31%	7.18%
Up 200 basis points	(7.26)%	(6.05)%
Down 300 basis points	12.97%	11.33%
Up 300 basis points	(10.50)%	(8.80)%
Down 400 basis points	18.03%	17.31%
Up 400 basis points	(13.49)%	(11.32)%

The change in EVE variance in the June 30, 2024 simulation compared to the June 30, 2023 simulation is largely due to model updates to reflect changes in assumptions consistent with recent experience. The gap between book and market rates tightened slightly between June 30, 2023 and June 30, 2024, resulting in slight EVE variances between periods.

Since the assumptions used are inherently uncertain, we cannot predict precisely the effect of higher or lower interest rates on net interest income or EVE. Actual results will differ from simulated results due to the timing, magnitude and frequency of interest rate changes, the difference between actual experience and the assumed volume, characteristics of new business, behavior of existing positions and changes in market conditions and management strategies, among other factors.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, and have concluded that they are effective as of June 2024 to provide reasonable assurance that information required to be disclosed by the Bank in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Bank's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control

As required by Rule 13a – 15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated our internal control over financial reporting to determine whether any changes occurred during the quarter ended June 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, and have concluded that there have been no changes that occurred during the quarter ended June 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently involved in various legal proceedings incidental to the ordinary course of our business, including collection matters with respect to certain loans. We intend to vigorously defend any outstanding claims and pursue our legal rights. In the opinion of our management and based upon the advice of legal counsel there is no proceeding pending, or to the knowledge of management threatened, which in the event of an adverse decision could result in a material adverse effect on our results of operations or financial condition.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBITS

Exhibit Number	Description
10.1	Amendment No. 10 to Corporate Services Agreement, dated April 26, 2024, between Medallion Financial Corp. and Medallion Bank (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed on May 15, 2024).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.

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.

MEDALLION BANK

Date: August 14, 2024

By: /s/ Donald S. Poulton

Donald S. Poulton

President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ D. Justin Haley

D. Justin Haley

Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS
Certification of Donald S. Poulton

I, Donald S. Poulton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medallion Bank;
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 period 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)) 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 is made known to us by others within those entities, particularly during the period 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 period covered by this report based on such evaluation; and
   d) disclosed in this report any change in 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: August 14, 2024

By: /s/ Donald S. Poulton

Donald S. Poulton
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS
Certification of D. Justin Haley

I, D. Justin Haley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medallion Bank;
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 period 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)) 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 is made known to us by others within those entities, particularly during the period 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 period covered by this report based on such evaluation; and
   d) disclosed in this report any change in 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: August 14, 2024

By: /s/ D. Justin Haley

D. Justin Haley
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 USC SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Medallion Bank (the “Bank”) for the quarter ended June 30, 2024 as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: August 14, 2024

By: /s/ Donald S. Poulton

Donald S. Poulton
President and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 USC SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Medallion Bank (the “Bank”) for the quarter ended June 30, 2024 as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: August 14, 2024

By: /s/ D. Justin Haley

D. Justin Haley
Executive Vice President and
Chief Financial Officer