UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Commission file number 001-37747

MEDALLION FINANCIAL CORP.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**04-3291176**
(State of Incorporation)	**(IRS Employer Identification No.)**

437 MADISON AVENUE, 38th Floor
NEW YORK, NEW YORK 10022
(Address of Principal Executive Offices) (Zip Code)

(212) 328-2100
(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
Common Stock, par value $0.01 per share	**MFIN**	**NASDAQ Global Select Market**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that 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 checkmark 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 Exchange Act). YES ☐ NO ☒

The number of outstanding shares of registrant's Common Stock, par value $0.01, as of August 6, 2024, was 23,168,761.

MEDALLION FINANCIAL CORP.
FORM 10-Q
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our financial statements and the notes to those statements and other financial information appearing elsewhere in this report.

This report contains forward-looking statements relating to future events and future performance applicable to us within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions, or future strategies that are signified by the words expects, anticipates, intends, believes, or similar language. In connection with certain forward-looking statements contained in this Form 10-Q and those that may be made in the future by or on behalf of the Company, the Company notes that there are various factors that could cause actual results to differ materially from those set forth in any such forward-looking statements. The forward-looking statements contained in this Form 10-Q were prepared by management and are qualified by, and subject to, significant business, economic, competitive, regulatory, and other uncertainties and contingencies, all of which are difficult or impossible to predict, and many of which are beyond control of the Company. In particular, any forward-looking statements are subject to the risks and great uncertainties associated with the pending litigation with the Securities and Exchange Commission as well as the U.S. and global economies, including the current inflationary environment and the risk of recession.

All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statements. The statements have not been audited by, examined by, compiled by, or subjected to agreed-upon procedures by independent accountants, and no third-party has independently verified or reviewed such statements. Readers of this Form 10-Q should consider these facts in evaluating the information contained herein. In addition, the business and operations of the Company are subject to substantial risks which increase the uncertainty inherent in the forward-looking statements contained in this Form 10-Q. The inclusion of the forward-looking statements contained in this Form 10-Q should not be regarded as a representation by the Company or any other person that the forward-looking statements contained in this Form 10-Q will be achieved.

In light of the foregoing, readers of this Form 10-Q are cautioned not to place undue reliance on the forward-looking statements contained herein. You should consider these risks and those described under Risk Factors in the Company's Annual Report on Form 10-K and others that are detailed in the other reports that the Company files from time to time with the Securities and Exchange Commission.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BASIS OF PREPARATION

We, Medallion Financial Corp., or the Company, are a specialty finance company organized as a Delaware corporation. Our strategic focus is growing our consumer finance and commercial lending businesses. Our total assets were $2.8 billion and $2.6 billion as of June 30, 2024 and December 31, 2023.

We conduct our business through various wholly-owned subsidiaries including:

- Medallion Bank, or the Bank, a Federal Deposit Insurance Corporation, or FDIC, insured industrial bank that originates consumer loans, raises deposits and conducts other banking activities;
- Medallion Capital, Inc., or Medallion Capital, a Small Business Investment Company, or SBIC, which operates a mezzanine financing business;
- Medallion Funding LLC, or Medallion Funding, an SBIC, historically our primary taxi medallion lending company; and
- Freshstart Venture Capital Corp., or Freshstart, which historically originated and serviced taxi medallion and commercial loans and was an SBIC through 2023.

Our consolidated balance sheets as of June 30, 2024, and the related consolidated statements of operations, consolidated statements of other comprehensive income, consolidated statements of stockholders' equity and cash flows for the three and six months then ended included in Item 1 have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying consolidated financial statements include all adjustments, which are of a normal and recurring nature, necessary to present fairly our consolidated financial position and results of operations. The results of operations for the three and six months ended June 30, 2024 may not be indicative of future performance. These financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

MEDALLION FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)		(Unaudited) June 30, 2024		December 31, 2023
Assets				
Cash and cash equivalents	**$**	**87,719**	$	52,591
Federal funds sold		**70,242**		97,254
Investment securities		**55,830**		54,282
Equity investments		**10,795**		11,430
Loans		**2,385,590**		2,215,886
Allowance for credit losses		**(89,788)**		(84,235)
Net loans receivable		**2,295,802**		2,131,651
Goodwill		**150,803**		150,803
Intangible assets, net		**19,869**		20,591
Property, equipment, and right-of-use lease asset, net		**14,094**		14,076
Accrued interest receivable		**13,299**		13,538
Loan collateral in process of foreclosure [(1)]		**9,359**		11,772
Income tax receivable		**3,290**		671
Other assets		**29,774**		29,168
Total assets	**$**	**2,760,876**	$	2,587,827
Liabilities				
Deposits [(2)]	**$**	**2,006,782**	$	1,866,657
Long-term debt [(3)]		**230,803**		235,544
Short-term borrowings		**37,500**		8,000
Deferred tax liabilities, net		**22,394**		21,207
Operating lease liabilities		**6,071**		7,019
Accrued interest payable		**7,945**		6,822
Accounts payable and accrued expenses [(4)]		**26,592**		30,804
Total liabilities		**2,338,087**		2,176,053
Commitments and contingencies [(5)]				
Stockholders' equity				
Preferred stock (1,000,000 shares of $0.01 par value stock authorized-none outstanding)		**—**		—
Common stock (50,000,000 shares of $0.01 par value stock authorized - **29,262,204 shares at June 30, 2024** and 29,051,800 shares at December 31, 2023 issued)		**293**		291
Additional paid in capital		**290,298**		288,046
Treasury stock (**6,050,214 shares at June 30, 2024** and 5,602,154 at December 31, 2023)		**(49,179)**		(45,538)
Accumulated other comprehensive loss		**(3,744)**		(3,696)
Retained earnings		**116,333**		103,883
Total stockholders' equity		**354,001**		342,986
Non-controlling interest in consolidated subsidiaries		**68,788**		68,788
Total equity		**422,789**		411,774
Total liabilities and equity	**$**	**2,760,876**	$	2,587,827
Number of shares outstanding		**23,211,990**		23,449,646
Book value per share	**$**	**15.25**	$	14.63

(1)Includes financed sales of this collateral to third parties that are reported separately from the loan portfolio, of $5.3 million as of June 30, 2024 and $6.2 million as of December 31, 2023.

(2)Includes $4.6 million and $4.3 million of deferred financing costs as of June 30, 2024 and December 31, 2023. Refer to Note 5 for more details.

(3)Includes $4.0 million and $4.2 million of deferred financing costs as of June 30, 2024 and December 31, 2023. Refer to Note 5 for more details.

(4)Includes the short-term portion of lease liabilities of $2.3 million and $2.5 million as of June 30, 2024 and December 31, 2023. Refer to Note 6 for more details.

(5)Refer to Note 10 for details.

The accompanying notes should be read in conjunction with these consolidated financial statements.

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Dollars in thousands, except share and per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Interest and fees on loans	**$ 68,861**	$ 59,630	**$ 134,082**	$ 114,799
Interest and dividends on investment securities	**1,843**	2,096	**3,692**	2,769
Total interest income [1]	**70,704**	61,726	**137,774**	117,568
Interest on deposits	**16,523**	11,329	**31,275**	19,928
Interest on long-term debt	**4,182**	2,940	**8,437**	5,793
Interest on short-term borrowings	**131**	766	**277**	1,554
Total interest expense	**20,836**	15,035	**39,989**	27,275
Net interest income	**49,868**	46,691	**97,785**	90,293
Provision for credit losses	**18,577**	8,476	**35,778**	12,514
Net interest income after provision for credit losses	**31,291**	38,215	**62,007**	77,779
Other income (loss)				
Gain (loss) on equity investments	**(512)**	99	**3,655**	9
Gain on sale of loans and taxi medallions	**242**	1,306	**830**	3,161
Write-down of loan collateral in process of foreclosure	**—**	(21)	**—**	(273)
Other income	**1,369**	558	**2,017**	1,128
Total other income, net	**1,099**	1,942	**6,502**	4,025
Other expenses				
Salaries and employee benefits	**9,435**	9,339	**18,892**	18,175
Loan servicing fees	**2,692**	2,361	**5,162**	4,583
Collection costs	**1,659**	1,608	**3,126**	3,146
Regulatory fees	**888**	781	**1,865**	1,463
Professional fees	**1,845**	1,368	**2,616**	3,075
Rent expense	**698**	603	**1,355**	1,226
Amortization of intangible assets	**362**	363	**723**	723
Other expenses	**2,416**	2,580	**4,481**	5,004
Total other expenses	**19,995**	19,003	**38,220**	37,395
Income before income taxes	**12,395**	21,154	**30,289**	44,409
Income tax provision	**3,782**	5,472	**10,140**	11,854
Net income after taxes	**8,613**	15,682	**20,149**	32,555
Less: income attributable to the non-controlling interest	**1,512**	1,512	**3,024**	3,024
Total net income attributable to Medallion Financial Corp.	**$ 7,101**	$ 14,170	**$ 17,125**	$ 29,531
Basic net income per share	**$ 0.31**	$ 0.63	**$ 0.76**	$ 1.32
Diluted net income per share	**$ 0.30**	$ 0.62	**$ 0.73**	$ 1.29
Weighted average common shares outstanding				
Basic	**22,598,102**	22,488,463	**22,619,743**	22,416,089
Diluted	**23,453,162**	22,853,927	**23,609,104**	22,915,094

(1)Included in interest income is $0.7 million and $1.3 million of paid-in-kind interest for the three and six months ended June 30, 2024 and $0.4 million and $0.6 million for the three and six months ended June 30, 2023.

The accompanying notes should be read in conjunction with these consolidated financial statements.

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)

(Dollars 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 income after taxes	**$ 8,613**	$ 15,682	**$ 20,149**	$ 32,555
Other comprehensive income (loss), net of tax	**102**	(906)	**(48)**	(400)
Total comprehensive income	**8,715**	14,776	**20,101**	32,155
Less comprehensive income attributable to the non-controlling interest	**1,512**	1,512	**3,024**	3,024
Total comprehensive income attributable to Medallion Financial Corp.	**$ 7,203**	$ 13,264	**$ 17,077**	$ 29,131

The accompanying notes should be read in conjunction with these consolidated financial statements.

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS’ EQUITY
(UNAUDITED)

(Dollars in thousands)	Common Stock Shares	Common Stock	Capital in Excess of Par	Treasury Stock Shares	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders’ Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2023	**29,051,800**	**$ 291**	**$ 288,046**	**(5,602,154)**	**$ (45,538)**	**$ 103,883**	**$ (3,696)**	**$ 342,986**	**$ 68,788**	**$ 411,774**
Net income	—	—	—	—	—	10,024	—	10,024	1,512	11,536
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	(1,512)	(1,512)
Stock-based compensation expense	—	1	1,495	—	—	—	—	1,496	—	1,496
Issuance of restricted stock, net	296,178	—	—	—	—	—	—	—	—	—
Withheld restricted stock for employees' tax obligations	(116,275)	—	(944)	—	—	—	—	(944)	—	(944)
Forfeiture of restricted stock, net	(1,208)	—	—	—	—	—	—	—	—	—
Exercise of stock options	13,383	—	88	—	—	—	—	88	—	88
Purchase of common stock	—	—	—	(264,160)	(2,126)	—	—	(2,126)	—	(2,126)
Dividends paid on common stock ($0.10 per share)	—	—	—	—	—	(2,338)	—	(2,338)	—	(2,338)
Net change in unrealized gains on investments, net of tax	—	—	—	—	—	—	(150)	(150)	—	(150)
Balance at March 31, 2024	**29,243,878**	**$ 292**	**$ 288,685**	**(5,866,314)**	**$ (47,664)**	**$ 111,569**	**$ (3,846)**	**$ 349,036**	**$ 68,788**	**$ 417,824**
Net income	—	—	—	—	—	7,101	—	7,101	1,512	8,613
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	(1,512)	(1,512)
Stock-based compensation expense	—	1	1,595	—	—	—	—	1,596	—	1,596
Exercise of stock options	2,867	—	18	—	—	—	—	18	—	18
Forfeiture of restricted stock, net	(1,696)	—	—	—	—	—	—	—	—	—
Issuance in connection with vesting of restricted stock units	17,155	—	—	—	—	—	—	—	—	—
Purchase of common stock	—	—	—	(183,900)	(1,515)	—	—	(1,515)	—	(1,515)
Dividends paid on common stock ($0.10 per share)	—	—	—	—	—	(2,337)	—	(2,337)	—	(2,337)
Net change in unrealized gains on investments, net of tax	—	—	—	—	—	—	102	102	—	102
Balance at June 30, 2024	**29,262,204**	**$ 293**	**$ 290,298**	**(6,050,214)**	**$ (49,179)**	**$ 116,333**	**$ (3,744)**	**$ 354,001**	**$ 68,788**	**$ 422,789**

The accompanying notes should be read in conjunction with these consolidated financial statements.

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(Dollars in thousands)	Common Stock Shares	Common Stock	Capital in Excess of Par	Treasury Stock Shares	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2022	28,663,827	$ 287	$ 283,663	(5,602,154)	$ (45,538)	$ 66,673	$ (3,349)	$ 301,736	$ 68,788	$ 370,524
Adoption of ASU 2016-13, net of tax	—	—	—	—	—	(9,935)	—	(9,935)	—	(9,935)
Balance at January 1, 2023	28,663,827	287	283,663	(5,602,154)	(45,538)	56,738	(3,349)	291,801	68,788	360,589
Net income	—	—	—	—	—	15,361	—	15,361	1,512	16,873
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	(1,512)	(1,512)
Stock-based compensation expense	—	2	1,034	—	—	—	—	1,036	—	1,036
Issuance of restricted stock, net	304,749	—	—	—	—	—	—	—	—	—
Withheld restricted stock for employees' tax obligations	(91,169)	—	(768)	—	—	—	—	(768)	—	(768)
Forfeiture of restricted stock, net	(9,843)	—	—	—	—	—	—	—	—	—
Exercise of stock options	44,583	—	292	—	—	—	—	292	—	292
Dividends paid on common stock ($0.08 per share)	—	—	—	—	—	(1,863)	—	(1,863)	—	(1,863)
Net change in unrealized gains on investments, net of tax	—	—	—	—	—	—	506	506	—	506
Balance at March 31, 2023	28,912,147	$ 289	$ 284,221	(5,602,154)	$ (45,538)	$ 70,236	$ (2,843)	$ 306,365	$ 68,788	$ 375,153
Net income	—	—	—	—	—	14,170	—	14,170	1,512	15,682
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	(1,512)	(1,512)
Stock-based compensation expense	—	—	1,214	—	—	—	—	1,214	—	1,214
Issuance of restricted stock, net	11,734	—	—	—	—	—	—	—	—	—
Exercise of stock options	283	—	—	—	—	—	—	—	—	—
Forfeiture of restricted stock, net	(204)	—	—	—	—	—	—	—	—	—
Issuance in connection with vesting of restricted stock units	23,211	—	—	—	—	—	—	—	—	—
Dividends paid on common stock ($0.08 per share)	—	—	—	—	—	(1,867)	—	(1,867)	—	(1,867)
Net change in unrealized gains on investments, net of tax	—	—	—	—	—	—	(906)	(906)	—	(906)
Balance at June 30, 2023	28,947,171	$ 289	$ 285,435	(5,602,154)	$ (45,538)	$ 82,539	$ (3,749)	$ 318,976	$ 68,788	$ 387,764

The accompanying notes should be read in conjunction with these consolidated financial statements.

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income resulting from operations	**$ 20,149**	$ 32,555
Adjustments to reconcile net income resulting from operations to net cash provided by operating activities:		
Provision for credit losses	**35,778**	12,514
Paid-in-kind interest income	**(1,263)**	(644)
Depreciation and amortization	**2,717**	2,538
Amortization of origination fees, net	**4,298**	4,667
(Decrease) increase in deferred and other tax liabilities, net	**(1,432)**	3,164
Net change in value of loan collateral in process of foreclosure	**6,642**	4,362
Net (gains) loss on investments	**(3,655)**	99
Stock-based compensation expense	**3,092**	2,250
Decrease (increase) in accrued interest receivable	**239**	(732)
Increase in other assets	**(2,684)**	(10,989)
(Decrease) increase in accounts payable and accrued expenses	**(5,104)**	8,841
Increase (decrease) in accrued interest payable	**1,123**	(341)
Net cash provided by operating activities	**59,900**	58,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated	**(491,072)**	(583,669)
Proceeds from principal receipts, sales, maturities, and recoveries of loans	**277,014**	313,847
Purchases of investments	**(6,059)**	(8,224)
Proceeds from principal receipts, sales, and maturities of investments	**8,735**	1,400
Proceeds from the sale and principal payments on loan collateral in process of foreclosure	**6,865**	11,308
Net cash used for investing activities	**(204,517)**	(265,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from time deposits and funds borrowed	**558,266**	513,795
Repayments of time deposits and funds borrowed	**(393,299)**	(280,622)
Cash dividends paid on common stock	**(4,731)**	(3,663)
Distributions to non-controlling interests	**(3,024)**	(3,024)
Payment of withholding taxes on net settlement of vested stock	**(944)**	(768)
Treasury stock repurchased	**(3,641)**	—
Proceeds from the exercise of stock options	**106**	292
Net cash provided by financing activities	**152,733**	226,010
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,116**	18,956
Cash and cash equivalents, beginning of period (1)	**149,845**	105,598
Cash and cash equivalents, end of period (1)	**$ 157,961**	$ 124,554
SUPPLEMENTAL INFORMATION		
Cash paid during the period for interest	**$ 37,076**	$ 25,999
Cash paid during the period for income taxes	**10,745**	8,662
NON-CASH INVESTING		
Loans transferred to loan collateral in process of foreclosure, net	**$ 11,094**	$ 10,654

(1)Includes federal funds sold.

The accompanying notes should be read in conjunction with these consolidated financial statements.

(1) ORGANIZATION OF MEDALLION FINANCIAL CORP. AND ITS SUBSIDIARIES

Medallion Financial Corp., or the Company, is a specialty finance company organized as a Delaware corporation that reports as a bank holding company, but is not a bank holding company for regulatory purposes. The Company conducts its business through various wholly-owned subsidiaries including its primary operating company, Medallion Bank, or the Bank, a Federal Deposit Insurance Corporation, or FDIC, insured industrial bank that originates consumer loans, raises deposits, and conducts other banking activities. The Bank is subject to competition from other financial institutions and to the regulations of certain federal and state agencies, and undergoes examinations by those agencies. The Bank was formed in May 2002 for the purpose of obtaining an industrial bank charter pursuant to the laws of the State of Utah. The Bank originates consumer loans on a national basis for the purchase of recreational vehicles, or RVs, boats, collector automobiles, and other consumer recreational equipment and to finance home improvements such as roofs, swimming pools, and windows. Prior to 2015, the Bank originated commercial loans to finance the purchase of taxi medallions, all of which are serviced by the Company. The loans are financed primarily with time certificates of deposit which are originated nationally through a variety of brokered deposit relationships.

The Company also conducts business through its subsidiaries Medallion Capital, Inc., or Medallion Capital, a Small Business Investment Company, or SBIC, which conducts a mezzanine financing business; Medallion Funding LLC, or MFC, an SBIC, which historically was the Company's primary taxi medallion lending company; and Freshstart Venture Capital Corp., or FSVC, which historically originated and serviced taxi medallion and commercial loans and was an SBIC through 2023. Medallion Capital and MFC, as SBICs, are regulated by the Small Business Administration, or SBA. Medallion Capital is financed in part by the SBA.

The Company established a wholly-owned subsidiary, Medallion Financing Trust I, or Fin Trust, for the purpose of issuing unsecured trust preferred securities to investors. Fin Trust is a separate legal and corporate entity with its own creditors who, in any liquidation of Fin Trust, will be entitled to be satisfied out of Fin Trust’s assets prior to any value in Fin Trust becoming available to Fin Trust’s equity holders. The assets of Fin Trust, aggregating $34.0 million at June 30, 2024, are comprised solely of a subordinated note from the Company and are not available to pay obligations of its affiliates or any other party, and the assets of affiliates or any other party are not available to pay obligations of Fin Trust.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S., or GAAP, requires management to make estimates that affect the amounts reported in the consolidated financial statements and the accompanying notes. Accounting estimates and assumptions are those that management considers to be the most critical to an understanding of the consolidated financial statements because they inherently involve significant judgments and uncertainties. All of these estimates reflect management’s best judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. If such conditions change, it is reasonably possible that the judgments and estimates could change, which may result in future impairments of loans and loan collateral in process of foreclosure, goodwill and intangible assets, and investments, among other effects.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned and controlled subsidiaries. All significant intercompany transactions, balances, and profits (losses) have been eliminated in consolidation.

The consolidated financial statements have been prepared in accordance with GAAP. The Company consolidates all entities it controls through a majority voting interest, a controlling interest through other contractual rights, or as being identified as the primary beneficiary of VIEs. The primary beneficiary is the party who has both (1) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance, and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third-party's holding is recorded as non-controlling interest.

The Company’s investment in the Bank is consolidated for financial statement purposes. In the notes to the consolidated financial statements included in its Annual Report on Form 10-K, the Company presents its investment in the Bank.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that exceed the federally insured limits. As of June 30, 2024, cash includes $1.3 million of interest-bearing funds deposited in other banks with original terms of 5 to 6 years.

Fair Value of Assets and Liabilities

The Company follows the Financial Accounting Standards Board, or FASB, FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, or 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 Notes 12 and 13 to the consolidated financial statements.

Equity Investments

The Company follows FASB ASC Topic 321, Investments – Equity Securities, or 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, are measured at cost, less any impairment plus or minus any observable price changes. Equity investments of $10.8 million and $11.4 million at June 30, 2024 and December 31, 2023, comprised mainly of nonmarketable stock and stock warrants, are recorded at cost less any impairment plus or minus observable price changes. Substantially all of these equity investments are held by Medallion Capital, our SBIC subsidiary, in connection with its mezzanine lending business. During the first quarter of 2024, $4.7 million of unrealized appreciation was recorded with respect to a single equity investment, which was realized in the quarter ended June 30, 2024, with the unrealized appreciation being realized. As of June 30, 2024, cumulative impairment of $4.3 million had been recorded with respect to these investments.

During 2021, the Company purchased $2.0 million of equity securities with a readily determinable fair value. As a result, all unrealized gains and losses are included in gain (loss) on equity investments. As of both June 30, 2024 and December 31, 2023, the fair value of these securities were $1.7 million and are included in other assets on the consolidated balance sheet.

The following table presents the unrealized portion related to the equity securities held.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Net losses recognized during the period on equity securities	**$ (7)**	$ (28)	**$ (26)**	$ —
Less: Net gains (losses) recognized during the period on equity securities sold during the period	**—**	—	**—**	—
Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	**$ (7)**	$ (28)	**$ (26)**	$ —

Investment Securities

The Company follows FASB ASC Topic 320, Investments – Debt Securities, or ASC 320, which 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 lesser 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. The net premium on investment securities totaled $0.1 million at both June 30, 2024 and December 31, 2023, and less than $0.1 million was amortized to interest income for each of the three and six months ended June 30, 2024 and 2023. ASC 320 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 consolidated financial statements, and reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity, net of the effect of income taxes, until they are sold. 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 stockholders' 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.

Loans

The Company's loans are currently reported at the principal amount outstanding, inclusive of deferred loan acquisition costs, which primarily includes deferred fees paid to loan originators, and which are amortized to interest income over the life of the loan.

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 $44.6 million and $40.0 million. Net amortization to income was $2.3 million and $4.3 million for the three and six months ended June 30, 2024 and was $2.4 million and $4.3 million for the three and six months ended June 30, 2023.

Interest income is recorded on the accrual basis. Taxi medallion and commercial 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. The consumer loan portfolio is typified by a larger number of smaller dollar loans that have similar characteristics. A loan is nonperforming when based on current information and events, it is unlikely the Company will be able 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 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. Total loans 90 days or more past due were $15.6 million at June 30, 2024, or 0.67% of the total loan portfolio, compared to $16.8 million, or 0.77%, at December 31, 2023. Beginning in the first quarter of 2023, the Company began charging off recreation loans in the event that the borrowers file for bankruptcy, regardless of the loans aging.

The Company may modify the contractual cash flow of loans in situations where borrowers are experiencing financial difficulties. The Company strives to identify borrowers in financial difficulty early and work with them to modify their loans to more affordable terms before they reach nonaccrual status. These modified terms may include interest rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize the economic loss to the Company and to avoid foreclosure or repossession of the collateral. For modifications where the Company forgives principal, the entire amount of such principal forgiveness is immediately charged off. Modified loans are considered nonperforming loans.

Loan collateral in process of foreclosure primarily includes taxi medallion loans that have reached 120 days past due and have been charged down to their net realizable value, in addition to consumer repossessed collateral in the process of being sold. For New York City taxi medallion loans in the process of foreclosure, the Company continued to utilize a net value of $79,500 when assessing net realizable value for these taxi medallion loans, despite fluctuating current transfer prices which may exceed that level from time to time. The "loan collateral in the process of foreclosure" designation reflects that the collection activities on these loans have transitioned from working with the borrower to the liquidation of the collateral securing the loans.

The Company accounts for its sales of loans in accordance with FASB Accounting Standards Codification, or ASC, Topic 860, Transfers and Servicing, or FASB ASC 860, which provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. In accordance with FASB ASC 860, the Company had elected the fair value measurement method for its servicing assets and liabilities. The principal portion of loans serviced for others by the Company and its affiliates was $14.0 million at June 30, 2024 and December 31, 2023. The Company has evaluated the servicing aspect of its business in accordance with FASB ASC 860 and determined that no material servicing asset or liability existed as of June 30, 2024 and December 31, 2023.

Allowance for Credit Losses

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", or ASC 326, which replaced the incurred loss methodology that delayed recognition until it was probable a loss had been incurred with a lifetime expected loss methodology using "reasonable and supportable" expectations about the future, referred to as the current expected credit loss, or CECL, methodology. For consumer loans, the Company uses historical delinquent loan performance and actual loss rates modified by quantitative adjustments based on macroeconomic factors over a twelve-month reasonable and supportable forecast period. For commercial loans, the Company assesses the historical impact that macroeconomic indicators have had on the loan portfolio, to determine an approximate allowance for credit loss. Unlike consumer loans, where loans may have similar performing characteristics, each commercial loan is unique. The Company evaluates each commercial loan for specific impairment with additional allowance for credit losses recognized as necessary. For taxi medallion loans, the Company maintains specific reserves adjusting the carrying amount of loans down to net collateral value. The allowance is evaluated on a quarterly basis by management based on the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrowers' 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, 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.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after December 15, 2022 are presented under ASC 326. The transition to the CECL methodology on January 1, 2023 resulted in an increase of $13.7 million to the Company's allowance for credit losses on loans, or ACL, and a net-of-tax cumulative-effect adjustment of $9.9 million to the beginning balance of retained earnings. The CECL methodology transition effects on the allowance for credit losses are shown in the following table:

(Dollars in thousands)	**December 31, 2022 Pre-Topic 326 Adoption**	**Effect of ASC 326 Adoption (Transition Amounts)**	**January 1, 2023 Post-ASC 326 Adoption**
Assets:			
Loans:			
Recreation	**$ 41,966**	**$ 10,037**	**$ 52,003**
Home improvement	**11,340**	**1,518**	**12,858**
Commercial	**1,049**	**2,157**	**3,206**
Taxi medallion	**9,490**	**—**	**9,490**
Strategic partnership	**—**	**—**	**—**
Allowance for credit losses on loans	**$ 63,845**	**$ 13,712**	**$ 77,557**

Prior to January 1, 2023, the Company used historical delinquency and actual loss rates with a three-year look-back period for taxi medallion loans and a one-year look-back period for recreation and home improvement loans and used historical loss experience and other projections for commercial loans. The allowance was evaluated on a quarterly basis by management based on the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions, and excess concentration risks. This evaluation was inherently subjective, as it required estimates that were susceptible to significant revision as more information became available.

Goodwill and Intangible Assets

The Company’s goodwill and intangible assets arose as a result of the excess of fair value over book value for several of the Company’s previously unconsolidated portfolio investment companies as of April 2, 2018. This fair value was brought forward under the Company’s new reporting and was subject to a purchase price accounting allocation process conducted by an independent third-party expert to arrive at the current categories and amounts. Goodwill is not amortized, but is subject to quarterly review by management to determine whether additional impairment testing is needed, and such testing is performed at least on an annual basis. Intangible assets are amortized over their useful life of approximately 20 years. As of June 30, 2024 and December 31, 2023, the Company had goodwill of $150.8 million, all of which related to the Bank. As of June 30, 2024 and December 31, 2023, the Company had intangible assets of $19.9 million and $20.6 million. Amortization expense on the intangible assets for the three and six months ended June 30, 2024 and 2023 was $0.4 million and $0.7 million. Management performed a qualitative assessment of goodwill and intangibles for impairment at December 31, 2023, concluding that there was no impairment of these assets.

The following table details the intangible assets as of the dates presented:

(Dollars in thousands)	**June 30, 2024**	**December 31, 2023**
Brand-related intellectual property	**$ 15,125**	$ 15,675
Home improvement contractor relationships	**4,744**	4,916
Total intangible assets	**$ 19,869**	$ 20,591

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and amortization, and are depreciated on a straight-line basis over their estimated useful lives of 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated economic useful life of the improvement. Depreciation and amortization expense was $0.1 million and $0.2 million for the three and six months ended June 30, 2024 and 2023.

Deferred Costs

Deferred financing costs represent costs associated with obtaining the Company’s borrowing facilities, and are amortized on a straight-line basis over the lives of the related financing agreements and life of the respective pool. Amortization expense, included as Interest expense in the Consolidated Statements of Operations, was $0.9 million and $1.8 million for the three and six months ended June 30, 2024 and was $0.8 million and $1.5 million for the three and six months ended June 30, 2023. In addition, the Company capitalizes certain costs for transactions in the process of completion (other than business combinations), including those for potential investments, and the sourcing of other financing alternatives. Upon completion or termination of the transaction, any accumulated amounts will be amortized against income over an appropriate period, or written off. The amount on the Company’s balance sheet for all of these purposes were $8.6 million and $8.5 million as of June 30, 2024 and December 31, 2023.

Income Taxes

Income taxes are accounted for using the asset and liability approach in accordance with FASB ASC Topic 740, Income Taxes, or ASC 740. Deferred tax assets and liabilities 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 also recorded for net operating losses, capital losses and any tax credit carryforwards. A valuation allowance is provided against a deferred tax asset when it is more likely than not that some or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether a valuation allowance for deferred tax assets is needed. Items considered in determining the Company's valuation allowance include expectations of future earnings of the appropriate tax character, recent historical financial results, tax planning strategies, the length of statutory carryforward periods and the expected timing of the reversal of temporary differences. The Company recognizes tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. The Company records income tax related interest and penalties, if applicable, within current income tax expense.

Earnings Per Share (EPS)

Basic earnings per share are computed by dividing net income resulting from operations available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if option contracts to issue common stock were exercised, or if restricted stock vests, and has been computed after considering the weighted average dilutive effect of the Company's stock options and restricted stock. The Company uses the treasury stock method to calculate diluted EPS, which is a method of recognizing the use of proceeds that could be obtained upon exercise of options and warrants, including unvested compensation expense related to the shares, in computing diluted EPS. It assumes that any proceeds would be used to purchase common stock at the average market price during the period. The table below shows the calculation of basic and diluted EPS.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except share and per share data)	**2024**	**2023**	**2024**	**2023**
Net income attributable to common stockholders	**$ 7,101**	$ 14,170	**$ 17,125**	$ 29,531
Weighted average common shares outstanding applicable to basic EPS	**22,598,102**	22,488,463	**22,619,743**	22,416,089
Effect of restricted stock grants	**404,499**	276,420	**507,416**	379,924
Effect of dilutive stock options	**163,340**	43,567	**209,067**	96,342
Effect of performance stock unit grants	**287,221**	45,477	**272,878**	22,739
Adjusted weighted average common shares outstanding applicable to diluted EPS	**23,453,162**	22,853,927	**23,609,104**	22,915,094
Basic net income per share	**$ 0.31**	$ 0.63	**$ 0.76**	$ 1.32
Diluted net income per share	**0.30**	0.62	**0.73**	1.29

Potentially dilutive common shares excluded from the above calculations aggregated 101,350 and 644,478 shares as of June 30, 2024 and 2023.

Stock Compensation

The Company follows FASB ASC Topic 718, or ASC 718, Compensation – Stock Compensation, for its equity incentive, stock option, and restricted stock plans, and accordingly, the Company recognizes the expense of these grants as required. Stock-based employee compensation costs pertaining to stock options are reflected in net income resulting from operations for any new grants using the fair values established by usage of the Black-Scholes option pricing model, expensed over the vesting period of the underlying option. Stock-based employee compensation costs pertaining to restricted stock are reflected in net income resulting from operations for any new grants using the grant date fair value of the shares granted, expensed over the vesting period of the underlying stock.

During the six months ended June 30, 2024 and 2023, the Company issued 296,178 and 316,483 restricted shares of stock-based compensation awards, 215,687 and 296,444 performance stock units, and 92,350 and 0 restricted stock units or shares of other stock-based compensation awards. The Company recognized $1.6 million and $3.1 million, or $0.07 and $0.13 per share for the three and six months ended June 30, 2024, and $1.2 million, and $2.2 million or $0.05 and $0.10 per share per common share for the three and six months ended June 30, 2023, of non-cash stock-based compensation expense related to the grants. As of June 30, 2024, the total remaining unrecognized compensation cost related to unvested stock options, restricted stock, restricted stock units, and performance share units was $8.4 million, which is expected to be recognized over the next 11 quarters.

Regulatory Capital

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 certain federal laws, which impose 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, such as certain purchases of assets, the Company or its affiliates.

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%, a level which could affect the Bank's ability to pay dividends to the Company, and that an adequate allowance for credit losses be maintained. As of June 30, 2024, the Bank's Tier 1 leverage ratio was 16.1%. The Bank's actual capital amounts and ratios and the regulatory minimum ratios are presented in the following table.

	Regulatory			
(Dollars in thousands)	**Minimum**	**Well-Capitalized**	**June 30, 2024**	**December 31, 2023**
Common equity tier 1 capital			**$ 306,186**	$ 293,774
Tier 1 capital			**374,974**	362,561
Total capital			**404,742**	390,153
Average assets			**2,322,625**	2,232,816
Risk-weighted assets			**2,326,972**	2,155,641
Leverage ratio [(1)]	**4.0%**	**5.0%**	**16.1%**	16.2%
Common equity tier 1 capital ratio [(2)]	**7.0**	**6.5**	**13.2**	13.6
Tier 1 capital ratio [(3)]	**8.5**	**8.0**	**16.1**	16.8
Total capital ratio [(3)]	**10.5**	**10.0**	**17.4**	18.1

(1)Calculated by dividing Tier 1 capital by average assets.
(2)Calculated by subtracting preferred stock or non-controlling interest from Tier 1 capital and dividing by risk-weighted assets.
(3)Calculated by dividing Tier 1 or total capital by risk-weighted assets.

In the table above, the minimum risk-based ratios as of June 30, 2024 and December 31, 2023 reflect the capital conservation buffer of 2.5%. The minimum regulatory requirements, inclusive of the capital conservation buffer, were the binding requirements for the risk-based requirements, and the "well-capitalized" requirements were the binding requirements for Tier 1 leverage capital as of both June 30, 2024 and December 31, 2023.

Recently Issued and Adopted Accounting Standards

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements. The amendments in this update seek to clarify or improve disclosure and presentation requirements. The amendments in this update will be effective on the date on which the SEC's removal of related disclosures from Regulation S-X or Regulation S-K become effective, with early adoption prohibited.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting, or Topic 280: Improvements to Reportable Segment Disclosures. The main objective of this update is to provide transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. 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 Company is assessing the impact of the update on the accompanying financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes, or Topic 740: Improvements to Income Tax 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 to enable investors to develop more decision-useful financial analyses. The amendments in this update are effective for the annual periods beginning after December 15, 2024. The Company is assessing the impact of the update on the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to prior year balances to conform with the current year presentation. These reclassifications have no effect on the previously reported results of operations.

(3) INVESTMENT SECURITIES

The following tables present details of fixed maturity securities available for sale as of June 30, 2024 and December 31, 2023:

June 30, 2024 *(Dollars in thousands)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
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 *(Dollars in thousands)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
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 market value of investment securities at 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 *(Dollars in thousands)*	**Amortized Cost**	**Fair Value**
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**

The following tables show information pertaining to securities with gross unrealized losses at June 30, 2024 and December 31, 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	Less than Twelve Months		**Twelve Months and Over**	
June 30, 2024 *(Dollars in thousands)*	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
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**

	Less than Twelve Months		**Twelve Months and Over**	
December 31, 2023 *(Dollars in thousands)*	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
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

As of June 30, 2024 and December 31, 2023, the Company had 60 securities with unrealized losses that have not been recognized in income. The investments are mortgage-backed securities and similar instruments with lower risk characteristics. The Company regularly reviews investment securities for impairment resulting from credit loss using both qualitative and quantitative criteria, as necessary based on the composition of the portfolio at period end. Based on our assessment, no material impairments for credit losses were recognized during the period. The Company 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 recovery of the amortized cost.

(4) LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table shows the major classification of loans, inclusive of capitalized loan origination costs, as of June 30, 2024 and December 31, 2023.

(Dollars in thousands)	June 30, 2024 Amount	June 30, 2024 As a Percent of Gross Loans	December 31, 2023 Amount	December 31, 2023 As a Percent of Gross Loans
Recreation	$ 1,497,428	63 %	$ 1,336,226	60 %
Home improvement	773,184	32	760,617	34
Commercial	110,197	5	114,827	5
Taxi medallion	3,482	*	3,663	*
Strategic partnership	1,299	*	553	*
Total gross loans	2,385,590	100 %	2,215,886	100 %
Allowance for credit losses	(89,788)		(84,235)	
Total net loans	$ 2,295,802		$ 2,131,651	

(*) Less than 1%.

The following tables show the activity of the gross loans for the three and six months ended June 30, 2024 and 2023.

Three Months Ended June 30, 2024 (Dollars in thousands)	Recreation	Home Improvement	Commercial	Taxi Medallion	Strategic Partnership	Total
Gross loans – March 31, 2024	$ 1,365,165	$ 752,262	$ 106,570	$ 3,560	$ 869	$ 2,228,426
Loan originations	209,563	67,990	7,000	250	24,288	309,091
Principal receipts, sales, and maturities	(61,553)	(42,492)	(3,961)	(328)	(23,858)	(132,192)
Charge-offs	(14,627)	(4,063)	—	—	—	(18,690)
Transfer to loan collateral in process of foreclosure, net	(5,669)	—	—	—	—	(5,669)
Amortization of origination fees, net	(3,214)	913	10	—	—	(2,291)
Origination costs, net	7,763	(1,426)	(77)	—	—	6,260
Paid-in-kind interest	—	—	655	—	—	655
Gross loans – June 30, 2024	$ 1,497,428	$ 773,184	$ 110,197	$ 3,482	$ 1,299	$ 2,385,590

Six Months Ended June 30, 2024 (Dollars in thousands)	Recreation	Home Improvement	Commercial	Medallion	Strategic Partnership	Total
Gross loans – December 31, 2023	$ 1,336,226	$ 760,617	$ 114,827	$ 3,663	$ 553	$ 2,215,886
Loan originations	315,328	119,566	7,000	250	40,034	482,178
Principal receipts, sales, and maturities	(115,589)	(97,409)	(12,833)	(431)	(39,288)	(265,550)
Charge-offs	(32,728)	(8,961)	—	—	—	(41,689)
Transfer to loan collateral in process of foreclosure, net	(11,094)	—	—	—	—	(11,094)
Amortization of origination fees, net	(6,166)	1,851	17	—	—	(4,298)
Origination costs, net	11,451	(2,480)	(77)	—	—	8,894
Paid-in-kind interest	—	—	1,263	—	—	1,263
Gross loans – June 30, 2024	$ 1,497,428	$ 773,184	$ 110,197	$ 3,482	$ 1,299	$ 2,385,590

Three Months Ended June 30, 2023 (Dollars in thousands)	Recreation	Home Improvement	Commercial	Taxi Medallion	Strategic Partnership	Total
Gross loans – March 31, 2023	$ 1,213,380	$ 669,642	$ 95,329	$ 4,059	$ 1,770	$ 1,984,180
Loan originations	190,007	117,035	4,750	1,300	33,174	346,266
Principal receipts, sales, and maturities	(63,463)	(55,350)	(6,922)	(1,531)	(33,613)	(160,879)
Charge-offs	(9,166)	(2,575)	(900)	(221)	—	(12,862)
Transfer to loan collateral in process of foreclosure, net	(3,991)	—	—	(159)	—	(4,150)
Amortization of origination fees, net	(3,159)	665	—	—	—	(2,494)
Origination costs, net	7,506	(949)	—	—	—	6,557
Paid-in-kind interest	—	—	380	—	—	380
Gross loans – June 30, 2023	$ 1,331,114	$ 728,468	$ 92,637	$ 3,448	$ 1,331	$ 2,156,998

Six Months Ended June 30, 2023 (Dollars in thousands)	Recreation	Home Improvement	Commercial	Medallion	Strategic Partnership	Total
Gross loans – December 31, 2022	$ 1,183,512	$ 626,399	$ 92,899	$ 13,571	$ 572	$ 1,916,953
Loan originations	291,688	212,016	7,750	1,923	60,180	573,557
Principal receipts, sales, and maturities	(119,680)	(105,205)	(7,756)	(5,926)	(59,421)	(297,988)
Charge-offs	(21,756)	(4,489)	(900)	(3,814)	—	(30,959)
Transfer to loan collateral in process of foreclosure, net	(8,348)	—	—	(2,306)	—	(10,654)
Amortization of origination fees, net	(5,918)	1,251	—	—	—	(4,667)
Origination costs, net	11,616	(1,504)	—	—	—	10,112
Paid-in-kind interest	—	—	644	—	—	644
Gross loans – June 30, 2023	$ 1,331,114	$ 728,468	$ 92,637	$ 3,448	$ 1,331	$ 2,156,998

The following table sets forth the activity in the allowance for credit losses for the three and six months ended June 30, 2024 and 2023.

(Dollars 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
Allowance for credit losses – beginning balance [(1)]	**$ 83,827**	$ 70,280	**$ 84,235**	$ 63,845
CECL transition amount upon ASU 2016-13 adoption	**—**	—	**—**	13,712
Charge-offs				
Recreation	**(14,627)**	(9,166)	**(32,728)**	(21,756)
Home improvement	**(4,063)**	(2,575)	**(8,961)**	(4,489)
Commercial	**—**	(900)	**—**	(900)
Taxi medallion	**—**	(221)	**—**	(3,814)
Total charge-offs	**(18,690)**	(12,862)	**(41,689)**	(30,959)
Recoveries				
Recreation	**3,962**	3,282	**7,510**	6,053
Home improvement	**1,243**	627	**2,154**	1,259
Commercial	**—**	—	**20**	10
Taxi medallion	**869**	5,168	**1,780**	8,537
Total recoveries	**6,074**	9,077	**11,464**	15,859
Net charge-offs [(2)]	**(12,616)**	(3,785)	**(30,225)**	(15,100)
Provision for credit losses	**18,577**	8,476	**35,778**	12,514
Allowance for credit losses – ending balance [(3)]	**$ 89,788**	$ 74,971	**$ 89,788**	$ 74,971

(1)2023 beginning balance represents allowance prior to the adoption of ASU 2016-13.
(2)As of June 30, 2024, cumulative net charge-offs of loans and loan collateral in process of foreclosure in the taxi medallion loan portfolio were $173.3 million, including $106.0 million related to loans secured by New York City taxi medallions, some of which may represent collection opportunities for the Company.
(3)As of June 30, 2024 and June 30, 2023, there were no allowance for credit losses and net charge-offs related to the strategic partnership loans.

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

Three Months Ended June 30, 2024 (Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Total
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**
Commercial	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Taxi medallion	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$ 139**	**$ 5,607**	**$ 6,643**	**$ 2,497**	**$ 1,105**	**$ 2,699**	**$ 18,690**

Six Months Ended June 30, 2024 (Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Total
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**
Commercial	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Taxi medallion	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$ 139**	**$ 10,894**	**$ 15,141**	**$ 7,157**	**$ 2,681**	**$ 5,677**	**$ 41,689**

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

Three Months Ended June 30, 2023 (Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Total
Recreation	$ 44	$ 3,568	$ 2,344	$ 785	$ 918	$ 1,507	$ 9,166
Home improvement	39	1,548	473	158	91	266	2,575
Commercial	—	—	—	—	900	—	900
Taxi medallion	—	—	—	—	—	221	221
Total	$ 83	$ 5,116	$ 2,817	$ 943	$ 1,909	$ 1,994	$ 12,862

Six Months Ended June 30, 2023 (Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Total
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
Commercial	—	—	—	—	900	—	900
Taxi medallion	—	—	—	—	—	3,814	3,814
Total	$ 83	$ 9,628	$ 6,515	$ 2,757	$ 3,594	$ 8,382	$ 30,959

The following tables set forth the allowance for credit losses by type as of June 30, 2024 and December 31, 2023.

June 30, 2024 *(Dollars in thousands)*	**Amount**	**Percentage of Allowance**	**Allowance as a Percent of Loan Category**	**Allowance as a Percent of Nonaccrual**
Recreation	**$ 65,140**	**73 %**	**4.35 %**	**292.79 %**
Home improvement	**18,388**	**20**	**2.38**	**82.65**
Commercial	**4,861**	**5**	**4.41**	**21.85**
Taxi medallion	**1,399**	**2**	**40.18**	**6.29**
Total	**$ 89,788**	**100 %**	**3.76 %**	**403.58 %**

December 31, 2023 *(Dollars in thousands)*	**Amount**	**Percentage of Allowance**	**Allowance as a Percent of Loan Category**	**Allowance as a Percent of Nonaccrual**
Recreation	$ 57,532	68 %	4.31 %	221.50 %
Home improvement	21,019	25	2.76	80.92
Commercial	4,148	5	3.61	15.97
Taxi medallion	1,536	2	41.93	5.91
Total	$ 84,235	100 %	3.80 %	324.31 %

The following table presents total nonaccrual loans and foregone interest, substantially all of which is in the taxi medallion loan portfolio. The fluctuation in nonaccrual interest foregone is due to past due loans and market conditions.

(Dollars in thousands)	**June 30, 2024**	**December 31, 2023**
Total nonaccrual loans	**$ 22,248**	$ 25,974
Interest foregone quarter to date	**464**	417
Amount of foregone interest applied to principal in the quarter	**72**	59
Interest foregone year to date	**662**	928
Amount of foregone interest applied to principal for the year	**133**	238
Interest foregone life-to-date	**3,162**	2,119
Amount of foregone interest applied to principal life-to-date	**814**	822
Percentage of nonaccrual loans to gross loan portfolio	**0.9 %**	1.2 %
Percentage of allowance for credit losses to nonaccrual loans	**403.6 %**	324.3 %

The following tables present the performance status of loans as of June 30, 2024 and December 31, 2023.

June 30, 2024 *(Dollars in thousands)*	**Performing**	**Nonperforming**	**Total**	**Percentage of Nonperforming to Total**
Recreation	**$ 1,490,965**	**$ 6,463**	**$ 1,497,428**	**0.43 %**
Home improvement	**771,881**	**1,303**	**773,184**	**0.17**
Commercial	**99,197**	**11,000**	**110,197**	**9.98**
Taxi medallion	**—**	**3,482**	**3,482**	**100.00**
Strategic partnership	**1,299**	**—**	**1,299**	**—**
Total	**$ 2,363,342**	**$ 22,248**	**$ 2,385,590**	**0.93 %**

December 31, 2023 *(Dollars in thousands)*	**Performing**	**Nonperforming**	**Total**	**Percentage of Nonperforming to Total**
Recreation	$ 1,326,567	$ 9,659	$ 1,336,226	0.72 %
Home improvement	759,128	1,489	760,617	0.20
Commercial	103,664	11,163	114,827	9.72
Taxi medallion	—	3,663	3,663	100.00
Strategic partnership	553	—	553	—
Total	$ 2,189,912	$ 25,974	$ 2,215,886	1.17 %

For those loans aged under 90 days past due, there is a possibility that their delinquency status will continue to deteriorate and they will subsequently be placed on nonaccrual status and be reserved for, and as such, deemed nonperforming.

The following tables show the aging of all loans as of June 30, 2024 and December 31, 2023.

June 30, 2024 (Dollars in thousands)	Days Past Due 30-59	60-89	90 +	Total	Current	Total [1]	Recorded Investment 90 Days and Accruing
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	—
Commercial	—	—	8,396	8,396	102,016	110,412	—
Taxi medallion	73	—	—	73	3,409	3,482	—
Strategic partnership	—	—	—	—	1,299	1,299	—
Total	$ 38,804	$ 15,271	$ 15,639	$ 69,714	$ 2,271,254	$ 2,340,968	$ —

(1)Excludes $44.6 million of capitalized loan origination costs.

December 31, 2023 (Dollars in thousands)	Days Past Due 30-59	60-89	90 +	Total	Current	Total [1]	Recorded Investment 90 Days and Accruing
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	—
Commercial	—	2,156	6,240	8,396	107,140	115,536	—
Taxi medallion	201	—	—	201	3,462	3,663	—
Strategic partnership	—	—	—	—	553	553	—
Total	$ 44,419	$ 19,757	$ 16,837	$ 81,013	$ 2,095,399	$ 2,176,412	$ —

(1)Excludes $40.0 million of capitalized loan origination costs.

The Company estimates that the weighted average loan-to-value ratio of the taxi medallion loans was approximately 174% and 183% as of June 30, 2024 and December 31, 2023.

The following tables show the activity of loan collateral in process of foreclosure, which relate only to the recreation and taxi medallion loans, for the three and six months ended June 30, 2024 and 2023.

Three Months Ended June 30, 2024 (Dollars in thousands)	Recreation	Taxi Medallion	Total
Loan collateral in process of foreclosure – March 31, 2024	$ 1,475	$ 8,723	$ 10,198
Transfer from loans, net	5,669	—	5,669
Sales	—	—	—
Cash payments received	(2,225)	(881)	(3,106)
Collateral valuation adjustments	(3,478)	76	(3,402)
Loan collateral in process of foreclosure – June 30, 2024	$ 1,441	$ 7,918	$ 9,359

Six Months Ended June 30, 2024 (Dollars in thousands)	Recreation	Taxi Medallion	Total
Loan collateral in process of foreclosure – December 31, 2023	$ 1,779	$ 9,993	$ 11,772
Transfer from loans, net	11,094	—	11,094
Sales	—	(39)	(39)
Cash payments received	(4,672)	(2,154)	(6,826)
Collateral valuation adjustments	(6,760)	118	(6,642)
Loan collateral in process of foreclosure – June 30, 2024	$ 1,441	$ 7,918	$ 9,359

Three Months Ended June 30, 2023 (Dollars in thousands)	Recreation	Taxi Medallion	Total
Loan collateral in process of foreclosure – March 31, 2023	$ 1,461	$ 19,006	$ 20,467
Transfer from loans, net	3,991	159	4,150
Sales	(2,583)	(553)	(3,136)
Cash payments received	(128)	(2,517)	(2,645)
Collateral valuation adjustments	(2,012)	(21)	(2,033)
Loan collateral in process of foreclosure – June 30, 2023	$ 729	$ 16,074	$ 16,803

Six Months Ended June 30, 2023 (Dollars in thousands)	Recreation	Taxi Medallion	Total
Loan collateral in process of foreclosure – December 31, 2022	$ 1,376	$ 20,443	$ 21,819
Transfer from loans, net	8,348	2,306	10,654
Sales	(4,778)	(568)	(5,346)
Cash payments received	(128)	(5,834)	(5,962)
Collateral valuation adjustments	(4,089)	(273)	(4,362)
Loan collateral in process of foreclosure – June 30, 2023	$ 729	$ 16,074	$ 16,803

As of June 30, 2024, taxi medallion loans in the process of foreclosure included 326 taxi medallions in the New York City market, 188 taxi medallions in the Chicago market, 23 taxi medallions in the Newark market, and 31 taxi medallions in various other markets.

(5) FUNDS BORROWED

The following table presents outstanding balances of funds borrowed.

	Payments Due for the Twelve Months Ending June 30,								
(Dollars in thousands)	2025	2026	2027	2028	2029	Thereafter	June 30, 2024 [(1)]	December 31, 2023[(1)]	Interest Rate [(2)]
Deposits [(3)]	$ 867,211	$ 391,277	$ 433,022	$ 118,517	$ 199,629	$ —	$ 2,009,656	$ 1,869,439	3.50 %
Retail and privately placed notes	—	31,250	—	53,750	39,000	17,500	141,500	139,500	8.10
SBA debentures and borrowings	12,500	15,500	4,500	—	2,500	37,750	72,750	75,250	3.54
Trust preferred securities	—	—	—	—	—	33,000	33,000	33,000	7.73
Federal reserve and other borrowings	25,000	—	—	—	—	—	25,000	—	5.50
Total	$ 904,711	$ 438,027	$ 437,522	$ 172,267	$ 241,129	$ 88,250	$ 2,281,906	$ 2,117,189	3.87 %

(1)Excludes deferred financing costs of $8.6 million and $8.5 million as of June 30, 2024 and December 31, 2023.

(2)Weighted average contractual rate as of June 30, 2024.

(3)Balance excludes $1.8 million and $1.5 million of strategic partner reserve deposits as of June 30, 2024 and December 31, 2023.

(A) DEPOSITS

Most deposits are raised through the use of investment brokerage firms that package time deposits in denominations of less than $250,000 qualifying for FDIC insurance into larger pools that are sold to the Bank. The rates paid on the 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 0.15%. Interest on the deposits is accrued daily and paid monthly, quarterly, semiannually, or at maturity. Additionally, the Bank raises deposits through listing services and, as of June 30, 2024 and December 31, 2023, the Bank had $16.1 million and $11.8 million in listing service deposit balances from other financial institutions. In April 2023, the Bank began to originate retail savings deposits through a third-party service provider and, as of June 30, 2024 and December 31, 2023, the Bank had $10.9 million and $14.9 million in retail savings deposit balances. The following table presents the maturity of the deposit pools, which includes strategic partner reserve deposits, as of June 30, 2024.

(Dollars in thousands)	June 30, 2024
Three months or less	$ 237,363
Over three months through six months	151,130
Over six months through one year	478,718
Over one year	1,142,445
Deposits	2,009,656
Strategic partner collateral deposits	1,750
Total deposits	$ 2,011,406

(B) FEDERAL RESERVE DISCOUNT WINDOW AND OTHER BORROWINGS

In March 2023, the Bank established a discount window line of credit at the Federal Reserve. As of June 30, 2024, the Bank had $99.2 million in home improvement loans pledged as collateral to the Federal Reserve. The current advance rate on the pledged securities is approximately 40% of book value, for a total of approximately $40.1 million in secured borrowing capacity, of which $25 million was utilized as of June 30, 2024.

The Bank has borrowing arrangements with several commercial banks. These agreements are accommodations that can be terminated at any time, for any reason, and allow the Bank to borrow up to $75.0 million. As of June 30, 2024, there were no outstanding amounts with respect to these arrangements.

(C) PRIVATELY PLACED NOTES

In June 2024, the Company amended the notes previously issued in a private placement to certain institutional investors in December 2023, increasing the principal amount from $12.5 million to $17.5 million, reducing the interest rate to 8.875% from 9.0%, and extending the maturity date from December 2033 to June 2039. The Company used, and intends to use, the net proceeds from the offering for general corporate purposes, which included the repayment of the remaining 8.25% notes that matured in March 2024 described below.

In September 2023, the Company completed a private placement to certain institutional investors of $39.0 million aggregate principal amount of 9.25% unsecured senior notes due September 2028, with interest payable semiannually. The Company used the net proceeds from the offering for general corporate purposes, including the repurchase of $33.0 million of the 8.25% notes issued in March 2019 with a maturity date of March 2024 described below.

In February 2021, the Company completed a private placement to certain institutional investors of $25.0 million aggregate principal amount of 7.25% unsecured senior notes due February 2026, with interest payable semiannually. In March 2021, an additional $3.3 million principal amount of such notes was issued to certain institutional investors. Subsequently in April 2021, an additional $3.0 million principal amount of such notes was issued to certain institutional investors. The Company used the net proceeds from the offering for general corporate purposes, including repayment of outstanding debt.

In December 2020, the Company completed a private placement to certain institutional investors of $33.6 million aggregate principal amount of 7.50% unsecured senior notes due December 2027, with interest payable semiannually. In February and March 2021, an additional $8.5 million principal amount of such notes was issued to certain institutional investors. Subsequently in April 2021, an additional $11.7 million principal amount of such notes was issued to certain institutional investors. The Company used the net proceeds from the offering for general corporate purposes, including repayment of outstanding debt.

In March 2019, the Company completed a private placement to certain institutional investors of $30.0 million aggregate principal amount of 8.25% unsecured senior notes due in March 2024, with interest payable semiannually. The Company used the net proceeds from the offering for general corporate purposes, including repaying certain borrowings under its notes payable to banks at a discount which led to a gain of $4.1 million in 2019. In August 2019, an additional $6.0 million principal amount of such notes was issued to certain institutional investors. As described above, in September 2023, the Company repurchased and cancelled $33.0 million of these notes. The remaining $3.0 million principal amount outstanding was repaid in March 2024 at maturity.

(D) SBA DEBENTURES AND BORROWINGS

Over the years, the SBA has approved commitments for Medallion Capital and FSVC, typically for a four and a half year term and a 1% fee. During 2017, the SBA restructured FSVC's debentures with SBA totaling $33.5 million in principal into a new loan by the SBA to FSVC in the principal amount of $34.0 million, or the SBA Loan. In connection with the SBA Loan, FSVC executed a Note, or the SBA Note, with an effective date of March 1, 2017, in favor of SBA, in the principal amount of $34.0 million. The SBA Loan bore an interest rate of 3.25% with all remaining unpaid principal and interest being due on April 30, 2024, the maturity date. In October 2023, FSVC repaid, in full, all amounts due to the SBA under the SBA Note.

On July 10, 2023, Medallion Capital accepted a commitment from the SBA for $20.0 million in debenture financing. In connection with the commitment, Medallion Capital paid the SBA a leverage fee of $0.2 million, with an additional $0.4 million fee to be paid pro-rata as Medallion Capital draws under the commitment. As of June 30, 2024, $9.8 million of the commitment had been drawn, and $8.0 million was drawable, with the balance of $2.2 million drawable upon the infusion of $1.1 million of capital from either the capitalization of retained earnings or a capital infusion into Medallion Capital from the Company.

On February 28, 2024, Medallion Capital accepted a commitment from the SBA for $18.5 million in debenture financing with a ten-year term. Medallion Capital can draw funds under the commitment, in whole or in part, until September 30, 2028. In connection with the commitment, Medallion Capital paid the SBA a leverage fee of $0.2 million, with the remaining $0.4 million of the fee to be paid pro rata as Medallion Capital draws under the commitment. As of June 30, 2024, none of the commitment had been drawn, with the entire $18.5 million drawable upon the infusion of $9.3 million of capital from either the capitalization of retained earnings or a capital infusion into Medallion Capital from the Company.

(E) TRUST PREFERRED SECURITIES

In June 2007, the Company issued and sold $36.1 million aggregate principal amount of unsecured junior subordinated notes to Fin Trust which, in turn, sold $35.0 million of trust preferred securities to Merrill Lynch International and issued 1,083 shares of common stock to the Company. Interest is calculated using the Secured Overnight Financing Rate (SOFR) adjusted by a relevant spread adjustment of approximately 26 basis points, plus 2.13%. The notes mature in September 2037 and are prepayable at par. Interest is payable quarterly in arrears. The terms of the trust preferred securities and the notes are substantially identical. In December 2007, $2.0 million of the trust preferred securities were repurchased from a third-party investor. As of June 30, 2024, $33.0 million was outstanding on the trust preferred securities.

(F) OTHER BORROWINGS

In January 2024, Medallion Capital entered into a $7.5 million revolving credit facility with a regional bank. The facility allows Medallion Capital to finance, on a short-term basis, investments for which it anticipates receiving financing from the SBA. The facility bears interest at a rate of 2.75% plus one month SOFR, has an annual facility fee of 0.1%, matures on January 1, 2025, and requires that Medallion Capital have total commitments available from the SBA of at least the total requested advance. As of June 30, 2024, the facility had no outstanding borrowings.

(G) COVENANT COMPLIANCE

Certain of the Company's debt agreements contain financial covenants that require the Company to maintain certain financial ratios and minimum tangible net worth. As of June 30, 2024, the Company was in compliance with all such covenants.

(6) LEASES

The Company has leased premises that expire at various dates through February 28, 2031 subject to various operating leases. The Company has implemented ASC Topic 842 under a modified retrospective approach in which no adjustments have been made to the prior year balances.

The following table presents the operating lease costs and additional information for the three and six months ended June 30, 2024 and 2023.

(Dollars 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
Operating lease costs	**$ 607**	$ 597	**$ 1,210**	$ 1,195
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	**698**	603	**1,355**	1,226
Right-of-use asset obtained in exchange for lease liability	**(58)**	(56)	**(118)**	(111)

The following table presents the breakout of the operating leases as of June 30, 2024 and December 31, 2023.

(Dollars in thousands)	June 30, 2024	December 31, 2023
Operating lease right-of-use assets	**$ 7,728**	$ 8,785
Other current liabilities	**2,267**	2,472
Operating lease liabilities	**6,071**	7,019
Total operating lease liabilities	**8,338**	9,491
Weighted average remaining lease term	**4.5 years**	4.9 years
Weighted average discount rate	**5.56%**	5.47%

At June 30, 2024, maturities of the lease liabilities were as follows:

(Dollars in thousands)	
Remainder of 2024	**$ 1,268**
2025	**2,546**
2026	**2,567**
2027	**1,342**
2028	**573**
Thereafter	**1,139**
Total lease payments	**9,435**
Less imputed interest	**1,097**
Total operating lease liabilities	**$ 8,338**

(7) INCOME TAXES

The Company is subject to federal and applicable state corporate income taxes on its taxable ordinary income and capital gains. As a corporation taxed under Subchapter C of the Internal Revenue Code, the Company is able, and intends, to file a consolidated federal income tax return with corporate subsidiaries in which it holds 80% or more of the outstanding equity interest measured by both vote and fair value.

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

(Dollars in thousands)	June 30, 2024	December 31, 2023
Goodwill and other intangibles	**$ 42,853**	$ 43,034
Provision for credit losses	**(12,844)**	(13,032)
Net operating loss carryforwards [(1)]	**(3,804)**	(3,802)
Accrued expenses, compensation, and other assets	**(5,433)**	(6,976)
Unrealized losses on other investments	**(1,971)**	(1,877)
Total deferred tax liability	**18,801**	17,347
Valuation allowance	**3,593**	3,860
Deferred tax liability, net	**$ 22,394**	$ 21,207

(1)As of June 30, 2024, the Company had an estimated $11.1 million of net operating loss carryforwards, $1.7 million of which expires at various dates between December 31, 2026 and December 31, 2035, which had a net carrying value of $1.2 million as of June 30, 2024.

The following table shows the components of the Company's tax provision for the three and six months ended June 30, 2024 and 2023:

(Dollars 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
Current				
Federal	**$ 4,792**	$ 3,873	**$ 6,521**	$ 6,456
State	**1,476**	1,175	**2,119**	1,964
Deferred				
Federal	**(1,916)**	204	**1,200**	2,450
State	**(570)**	220	**300**	984
Net provision for income taxes	**$ 3,782**	$ 5,472	**$ 10,140**	$ 11,854

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

(Dollars 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
Statutory Federal income tax provision at 21%	**$ 2,603**	$ 4,442	**$ 6,361**	$ 9,326
State and local income taxes, net of federal income tax benefit	**509**	869	**1,244**	1,824
Non-deductible expenses	**374**	19	**2,154**	1,076
Other	**296**	142	**381**	(372)
Total income tax provision	**$ 3,782**	$ 5,472	**$ 10,140**	$ 11,854

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 740. The Company considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company'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 upon these considerations, the Company determined the necessary valuation allowance as of June 30, 2024.

The Company has filed tax returns in many states. Federal, New York State, New York City, and Utah state tax filings of the Company for the tax years 2020 through the present are the more significant filings that are open for examination.

(8) STOCK OPTIONS AND RESTRICTED STOCK

The Company's Board of Directors approved the 2018 Equity Incentive Plan, or the 2018 Plan, which was approved by the Company's stockholders on June 15, 2018. The terms of 2018 Plan provide for grants of a variety of different type of stock awards to the Company's employees and non-employee directors, including options, restricted stock, restricted stock units, performance share units, and stock appreciation rights, etc. On April 22, 2020, the Company's Board of Directors approved an amendment to the 2018 Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder, which was approved by the Company's stockholders on June 19, 2020, and subsequently on April 26, 2022, the Company's Board of Directors approved an additional amendment to the 2018 Plan to further increase the number of shares of the Company's common stock authorized for issuance thereunder, which was approved by the Company's stockholders on June 14, 2022. A total of 5,710,968 shares of the Company's common stock are issuable under the 2018 Plan, and 1,379,328 remained issuable as of June 30, 2024. Awards under the 2018 Plan are subject to certain limitations as set forth in the 2018 Plan, which will terminate when all shares of common stock authorized for delivery have been delivered and the forfeiture restrictions on all awards have lapsed, or by action of the Board of Directors pursuant to the 2018 Plan, whichever occurs first.

The Company's Board of Directors approved the 2015 Non-Employee Director Stock Option Plan, or the 2015 Director Plan, on March 12, 2015, which was approved by the Company's shareholders on June 5, 2015, and on which exemptive relief to implement the 2015 Director Plan was received from the SEC on February 29, 2016. A total of 300,000 shares of the Company's common stock were issuable under the 2015 Director Plan, and 258,334 remained issuable as of June 15, 2018. Effective June 15, 2018, the 2018 Plan was approved, and these remaining shares were rolled into the 2018 Plan. Under the 2015 Director Plan, unless otherwise determined by a committee of the Board of Directors comprised of directors who are not eligible for grants under the 2015 Director Plan, the Company granted options to purchase 12,000 shares of the Company's common stock to a non-employee director upon election to the Board of Directors, with an adjustment for directors who were elected to serve less than a full term. The option price per share could not be less than the current market value of the Company's common stock on the date the option was granted. Options granted under the 2015 Director Plan vested annually, as defined in the 2015 Director Plan. The term of the options could not exceed ten years.

The Company's Board of Directors approved the First Amended and Restated 2006 Director Plan, or the Amended Director Plan, on April 16, 2009, which was approved by the Company's shareholders on June 5, 2009, and on which exemptive relief to implement the Amended Director Plan was received from the SEC on July 17, 2012. A total of 200,000 shares of the Company's common stock were issuable under the Amended Director Plan. No additional shares are available for issuance under the Amended Director Plan. Under the Amended Director Plan, unless otherwise determined by a committee of the Board of Directors comprised of directors who are not eligible for grants under the Amended Director Plan, the Company would grant options to purchase 9,000 shares of the Company's common stock to an Eligible Director upon election to the Board of Directors, with an adjustment for directors who were elected to serve less than a full term. The option price per share could not be less than the current market value of the Company's common stock on the date the option was granted. Options granted under the Amended Director Plan vested annually, as defined in the Amended Director Plan. The term of the options could not exceed ten years.

Additional shares are only available for future issuance under the 2018 Plan. At June 30, 2024, 943,041 options on the Company's common stock were outstanding under the Company's plans, of which 854,742 options were vested. Additionally, as of June 30, 2024, there were 887,665 unvested shares of restricted stock, 512,131 unvested performance stock units, 92,350 unvested restricted stock units, and 234,330 vested restricted stock units under the 2018 Plan.

The fair value of each restricted stock grant is determined on the date of grant by the closing market price of the Company's common stock on the grant date. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. There were no options granted during the six months ended June 30, 2024 and 2023.

During 2023, the Company's Compensation Committee of the Board of Directors began granting performance stock units, or PSUs, to certain officers and employees of the Company. Granted PSUs are subject to specified performance criteria for a particular performance period. The number of PSUs that vest can range from zero to 200% of the grant amount. In addition, dividends that accrue during the vesting period are reinvested in dividend equivalent PSUs. PSUs and the related dividend equivalent PSUs are converted into shares of common stock after vesting. Once the PSUs and dividend equivalent PSUs have vested, shares of common stock are delivered.

The following table presents the activity for the restricted stock programs for the first and second quarter of 2024 and the 2023 full year.

	Number of Shares	Grant Price Per Share	Weighted Average Grant Price
Outstanding at December 31, 2022	857,288	$ 4.89 - 7.25	$ 7.27
Granted	399,793	7.67 - 9.37	8.34
Cancelled	(12,807)	4.89 - 8.40	7.24
Vested [1]	(248,898)	4.89 - 7.68	7.10
Outstanding at December 31, 2023	995,376	$ 4.89 - 9.37	$ 7.74
Granted	**296,178**	**8.97**	**8.97**
Cancelled	**(1,208)**	**6.86 - 9.37**	**8.13**
Vested [1]	**(400,985)**	**4.89 - 8.40**	**7.69**
Outstanding at March 31, 2024 [2]	**889,361**	**$ 4.89 - 9.37**	**$ 8.18**
Granted	**—**	**—**	**—**
Cancelled	**(1,696)**	**4.89 - 9.37**	**7.88**
Vested	**—**	**—**	**—**
Outstanding at June 30, 2024 [2]	**887,665**	**$ 4.89 - 9.37**	**$ 8.18**

(1)The aggregate fair value of the restricted stock vested was $2.7 million for the six months ended June 30, 2024 and $2.1 million for the year ended December 31, 2023.
(2)The aggregate fair value of the restricted stock was $6.8 million as of June 30, 2024. The remaining vesting period was 2.7 years at June 30, 2024.

During the three and six months ended June 30, 2024, the Company granted 215,687 PSUs at a grant price of $8.97 and during the year ended December 31, 2023, granted 296,444 PSUs at a grant price of $6.08. The PSUs have vesting conditions based upon certain levels of total pre-tax income as well as return on common equity attained over a three-year period. The PSUs cliff vest after three years based upon the performance of the Company. Dividend equivalent PSUs accumulate and convert to additional shares for the benefit of the grantee at the vesting date or are forfeited if the performance conditions are not met.

The following table presents the activity for the stock option programs for the first and second quarter of 2024 and the 2023 full year.

	Number of Options		Exercise Price Per Share		Weighted Average Exercise Price
Outstanding at December 31, 2022	1,061,849	$	2.14 - 9.38	$	6.51
Granted	—		—		—
Cancelled	**(33,382)**		**4.89 - 9.38**		**6.80**
Exercised [(1)]	**(68,945)**		**4.89 - 7.25**		**6.44**
Outstanding at December 31, 2023	**959,522**	**$**	**2.14 - 9.38**	**$**	**6.51**
Granted	—		—		—
Cancelled	**(85)**		**4.89**		**4.89**
Exercised [(1)]	**(13,383)**		**4.89 - 7.25**		**6.61**
Outstanding at March 31, 2024 [(2)]	**946,054**	**$**	**2.14 - 9.38**	**$**	**6.51**
Granted	—		—		—
Cancelled	**(146)**		**4.89**		**4.89**
Exercised [(1)]	**(2,867)**		**4.89 - 7.25**		**6.14**
Outstanding at June 30, 2024 [(2)]	**943,041**	**$**	**2.14 - 9.38**	**$**	**6.51**
Options exercisable at:					
December 31, 2023	697,647		2.14 - 9.38	$	6.51
June 30, 2024 [(2)]	**854,742**	**$**	**2.14 - 9.38**	**$**	**6.52**

(1)The aggregate intrinsic value of exercised options, which represents the difference between the price of the Company's common stock at the exercise date and the related exercise price of the underlying options, was less than $0.1 million for the three and six months ended June 30, 2024 and was $0.1 million for the year ended December 31, 2023.
(2)The aggregate intrinsic value of outstanding options, which represents the difference between the price of the Company's common stock at June 30, 2024 and the related exercise price of the underlying options, was $1.1 million for outstanding options and $1.0 million for vested options as of June 30, 2024. The remaining contractual life was 5.6 years for outstanding options and 5.5 years for vested options at June 30, 2024.

The following table presents the activity for the unvested options outstanding under the plans described above for the 2024 first and second quarter.

	Number of Options		Exercise Price Per Share		Weighted Average Exercise Price
Outstanding at December 31, 2023	**261,875**	**$**	**4.89 - 7.25**	**$**	**6.49**
Granted	—		—		—
Cancelled	—		—		—
Vested [(1)]	**(173,430)**		**4.89 - 7.25**		**6.56**
Outstanding at March 31, 2024	**88,445**	**$**	**4.89 - 6.79**	**$**	**6.37**
Granted	—		—		—
Cancelled	**(146)**		**4.89**		**4.89**
Vested [(1)]	—		—		—
Outstanding at June 30, 2024	**88,299**	**$**	**4.89 - 6.79**	**$**	**6.37**

(1) The intrinsic value of the options vested was $0.4 million for the three and six months ended June 30, 2024.

During the three and six months ended June 30, 2024, the Company granted 92,350 restricted stock units, or RSUs, with a vesting date of June 11, 2025 at a grant price of $8.23 and during the year ended December 31, 2023, granted 83,158 RSUs which vested on June 22, 2024 at a grant price of $9.14. For the RSUs granted in 2024 and 2023, unit holders had the option of deferring settlement until a future date if the recipient makes a formal election under the guidelines of IRC Section 409A. As of June 30, 2024, there were 326,680 RSUs outstanding, including 234,330 which had previously vested.

(9) SEGMENT REPORTING

The Company has five business segments, which include four lending segments and one non-operating segment, which are reflective of how Company management makes decisions about its business and operations.

The four lending segments reflect the main types of lending performed at the Company, which are recreation, home improvement, commercial, and taxi medallion lending. The recreation and home improvement lending segments are operated by the Bank and loans are made to borrowers residing nationwide. The recreation lending segment is a consumer finance business that works with third-party dealers and financial service providers for the purpose of financing RVs, boats, collector automobiles, and other consumer recreational equipment, of which RVs, boats, and collector automobiles make up 54%, 21%, and 11% of the segment portfolio, with no other product lines equal to or exceeding 10%, as of June 30, 2024. The highest concentrations of recreation loans are in Texas and Florida at 16% and 10% of loans outstanding and with no other states at or above 10% as of June 30, 2024. The home improvement lending segment works with contractors and financial service providers to finance residential home improvement with the largest product lines being roofs, swimming pools, and windows at 40%, 21%, and 13% of total home improvement loans outstanding, and with no other product lines exceeding 10% as of June 30, 2024. The highest concentrations of home improvement loans are in Texas and Florida both at 10% of loans outstanding and with no other states at or above 10% as of June 30, 2024. The commercial lending segment focuses on serving a wide variety of industries, with concentrations in manufacturing, construction, and wholesale trade making up 55%, 14%, and 11% of the loans outstanding as of June 30, 2024, with no other product lines exceeding 10% as of June 30, 2024. The commercial lending segment invests across the United States with concentrations in California, Wisconsin, and Texas each having 30%, 10%, and 10% of the segment portfolio, and no other states having a concentration at or greater than 10% as of June 30, 2024. The taxi medallion lending segment arose in connection with the financing of taxi medallions, taxis, and related assets, primarily all of which are located in the New York City metropolitan area as of June 30, 2024.

The Company's corporate and other investments segment is a non-operating segment that includes items not allocated to the Company's operating segments such as investment securities, equity investments, intercompany eliminations, and other corporate elements.

As part of segment reporting, capital ratios for all operating segments have been normalized as a percentage of consolidated total equity divided by total assets, with the net adjustment applied to corporate and other investments. In addition, the commercial segment primarily represents the mezzanine lending business, with certain legacy commercial loans (immaterial to total) allocated to corporate and other investments.

The following tables present segment data as of and for the three and six months ended June 30, 2024.

Three Months Ended June 30, 2024	**Consumer Lending**					
(Dollars in thousands)	**Recreation**	**Home Improvement**	**Commercial Lending**	**Taxi Medallion Lending**	**Corporate and Other Investments**	**Consolidated**
Total interest income	$ 47,490	$ 17,651	$ 3,538	$ 190	$ 1,835	$ 70,704
Total interest expense	10,960	6,106	1,056	25	2,689	20,836
Net interest income (loss)	36,530	11,545	2,482	165	(854)	49,868
Provision (benefit) for credit losses	15,795	3,279	478	(975)	—	18,577
Net interest income (loss) after loss provision	20,735	8,266	2,004	1,140	(854)	31,291
Other income (loss), net	306	3	(14)	334	470	1,099
Operating expenses	(11,236)	(5,457)	(1,437)	(1,373)	(492)	(19,995)
Net income (loss) before taxes	9,805	2,812	553	101	(876)	12,395
Income tax (provision) benefit	(3,094)	(802)	(72)	(14)	200	(3,782)
Net income (loss) after taxes	$ 6,711	$ 2,010	$ 481	$ 87	$ (676)	$ 8,613
Income attributable to the non-controlling interest						1,512
Total net income attributable to Medallion Financial Corp.						$ 7,101
Balance Sheet Data						
Total loans	$ 1,497,428	$ 773,184	$ 110,197	$ 3,482	$ 1,299	$ 2,385,590
Total assets	1,451,947	758,840	105,548	7,511	437,030	2,760,876
Total funds borrowed	1,200,977	627,674	87,304	6,213	361,488	2,283,656
Selected Financial Ratios						
Return on average assets	1.95%	1.08%	1.86%	4.29%	(0.61)%	1.30%
Return on average stockholders' equity	*	*	*	*	*	8.14
Return on average equity	13.05	7.00	12.09	25.69	(3.88)	8.25
Interest yield	13.30	9.32	13.08	21.62	NM	11.52
Net interest margin, gross	10.23	6.10	9.18	18.78	NM	8.12
Net interest margin, net of allowance	10.69	6.25	9.57	31.77	NM	8.42
Reserve coverage	4.35	2.38	4.41	40.18	NM	3.76
Delinquency status (1)	0.41	0.17	7.52	—	NM	0.67
Charge-off (recovery) ratio (2)	2.99	1.49	—	(98.90)	NM	2.20

(1) Loans 90 days or more past due.
(2) Negative balances indicate net recoveries for the period.
(NM) Not meaningful.
(*) Line item is not applicable to segments.

Six Months Ended June 30, 2024	**Consumer Lending**					
(Dollars in thousands)	**Recreation**	**Home Improvement**	**Commercial Lending**	**Taxi Medallion Lending**	**Corporate and Other Investments**	**Consolidated**
Total interest income	$ 91,417	$ 35,098	$ 7,183	$ 330	$ 3,746	$ 137,774
Total interest expense	20,605	11,740	2,154	53	5,437	39,989
Net interest income (loss)	70,812	23,358	5,029	277	(1,691)	97,785
Provision (benefit) for credit losses	32,825	4,177	694	(1,918)	—	35,778
Net interest income (loss) after loss provision	37,987	19,181	4,335	2,195	(1,691)	62,007
Other income, net	556	5	4,188	973	780	6,502
Operating expenses	(19,523)	(9,571)	(2,422)	(2,116)	(4,588)	(38,220)
Net income (loss) before taxes	19,020	9,615	6,101	1,052	(5,499)	30,289
Income tax (provision) benefit	(6,368)	(3,219)	(2,043)	(352)	1,842	(10,140)
Net income (loss) after taxes	$ 12,652	$ 6,396	$ 4,058	$ 700	$ (3,657)	$ 20,149
Income attributable to the non-controlling interest						3,024
Total net income attributable to Medallion Financial Corp.						$ 17,125
Balance Sheet Data						
Total loans	$ 1,497,428	$ 773,184	$ 110,197	$ 3,482	$ 1,299	$ 2,385,590
Total assets	1,451,947	758,840	105,548	7,511	437,030	2,760,876
Total funds borrowed	1,200,977	627,674	87,304	6,213	361,488	2,283,656
Selected Financial Ratios						
Return on average assets	1.87%	1.72%	7.68%	14.89%	(1.69)%	1.55%
Return on average stockholders' equity	*	*	*	*	*	9.89
Return on average equity	12.31	11.04	49.32	90.99	(10.64)	9.70
Interest yield	13.20	9.29	12.97	18.78	NM	11.42
Net interest margin, gross	10.23	6.18	9.08	15.59	NM	8.11
Net interest margin, net of allowance	10.69	6.34	9.45	26.61	NM	8.40
Reserve coverage	4.35	2.38	4.41	40.18	NM	3.76
Delinquency status(1)	0.41	0.17	7.52	—	NM	0.67
Charge-off (recovery) ratio(2)	3.64	1.80	(0.04)	(100.16)	NM	2.68

(1) Loans 90 days or more past due.
(2) Negative balances indicate net recoveries for the period.
(NM) Not meaningful.
(*) Line item is not applicable to segments.

The following tables present segment data as of and for the three and six months ended June 30, 2023.

Three Months June 30, 2023	**Consumer Lending**					
(Dollars in thousands)	**Recreation**	**Home Improvement**	**Commercial Lending**	**Taxi Medallion Lending**	**Corporate and Other Investments**	**Consolidated**
Total interest income	$ 41,109	$ 15,292	$ 2,814	$ 787	$ 1,724	$ 61,726
Total interest expense	7,580	4,194	852	46	2,363	15,035
Net interest income (loss)	33,529	11,098	1,962	741	(639)	46,691
Provision (benefit) for credit losses	10,135	3,739	(113)	(5,311)	26	8,476
Net interest income (loss) after loss provision	23,394	7,359	2,075	6,052	(665)	38,215
Other income, net	—	2	343	1,304	293	1,942
Operating expenses	(8,444)	(4,388)	(1,147)	(743)	(4,281)	(19,003)
Net income (loss) before taxes	14,950	2,973	1,271	6,613	(4,653)	21,154
Income tax (provision) benefit	(3,867)	(769)	(329)	(1,713)	1,206	(5,472)
Net income (loss) after taxes	$ 11,083	$ 2,204	$ 942	$ 4,900	$ (3,447)	$ 15,682
Income attributable to the non-controlling interest						1,512
Total net income attributable to Medallion Financial Corp.						$ 14,170
Balance Sheet Data						
Total loans, gross	$ 1,331,114	$ 728,468	$ 92,637	$ 3,448	$ 1,331	$ 2,156,998
Total assets	1,294,925	718,383	99,713	18,724	387,392	2,519,137
Total funds borrowed	1,062,309	589,335	81,801	15,360	317,802	2,066,607
Selected Financial Ratios						
Return on average assets	3.59 %	1.28 %	3.76 %	100.63 %	(3.69)%	2.60 %
Return on average stockholders' equity	*	*	*	*	*	18.24
Return on average equity	22.94	8.19	23.97	641.63	(22.83)	16.52
Interest yield	13.03	8.79	11.87	83.55	NM	11.21
Net interest margin, gross	10.63	6.38	8.28	78.67	NM	8.48
Net interest margin, net of allowance	11.08	6.53	8.54	166.23	NM	8.77
Reserve coverage	4.07	2.26	2.72	52.76	NM	3.48
Delinquency status [1]	0.39	0.16	0.08	—	NM	0.29
Charge-off (recovery) ratio [2]	1.86	1.12	3.80	(525.21)	NM	0.74

(1) Loans 90 days or more past due.

(2) Negative balances indicate net recoveries for the period.

(NM) Not meaningful.

(*) Line item is not applicable to segments.

Six Months Ended June 30, 2023	**Consumer Lending**					
(Dollars in thousands)	**Recreation**	**Home Improvement**	**Commercial Lending**	**Taxi Medallion Lending**	**Corporate and Other Investments**	**Consolidated**
Total interest income	$ 79,008	$ 28,941	$ 5,515	$ 1,097	$ 3,007	$ 117,568
Total interest expense	13,484	7,473	1,661	113	4,544	27,275
Net interest income (loss)	65,524	21,468	3,854	984	(1,537)	90,293
Provision (benefit) for credit losses	17,886	6,820	214	(12,395)	(11)	12,514
Net interest income (loss) after loss provision	47,638	14,648	3,640	13,379	(1,526)	77,779
Other income, net	—	3	614	2,923	485	4,025
Operating expenses	(16,247)	(8,382)	(1,567)	(2,770)	(8,429)	(37,395)
Net income (loss) before taxes	31,391	6,269	2,687	13,532	(9,470)	44,409
Income tax (provision) benefit	(8,380)	(1,674)	(718)	(3,612)	2,530	(11,854)
Net income (loss) after taxes	$ 23,011	$ 4,595	$ 1,969	$ 9,920	$ (6,940)	$ 32,555
Income attributable to the non-controlling interest						3,024
Total net income attributable to Medallion Financial Corp.						$ 29,531
Balance Sheet Data						
Total loans, gross	$ 1,331,114	$ 728,468	$ 92,637	$ 3,448	$ 1,331	$ 2,156,998
Total assets	1,294,925	718,383	99,713	18,724	387,392	2,519,137
Total funds borrowed	1,062,309	589,335	81,801	15,360	317,802	2,066,607
Selected Financial Ratios						
Return on average assets	3.84 %	1.39 %	3.94 %	94.20 %	(3.70)%	2.79 %
Return on average stockholders' equity	*	*	*	*	*	19.45
Return on average equity	24.13	8.76	24.74	590.25	(23.24)	17.49
Interest yield	12.93	8.66	11.71	28.80	NM	11.01
Net interest margin, gross	10.72	6.43	8.18	25.84	NM	8.45
Net interest margin, net of allowance	11.18	6.57	8.43	73.52	NM	8.75
Reserve coverage	4.07	2.26	2.72	52.76	NM	3.48
Delinquency status[1]	0.39	0.16	0.08	—	NM	0.29
Charge-off (recovery) ratio [2]	2.57	0.97	1.89	(124.01)	NM	1.51

(1) Loans 90 days or more past due.

(2) Negative balances indicate net recoveries for the period.

(NM) Not meaningful.

(*) Line item is not applicable to segments.

(10) COMMITMENTS AND CONTINGENCIES

(A) EMPLOYMENT AGREEMENTS

The Company has employment agreements with certain key officers, including Mr. Alvin Murstein and Mr. Andrew Murstein, for either a one-, two-, three-, four-, or five-year term. Typically, the contracts with a one- or two-year term will renew for new one- or two-year terms unless prior to the term either the Company or the executive provides notice to the other party of its intention not to extend the employment period beyond the current one or two-year term (as applicable); however, in addition to Mr. Andrew Murstein's employment agreement, as further described below, there is currently one agreement that renews after two years for additional one-year terms and one agreement with a three-year term that does not have a renewal period. In the event of a change in control, as defined, during the employment period, the agreements provide for severance compensation to the executive in an amount equal to the balance of the salary, bonus, and value of fringe benefits which the executive would be entitled to receive for the remainder of the employment period.

On April 25, 2023, Mr. Alvin Murstein, the Company's Chairman of the Board and Chief Executive Officer, notified the Company of his election not to renew the term of his employment pursuant to the First Amended and Restated Employment Agreement, dated May 29, 1998, as amended, between him and the Company. Accordingly, the term of his employment as Chief Executive Officer of the Company will expire on May 28, 2027, unless sooner terminated in accordance with the provisions thereof.

In addition, on April 27, 2023, Mr. Andrew Murstein, the Company's President and Chief Operating Officer, entered into an amendment to the First Amended and Restated Employment Agreement, dated May 29, 1998, as amended, between him and the Company. Pursuant to such amendment, effective as of May 29, 2023, (i) the expiration of his then current term of employment shall be revised to end on May 28, 2027, and (ii) on May 29, 2024, and on each May 29 thereafter, such term of employment shall automatically renew each year for a three-year term unless, prior to the end of the first year of the then-applicable three-year term, either Mr. Murstein or the Company provides at least 30 days' advance notice to the other party of its intention not to renew the then-applicable term of employment for a new three-year term, in each case unless such employment term is otherwise terminated pursuant to the terms thereof.

As of June 30, 2024, employment agreements expire at various dates through 2027, with future minimum payments under these agreements of approximately $9.8 million.

(B) OTHER COMMITMENTS

As of June 30, 2024, the Company had no other commitments. Generally, any commitments would be on the same terms as loans to or investments in existing borrowers or investees, and generally have fixed expiration dates. Since some commitments would be expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

(C) SEC LITIGATION

On December 29, 2021, the SEC filed a civil complaint in the U.S. District Court for the Southern District of New York against the Company and its President and Chief Operating Officer alleging certain violations of the anti-fraud, books and records, internal controls and anti-touting provisions of the federal securities laws. The litigation relates to certain issues that occurred during the period 2015 to 2017, including (i) the Company's retention of third parties in 2015 and 2016 concerning posting information about the Company on certain financial websites and (ii) the Company's financial reporting and disclosures concerning certain assets, including Medallion Bank, in 2016 and 2017, a period when the Company had previously reported as a business development company (BDC) under the Investment Company Act of 1940. Since April 2018, the Company does not report as a BDC, and has not worked with such third parties since 2016. The Company does not expect to change previously reported financial results. The Company filed a motion to dismiss the complaint on March 22, 2022, the SEC filed an amended complaint on April 26, 2022 and the Company filed a motion to dismiss the amended complaint on August 5, 2022.

The SEC is seeking injunctive relief, disgorgement plus pre-judgment interest and civil penalties in amounts unspecified, as well as an officer and director bar against the Company's President and Chief Operating Officer. The Company and its President and Chief Operating Officer intend to defend themselves vigorously and believe that the SEC will not prevail on its claims. Nevertheless, depending on the outcome of the litigation, the Company could incur a loss and other penalties that could be material to the Company, its results of operations and/or financial condition, as well as a bar against its President and Chief Operating Officer. In addition, the Company has and expects to further incur significant legal fees and expenses in defending against such charges by the SEC and the Company may be subject to shareholder litigation relating to these SEC matters.

(D) OTHER LITIGATION AND REGULATORY MATTERS

The Company and its subsidiaries are subject to inquiries from certain regulators and are currently involved in various legal proceedings incident to the normal course of business, including collection matters with respect to certain loans. The Company intends to vigorously defend any outstanding claims and pursue its legal rights. In the opinion of management, based on the advice of legal counsel, except for the pending SEC litigation, as described above, 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 impact on the financial condition or results of operations of the Company.

(11) RELATED PARTY TRANSACTIONS

Certain directors, officers, and stockholders of the Company are also directors and officers of its main consolidated subsidiaries, MFC, Medallion Capital, FSVC, and the Bank, as well as other subsidiaries. Officer salaries are set by the Board of Directors of the Company.

Jeffrey Rudnick, the son of one of the Company's directors, serves as the Company's Senior Vice President at a salary of $260,988 per year, an increase from $250,950 per year in 2023. Mr. Rudnick received an annual cash bonus of $95,000 and $85,000 as well as an equity bonus in the amount of $52,000 and $50,000, during the six months ended June 30, 2024 and 2023.

(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) Cash and cash equivalents – Book value equals fair value.

(b) Equity securities – The Company's equity securities are recorded at cost less impairment plus or minus observable price changes.

(c) Investment securities – The Company's investments are recorded at the estimated fair value of such investments.

(d) Loans receivable – The Company's loans are recorded at book value which approximates fair value.

(e) Floating rate borrowings – Due to the short-term nature of these instruments, the carrying amount approximates fair value.

(f) 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 counter parties. 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. At June 30, 2024 and December 31, 2023, the estimated fair value of these off-balance-sheet instruments was not material.

(g) Fixed rate borrowings – The fair value of the debentures payable to the SBA is estimated based on current market interest rates for similar debt.

	June 30, 2024		December 31, 2023	
(Dollars in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash, cash equivalents, and federal funds sold (1)	**$ 157,961**	**$ 157,961**	$ 149,845	$ 149,845
Equity investments	**10,795**	**10,795**	11,430	11,430
Investment securities	**55,830**	**55,830**	54,282	54,282
Loans receivable	**2,295,802**	**2,284,754**	2,131,651	2,131,651
Accrued interest receivable (2)	**13,299**	**13,299**	13,538	13,538
Equity securities (3)	**1,722**	**1,722**	1,748	1,748
Financial liabilities				
Funds borrowed	**2,283,656**	**2,249,036**	2,118,689	2,118,689
Accrued interest payable (2)	**7,945**	**7,945**	6,822	6,822

(1)Categorized as level 1 within the fair value hierarchy, excluding $1.3 million in interest bearing deposits categorized as level 2 as of June 30, 2024 and $1.3 million as of December 31, 2023. See Note 13.
(2)Categorized as level 3 within the fair value hierarchy. See Note 13.
(3)Included within other assets on the balance sheet.

(13) FAIR VALUE OF ASSETS AND LIABILITIES

The Company 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 Company 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). The Company's assessment and classification of an investment within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

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 (levels 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 (levels 1 and 2) and unobservable inputs (level 3).

Assets and liabilities measured at fair value, recorded on the consolidated 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 Company 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 price 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 liability (examples include certain private equity investments, and certain residential and commercial mortgage-related assets, including loans, securities, and derivatives).

A review of fair value hierarchy classification is conducted on a quarterly basis. 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 as of the beginning of the quarter in which the reclassifications occur.

Equity investments were recorded at cost less impairment plus or minus observable price changes. Commencing in 2020, the Company elected to measure equity investments at fair value on a non-recurring basis.

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

June 30, 2024 *(Dollars in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Interest-bearing deposits	**$ —**	**$ 1,250**	**$ —**	**$ 1,250**
Investment securities	**—**	**55,830**	**—**	**55,830**
Equity securities	**1,722**	**—**	**—**	**1,722**
Total (1)	**$ 1,722**	**$ 57,080**	**$ —**	**$ 58,802**

(1)Total unrealized gain of $0.1 million and unrealized loss of less than $0.1 million, net of tax, was included in other comprehensive income for the three and six months ended June 30, 2024 related to these assets.

December 31, 2023 *(Dollars in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Interest-bearing deposits	$ —	$ 1,250	$ —	$ 1,250
Investment securities	—	54,282	—	54,282
Equity securities	1,748	—	—	1,748
Total (1)	$ 1,748	$ 55,532	$ —	$ 57,280

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

The following tables present the Company'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.

June, 2024 *(Dollars in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Equity investments	**$ —**	**$ —**	**$ 10,795**	**$ 10,795**
Nonaccrual loans	**—**	**—**	**22,248**	**22,248**
Loan collateral in process of foreclosure	**—**	**—**	**9,359**	**9,359**
Total	**$ —**	**$ —**	**$ 42,402**	**$ 42,402**

December 31, 2023 *(Dollars in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Equity investments	$ —	$ —	$ 11,430	$ 11,430
Nonaccrual loans	—	—	25,974	25,974
Loan collateral in process of foreclosure	—	—	11,772	11,772
Total	$ —	$ —	$ 49,176	$ 49,176

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 tables below are not intended to be all-inclusive, but rather to provide information on significant unobservable inputs and valuation techniques used by the Company.

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 and December 31, 2023.

(Dollars in thousands except per share amounts)		**Fair Value at June 30, 2024**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
Equity investments	**$**	**10,522**	Investee financial analysis	Financial condition and operating performance of the borrower [(1)]	**N/A**
				Collateral support	**N/A**
		273	Precedent market transaction	Offering price	**$8.73 / share**
Nonaccrual loans		**22,248**	Market approach	Historical and actual loss experience	**0.00% - 23.06%**
				Transfer prices [(2)]	**$0.0 - 79.5**
				Collateral value	**N/A**
Loan collateral in process of foreclosure		**9,359**	Market approach	Transfer prices [(2)]	**$0.0 - 79.5**
				Collateral value [(3)]	**$2.5 - $51.3**

(1)Includes projections based on revenue, EBITDA, leverage, and liquidation amounts. These assumptions are based on a variety of factors, including economic conditions, industry, and market developments, market valuations of comparable companies, and company-specific developments, including exit strategies and realization opportunities.
(2)Represents amount net of liquidation costs.
(3)Relates to the recreation loan portfolio.

(Dollars in thousands except per share amounts)		**Fair Value at December 31, 2023**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
Equity investments	$	11,157	Investee financial analysis	Financial condition and operating performance of the borrower [(1)]	N/A
				Collateral support	N/A
		273	Precedent market transaction	Offering price	$8.73 / share
Nonaccrual loans		25,974	Market approach	Historical and actual loss experience	0.00% - 28.48%
				Transfer prices [(2)]	$0.0 - $79.5
				Collateral value	N/A
Loan collateral in process of foreclosure		11,772	Market approach	Transfer prices [(2)]	$0.0 - $79.5
				Collateral value [(3)]	$2.3 - $45.0

(1)Includes projections based on revenue, EBITDA, leverage, and liquidation amounts. These assumptions are based on a variety of factors, including economic conditions, industry, and market developments, market valuations of comparable companies, and company-specific developments, including exit strategies and realization opportunities.
(2)Represents amount net of liquidation costs.
(3)Relates to the recreation loan portfolio.

(14) MEDALLION BANK PREFERRED STOCK (Non-controlling interest)

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, with a $46.0 million aggregate liquidation amount, 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 expected to be the three month Secured Overnight Financing Rate, or SOFR) plus a spread of 6.46% per annum.

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 for an aggregate purchase price of $26.3 million under the Small Business Lending Fund Program, or 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. The Bank pays a dividend rate of 9% on the Series E.

(15) SUBSEQUENT EVENTS

The Company has evaluated the effects of events that have occurred subsequent to June 30, 2024 through the date of financial statement issuance for potential recognition or disclosure. As of such date, there were no subsequent events that required recognition or disclosure.

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

The information contained in this section should be read in conjunction with the consolidated financial statements and the accompanying notes thereto for the three and six months ended June 30, 2024 and the year ended December 31, 2023. This section is intended to provide management’s perspective of our financial condition and results of operations. In addition, this section contains forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results and conditions to differ materially from those projected in these forward-looking statements are described in the Risk Factors section in our Annual Report on Form 10-K.

COMPANY BACKGROUND

We are a specialty finance company whose focus and growth has been our consumer finance and commercial lending businesses operated by Medallion Bank, or the Bank, and Medallion Capital, Inc., or Medallion Capital. The Bank is a wholly-owned subsidiary that originates consumer loans for the purchase of recreational vehicles, boats, collector automobiles, and home improvements, and provides loan origination and other services to fintech partners. Medallion Capital is a wholly-owned subsidiary that originates commercial loans through its mezzanine financing business. As of June 30, 2024, our consumer loans represented 95% of our gross loan portfolio, and commercial loans represented 5%. Total assets were $2.8 billion and $2.6 billion as of June 30, 2024 and December 31, 2023.

Our loan-related earnings depend primarily on our level of net interest income. Net interest income is the difference between the total yield on our loan portfolio and the average cost of borrowed funds. We fund our operations through a wide variety of interest-bearing sources, including bank certificates of deposit issued to consumers, debentures issued to and guaranteed by the SBA, privately placed notes, and trust preferred securities. Net interest income fluctuates with changes in the yield on our loan portfolios and changes in the cost of borrowed funds, as well as changes in the amount of interest-earning assets and interest-bearing liabilities held by us. Net interest income is also affected by economic, regulatory, and competitive factors that influence interest rates, loan demand, and the availability of funding to finance our lending activities. We, like other financial institutions, are subject to interest rate risk to the degree that our interest-earning assets reprice, either due to inflation or other factors, on a different basis than our interest-bearing liabilities. We continue to monitor global supply chain disruptions, gas prices, labor shortages, unemployment, and other factors contributing to U.S. inflation and economic health, as well as other factors which contribute to competition and changes in the demand for our loan products. We have taken, and are taking further, steps in light of a potential economic downturn and the current inflationary environment to moderate the pace of our growth.

We also provide debt, mezzanine, and equity investment capital to companies in a variety of commercial industries. These investments may be venture capital style investments which may not be fully collateralized. Our investments are typically in the form of secured debt instruments with fixed interest rates accompanied by an equity stake or warrants to purchase an equity interest for a nominal exercise price (such warrants are included in equity investments on the consolidated balance sheets). Interest income is earned on the debt instruments.

The Bank is an industrial bank regulated by the FDIC and the Utah Department of Financial Institutions that originates consumer loans, raises deposits, and conducts other banking activities. The Bank generally provides us with our lowest cost of funds which it raises through bank certificates of deposit. To take advantage of this low cost of funds, historically we referred a portion of our taxi medallion and commercial loans to the Bank, which originated these loans, and have since been serviced by Medallion Servicing Corp., or MSC. However, other than in connection with dispositions of existing taxi medallion and related assets, the Bank has not originated any new taxi medallion loans since 2014 (and Medallion Financial Corp. has not originated any new taxi medallion loans since 2015) and is working with MSC to service its remaining portfolio as it winds down. MSC earns referral and servicing fees for these activities.

In 2019, the Bank launched a strategic partnership program to provide lending and other services to financial technology, or fintech, companies. The Bank entered into an initial partnership in 2020 and began issuing its first loans. The Bank continues to evaluate and launch additional partnership programs with fintech companies.

We continue to consider various alternatives for the Bank, which may include an initial public offering of its common stock, the sale of all or part of the Bank, a spin-off or other potential transaction. We do not have a deadline for its consideration of these alternatives, and there can be no assurance that this process will result in any transaction being announced or consummated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are fundamental to understanding management's discussion and analysis of its financial condition and results of operations. At June 30, 2024, we identified our policies for the allowance for credit losses, goodwill and intangible assets, and deferred taxes, to be critical accounting policies because management has to make subjective and/or complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Our critical accounting policies are described in detail in Part I, Item 7 in Medallion Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2023, and there have been no material changes in such policies and estimates since the date of such report.

RECENTLY ISSUED AND ADOPTED ACCOUNTING STANDARDS

On January 1, 2023, we adopted Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", or ASC 326, which replaced the incurred loss methodology that delayed recognition until it was probable a loss had been incurred with a lifetime expected loss methodology using "reasonable and supportable" expectations about the future, referred to as the current expected credit loss, or CECL, methodology. For consumer loans, we use historical delinquent loan performance and actual loss rates modified by quantitative adjustments based on macroeconomic factors over a twelve-month reasonable and supportable forecast period. For commercial loans, we assess the historical impact that macroeconomic indicators have had on the loan portfolio, to determine an approximate allowance for credit loss. Unlike consumer loans, where loans may have similar performing characteristics, each commercial loan is unique. We evaluate each commercial loan for specific impairment with additional allowance for credit losses recognized as necessary. For taxi medallion loans, we maintain specific reserves adjusting the carrying amount of loans down to net collateral value. The allowance is evaluated on a quarterly basis by management based on the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrowers' 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, 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.

We adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after December 15, 2022 are presented under ASC 326. The transition to the CECL methodology on January 1, 2023 resulted in an increase of $13.7 million to our allowance for credit losses on loans, or ACL, and a net-of-tax cumulative-effect adjustment of $9.9 million to the beginning balance of retained earnings. The CECL methodology transition effects on the allowance for credit losses are shown in the following table:

(Dollars in thousands)	December 31, 2022 Pre-Topic 326 Adoption	Effect of ASC 326 Adoption (Transition Amounts)	January 1, 2023 Post-ASC 326 Adoption
Assets:			
Loans:			
Recreation	$ 41,966	$ 10,037	$ 52,003
Home improvement	11,340	1,518	12,858
Commercial	1,049	2,157	3,206
Taxi medallion	9,490	—	9,490
Strategic partnership	—	—	—
Allowance for credit losses on loans	$ 63,845	$ 13,712	$ 77,557

Prior to January 1, 2023, we used historical delinquency and actual loss rates with a three-year look-back period for taxi medallion loans and a one-year look-back period for recreation and home improvement loans and used historical loss experience and other projections for commercial loans. The allowance was evaluated on a quarterly basis by management based on the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions, and excess concentration risks. This evaluation was inherently subjective, as it required estimates that were susceptible to significant revision as more information became available.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements. The amendments in this update seek to clarify or improve disclosure and presentation requirements. The amendments in this update will be effective on the date on which the SEC’s removal of related disclosures from Regulation S-X or Regulation S-K become effective, with early adoption prohibited.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting, or Topic 280: Improvements to Reportable Segment Disclosures. The main objective of this update is to provide transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. 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. We are assessing the impact of the update on the accompanying financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes, or Topic 740: Improvements to Income Tax 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 to enable investors to develop more decision-useful financial analyses. The amendments in this update are effective for the annual periods beginning after December 15, 2024. We are assessing the impact of the update on the accompanying financial statements.

CONTROL STATUTES AND REGULATIONS

Because the Bank is an "insured depository institution" within the meaning of the Federal Deposit Insurance Act and the Change in Bank Control Act as well as Medallion Financial Corp. being a "financial institution holding company" within the meaning of the Utah Financial Institutions Act, federal and Utah law and regulations prohibit any person or company from acquiring control of the Bank or Medallion Financial Corp., without, in most cases, prior written approval of the FDIC or the Commissioner of the Utah Department of Financial Institutions, as applicable. Under the Change in Bank Control Act, control is conclusively presumed if, among other things, a person or company acquires 25% or more of any class of the Bank's voting stock. A rebuttable presumption of control arises if a person or company acquires 10% or more of any class of voting stock and is subject to several specified "control factors" as set forth in the applicable regulations. **Although the Bank is an "insured depository institution" within the meaning of the Federal Deposit Insurance Act and the Change in Bank Control Act, your investment in the Company is not insured or guaranteed by the FDIC, or any other agency, and is subject to loss.**

Under the Utah Financial Institutions Act, control is defined as the power, directly or indirectly, or through or in concert with one or more persons to: (a) direct or exercise a controlling influence over (i) the management or policies of a financial institution or (ii) the election of a majority of the directors or trustees of an institution; or (b) to vote 25% or more of any class of voting securities of a financial institution. In addition, under Utah law, there is a rebuttable presumption that a person has control of a Utah financial institution if the person has the power, directly or indirectly, or through or in concert with one or more persons, to vote more than 10% but not less than 25% of any class of voting securities of a financial institution. If any holder of any series of the Bank's preferred stock is or becomes entitled to vote for the election of the Bank's directors, such series will be deemed a class of voting stock, and any other person will be required to obtain the non-objection of the FDIC under the Change in Bank Control Act to acquire or maintain 10% or more of that series. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our common stock in excess of the amount which can be acquired without regulatory approval.

In addition to the regulations detailed above, our operations are subject to supervision and regulation by other federal, state, and local laws and regulations. Additionally, our operations may be subject to various laws and judicial and administrative decisions. This oversight may serve to:

- regulate credit granting activities, including establishing licensing requirements, if any, in various jurisdictions;
- establish maximum interest rates, finance charges and other charges;
- require disclosures to customers;
- govern secured transactions;
- set collection, foreclosure, repossession, and claims handling procedures and other trade practices;
- prohibit discrimination in the extension of credit and administration of loans; and
- regulate the use and reporting of information related to a borrower's credit experience and other data collection.

Changes to laws of states in which we do business could affect the operating environment in substantial and unpredictable ways. We cannot predict whether such changes will occur or, if they occur, the ultimate effect they would have upon our financial condition or results of operations.

AVERAGE BALANCES AND RATES

The following table shows our consolidated average balance sheet, interest income and expense, and the average interest earning/bearing assets and liabilities, and which reflects the average yield on assets and average costs on liabilities for the three months ended June 30, 2024 and 2023.

	Three Months Ended June 30,					
	2024			2023		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets						
Interest earning cash equivalents	**$ 27,877**	**$ 290**	**4.20 %**	$ 21,731	$ 171	3.16 %
Federal funds sold	**76,189**	**1,023**	**5.40**	70,924	925	5.23
Investment securities	**54,846**	**528**	**3.87**	52,178	416	3.20
Loans						
Recreation	**1,436,201**	**47,490**	**13.30**	1,265,664	41,109	13.03
Home improvement	**761,468**	**17,651**	**9.32**	698,185	15,292	8.79
Commercial	**108,774**	**3,468**	**12.82**	95,070	2,920	12.32
Taxi medallion	**3,534**	**180**	**20.49**	3,778	787	83.55
Strategic partnerships	**1,207**	**72**	**23.99**	1,577	106	26.96
Total loans	**2,311,184**	**68,861**	**11.98**	2,064,274	60,214	11.70
Total interest-earning assets, before allowance	**2,470,096**		**11.52**	2,209,107		11.21
Allowance for credit losses	**(86,645)**			(72,937)		
Total interest-earning assets, net of allowance	**$ 2,383,451**	**$ 70,702**	**11.94 %**	$ 2,136,170	$ 61,726	11.59 %
Non-interest-earning assets						
Cash	**37,341**			24,094		
Equity investments	**12,425**			11,154		
Loan collateral in process of foreclosure	**9,716**			18,901		
Goodwill and intangible assets	**170,854**			172,299		
Other assets	**57,099**			54,494		
Total non-interest-earning assets	**287,435**			280,942		
Total assets	**$ 2,670,886**			$ 2,417,112		
Interest-bearing liabilities						
Deposits	**$ 1,951,015**	**$ 16,524**	**3.41 %**	$ 1,753,806	$ 11,330	2.59 %
Retail and privately placed notes	**137,750**	**2,956**	**8.63**	121,000	2,502	8.29
SBA debentures and borrowings	**72,750**	**710**	**3.93**	66,558	597	3.60
Trust preferred securities	**33,000**	**646**	**7.87**	33,000	606	7.37
Total interest-bearing liabilities	**2,194,515**	**20,836**	**3.82**	1,974,364	15,035	3.05
Non-interest-bearing liabilities						
Deferred tax liability	**22,920**			25,873		
Other liabilities (1)	**33,488**			36,115		
Total non-interest-bearing liabilities	**56,408**			61,988		
Total liabilities	**2,250,923**			2,036,352		
Non-controlling interest	**69,166**			69,166		
Total stockholders' equity	**350,797**			311,594		
Total liabilities and stockholders' equity	**$ 2,670,886**			$ 2,417,112		
Net interest income		**$ 49,866**			$ 46,691	
Net interest margin, gross			**8.12**			8.48
Net interest margin, net of allowance			**8.42 %**			8.77 %

(1)Includes deferred financing costs of $8.6 million and $6.8 million as of June 30, 2024 and 2023.

The following table shows our consolidated average balance sheet, interest income and expense, and the average interest earning/bearing assets and liabilities, and which reflects the average yield on assets and average costs on liabilities for the six months ended June 30, 2024 and 2023.

	Six Months Ended June 30,					
	2024			2023		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets						
Interest earning cash equivalents	**$ 29,705**	**$ 621**	**4.20%**	$ 22,605	$ 327	2.92%
Federal funds sold	**74,204**	**2,077**	**5.63**	71,057	1,627	4.62
Investment securities	**54,427**	**994**	**3.67**	50,477	781	3.12
Loans						
Recreation	**1,392,205**	**91,417**	**13.20**	1,232,339	79,008	12.93
Home improvement	**759,776**	**35,098**	**9.29**	673,635	28,941	8.66
Commercial	**111,413**	**7,130**	**12.87**	94,978	5,604	11.90
Taxi medallion	**3,574**	**320**	**18.01**	7,680	1,097	28.80
Strategic partnerships	**985**	**117**	**23.89**	1,406	183	26.25
Total loans	**2,267,953**	**134,082**	**11.89**	2,010,038	114,833	11.52
Total interest-earning assets, before allowance	**2,426,289**		**11.42**	2,154,177		11.01
Allowance for credit losses	**(85,284)**			(72,532)		
Total interest-earning assets, net of allowance	**$ 2,341,005**	**$ 137,774**	**11.84%**	$ 2,081,645	$ 117,568	11.39%
Non-interest-earning assets						
Cash	**31,033**			15,998		
Equity investments	**12,226**			10,901		
Loan collateral in process of foreclosure	**10,388**			19,751		
Goodwill and intangible assets	**171,035**			172,480		
Other assets	**55,413**			52,769		
Total non-interest-earning assets	**280,095**			271,899		
Total assets	**$ 2,621,100**			$ 2,353,544		
Interest-bearing liabilities						
Deposits	**$ 1,903,076**	**$ 31,277**	**3.31%**	$ 1,686,501	$ 19,929	2.38%
Retail and privately placed notes	**138,500**	**5,963**	**8.66**	121,000	5,003	8.34
SBA debentures and borrowings	**73,464**	**1,455**	**3.98**	66,652	1,158	3.50
Trust preferred securities	**33,000**	**1,294**	**7.89**	33,000	1,185	7.24
Total interest-bearing liabilities	**2,148,040**	**39,989**	**3.75**	1,907,153	27,275	2.88
Non-interest-bearing liabilities						
Deferred tax liability	**22,022**			24,958		
Other liabilities (1)	**33,502**			46,080		
Total non-interest-bearing liabilities	**55,524**			71,038		
Total liabilities	**2,203,564**			1,978,191		
Non-controlling interest	**69,220**			69,220		
Total stockholders' equity	**348,316**			306,133		
Total liabilities and stockholders' equity	**$ 2,621,100**			$ 2,353,544		
Net interest income		**$ 97,785**			$ 90,293	
Net interest margin, gross			**8.11**			8.45
Net interest margin, net of allowance			**8.40%**			8.75%

(1)Includes deferred financing costs of $8.6 million and $6.8 million as of June 30, 2024 and 2023.

For the three months ended June 30, 2024, our loans receivable yielded 11.98%, as compared to 11.70% for the three months ended June 30, 2023. The 28 basis point increase reflects a higher yield on our consumer and commercial loan portfolios, as we have increased the rates charged on new originations over the past year as prevailing market interest rates have increased. Similarly, for the six months ended June 30, 2024, our loans receivable yielded 11.89%, as compared to 11.52% for the six months ended June 30, 2023. We have used the higher interest rate environment as an opportunity to both increase the rates on newly issued recreation and home improvement loans, which is expected to continue to increase the yield on these portfolios over time, as well as increase the credit quality of our new issuances, particularly in our recreation segment, with the average FICO scores, measured at origination, of our recreation loans outstanding being 685 as of June 30, 2024 compared to 681 as of June 30, 2023. We use weighted average FICO scores as an indicator of portfolio risk.

Our debt, with certificates of deposits being our largest source, funds our growing lending business. Our average interest cost for the three and six months ended June 30, 2024 of 3.82% and 3.75% increased 77 and 87 basis points from the three and six months ended June 30, 2023, attributable to the current higher interest rate environment, particularly the higher cost associated with our deposits. To the extent that prevailing market interest rates remain at current levels, we expect our cost of funds to continue to increase as we issue new certificates of deposit to replace maturing certificates of deposit and fund our growth. We have taken, and continue to take, steps to pass along a portion of the interest rate increases on newly originated loans, the process for which is slower than the pace of funding cost increases, thereby compressing our net interest margins.

RATE/VOLUME ANALYSIS

The following table presents the change in interest income and expense due to changes in the average balances (volume) and average yield/cost, calculated for the periods indicated.

	Three Months Ended June 30,					
	2024			2023		
(Dollars in thousands)	**Increase (Decrease) In Volume**	**Increase (Decrease) In Rate**	**Net Change**	**Increase (Decrease) In Volume**	**Increase (Decrease) In Rate**	**Net Change**
Interest-earning assets						
Interest earning cash and cash equivalents	**$ 144**	**$ 74**	**$ 218**	$ 167	$ 841	$ 1,008
Investment securities	**26**	**86**	**112**	36	99	135
Loans						
Recreation	**5,654**	**727**	**6,381**	7,073	519	7,592
Home improvement	**1,471**	**889**	**2,360**	4,358	347	4,705
Commercial	**438**	**110**	**548**	224	317	541
Taxi medallion	**(12)**	**(595)**	**(607)**	(2,110)	2,666	556
Strategic partnerships	**(22)**	**(12)**	**(34)**	81	(3)	78
Total loans	**$ 7,529**	**$ 1,119**	**$ 8,648**	$ 9,626	$ 3,846	$ 13,472
Total interest-earning assets	**$ 7,699**	**$ 1,279**	**$ 8,978**	$ 9,829	$ 4,786	$ 14,615
Interest-bearing liabilities						
Deposits	**1,675**	**3,519**	**5,194**	2,370	4,048	6,418
Retail and privately placed notes	**360**	**94**	**454**	—	(5)	(5)
SBA debentures and borrowings	**61**	**52**	**113**	(26)	62	36
Trust preferred securities	**—**	**40**	**40**	—	356	356
Total interest-bearing liabilities	**$ 2,096**	**$ 3,705**	**$ 5,801**	$ 2,344	$ 4,461	$ 6,805
Net	**$ 5,603**	**$ (2,426)**	**$ 3,177**	$ 7,485	$ 325	$ 7,810

	Six Months Ended June 30,					
	2024			2023		
(Dollars in thousands)	**Increase (Decrease) In Volume**	**Increase (Decrease) In Rate**	**Net Change**	**Increase (Decrease) In Volume**	**Increase (Decrease) In Rate**	**Net Change**
Interest-earning assets						
Interest earning cash and cash equivalents	**$ 266**	**$ 478**	**$ 744**	$ 465	$ 1,385	$ 1,850
Investment securities	**72**	**141**	**213**	70	211	281
Loans						
Recreation	**10,526**	**1,883**	**12,409**	13,974	384	14,358
Home improvement	**3,990**	**2,167**	**6,157**	8,439	214	8,653
Commercial	**1,055**	**471**	**1,526**	660	487	1,147
Taxi medallion	**(369)**	**(408)**	**(777)**	(890)	1,615	725
Strategic partnerships	**(50)**	**(16)**	**(66)**	146	(6)	140
Total loans	**$ 15,152**	**$ 4,097**	**$ 19,249**	$ 22,329	$ 2,694	$ 25,023
Total interest-earning assets	**$ 15,490**	**$ 4,716**	**$ 20,206**	$ 22,864	$ 4,290	$ 27,154
Interest-bearing liabilities						
Deposits	**3,569**	**7,779**	**11,348**	4,178	6,685	10,863
Retail and privately placed notes	**756**	**204**	**960**	—	(2)	(2)
SBA debentures and borrowings	**135**	**162**	**297**	(51)	125	74
Trust preferred securities	**—**	**109**	**109**	—	735	735
Total interest-bearing liabilities	**$ 4,460**	**$ 8,254**	**$ 12,714**	$ 4,127	$ 7,543	$ 11,670
Net	**$ 11,030**	**$ (3,538)**	**$ 7,492**	$ 18,737	$ (3,253)	$ 15,484

During the three and six months ended June 30, 2024, the increase in interest income was mainly driven by the increase in volume of consumer loans, as well as an increase in overall yield on interest-earning assets as we issue new loans at interest rates greater than the weighted average rates of our current portfolio. For the same periods, the increase in interest expense was driven by an increase in borrowing costs and interest rates, primarily due to the increases in deposits, as well as growth of total borrowings which fund our growing loan portfolio.

Our interest expense is driven by the interest rates payable on our bank certificates of deposit, privately placed notes, fixed-rate, long-term debentures issued to the SBA, trust preferred securities, and has historically included credit facilities with banks and other short-term notes payable. The Bank issues brokered time certificates of deposit, which are, on average, our lowest borrowing costs. The Bank is able to bid on these deposits at a variety of maturity options, which allows for more flexible interest rate management strategies. As further described below, in September 2023, we issued and sold $39.0 million aggregate principal amount of 9.25% senior notes due in September 2028, and in June 2024, we amended our senior notes previously issued in December 2023, increasing the aggregate principal amount from $12.5 million to $17.5 million, reducing the interest rate to 8.875% from 9.0%, and extending the maturity date from December 2033 to June 2039. The net proceeds were used, in large part, to repurchase and settle, in full, $36.0 million aggregate principal amount of our 8.25% senior notes issued in 2019 and which matured in March 2024.

Our cost of funds is primarily driven by the rates paid on our various borrowings and changes in the levels of average borrowings outstanding. See Note 5 to the consolidated financial statements for details on the terms of our outstanding debt. Our debentures issued to the SBA typically have terms of ten years.

We measure our borrowing costs as our aggregate interest expense for all of our interest-bearing liabilities divided by the average amount of such liabilities outstanding during the period. The above table shows the average borrowings and related borrowing costs for the three and six months ended June 30, 2024 and 2023. We expect our borrowing costs to further increase as we take deposits and borrow other funds at the currently higher prevailing rates.

We continue to seek SBA funding through Medallion Capital to the extent it offers attractive rates. SBA financing subjects its recipients to limits on the amount of secured bank debt they may incur. We use SBA funding to fund loans that qualify under the Small Business Investment Act of 1985, as amended, or the SBIA, and SBA regulations. In July 2023, we obtained a $20.0 million commitment from the SBA, $9.8 million of which has been utilized as of June 30, 2024, with $8.0 million currently drawable, and the balance of $2.2 million drawable upon the infusion of $1.1 million of capital. In February 2024, we obtained an $18.5 million commitment from the SBA, with the entire amount drawable upon the infusion of $9.3 million of capital.

At June 30, 2024 and 2023, adjustable rate debt constituted less than 2% of total debt, and was comprised solely of our trust preferred securities borrowings.

LOANS

Loans are reported at the principal amount outstanding, inclusive of deferred loan acquisition costs, which primarily includes deferred fees paid to or received from loan originators, and which are amortized to interest income over the life of the loan. During the three and six months ended June 30, 2024, there was continued growth in the recreation segment, growing 12% from December 31, 2023, while home improvement loans increased 2% from December 31, 2023.

Three Months Ended June 30, 2024 *(Dollars in thousands)*	**Recreation**	**Home Improvement**	**Commercial**	**Taxi Medallion**	**Strategic Partnership**	**Total**
Gross loans – March 31, 2024	**$ 1,365,165**	**$ 752,262**	**$ 106,570**	**$ 3,560**	**$ 869**	**$ 2,228,426**
Loan originations	**209,563**	**67,990**	**7,000**	**250**	**24,288**	**309,091**
Principal receipts, sales, and maturities	**(61,553)**	**(42,492)**	**(3,961)**	**(328)**	**(23,858)**	**(132,192)**
Charge-offs	**(14,627)**	**(4,063)**	**—**	**—**	**—**	**(18,690)**
Transfer to loan collateral in process of foreclosure, net	**(5,669)**	**—**	**—**	**—**	**—**	**(5,669)**
Amortization of origination costs	**(3,214)**	**913**	**10**	**—**	**—**	**(2,291)**
FASB origination costs, net	**7,763**	**(1,426)**	**(77)**	**—**	**—**	**6,260**
Paid-in-kind interest	**—**	**—**	**655**	**—**	**—**	**655**
Gross loans – June 30, 2024	**$ 1,497,428**	**$ 773,184**	**$ 110,197**	**$ 3,482**	**$ 1,299**	**$ 2,385,590**

Six Months Ended June 30, 2024 *(Dollars in thousands)*	**Recreation**	**Home Improvement**	**Commercial**	**Taxi Medallion**	**Strategic Partnership**	**Total**
Gross loans – December 31, 2023	**$ 1,336,226**	**$ 760,617**	**$ 114,827**	**$ 3,663**	**$ 553**	**$ 2,215,886**
Loan originations	**315,328**	**119,566**	**7,000**	**250**	**40,034**	**482,178**
Principal receipts, sales, and maturities	**(115,589)**	**(97,409)**	**(12,833)**	**(431)**	**(39,288)**	**(265,550)**
Charge-offs	**(32,728)**	**(8,961)**	**—**	**—**	**—**	**(41,689)**
Transfer to loan collateral in process of foreclosure, net	**(11,094)**	**—**	**—**	**—**	**—**	**(11,094)**
Amortization of origination costs	**(6,166)**	**1,851**	**17**	**—**	**—**	**(4,298)**
FASB origination costs, net	**11,451**	**(2,480)**	**(77)**	**—**	**—**	**8,894**
Paid-in-kind interest	**—**	**—**	**1,263**	**—**	**—**	**1,263**
Gross loans – June 30, 2024	**$ 1,497,428**	**$ 773,184**	**$ 110,197**	**$ 3,482**	**$ 1,299**	**$ 2,385,590**

Three Months Ended June 30, 2023 *(Dollars in thousands)*	**Recreation**	**Home Improvement**	**Commercial**	**Taxi Medallion**	**Strategic Partnership**	**Total**
Gross loans – March 31, 2023	$ 1,213,380	$ 669,642	$ 95,329	$ 4,059	$ 1,770	$ 1,984,180
Loan originations	190,007	117,035	4,750	1,300	33,174	346,266
Principal receipts, sales, and maturities	(63,463)	(55,350)	(6,922)	(1,531)	(33,613)	(160,879)
Charge-offs	(9,166)	(2,575)	(900)	(221)	—	(12,862)
Transfer to loan collateral in process of foreclosure, net	(3,991)	—	—	(159)	—	(4,150)
Amortization of origination costs	(3,159)	665	—	—	—	(2,494)
FASB origination costs, net	7,506	(949)	—	—	—	6,557
Paid-in-kind interest	—	—	380	—	—	380
Gross loans – June 30, 2023	$ 1,331,114	$ 728,468	$ 92,637	$ 3,448	$ 1,331	$ 2,156,998

Six Months Ended June 30, 2023 *(Dollars in thousands)*	**Recreation**	**Home Improvement**	**Commercial**	**Taxi Medallion**	**Strategic Partnership**	**Total**
Gross loans – December 31, 2022	$ 1,183,512	$ 626,399	$ 92,899	$ 13,571	$ 572	$ 1,916,953
Loan originations	291,688	212,016	7,750	1,923	60,180	573,557
Principal receipts, sales, and maturities	(119,680)	(105,205)	(7,756)	(5,926)	(59,421)	(297,988)
Charge-offs	(21,756)	(4,489)	(900)	(3,814)	—	(30,959)
Transfer to loan collateral in process of foreclosure, net	(8,348)	—	—	(2,306)	—	(10,654)
Amortization of origination costs	(5,918)	1,251	—	—	—	(4,667)
FASB origination costs, net	11,616	(1,504)	—	—	—	10,112
Paid-in-kind interest	—	—	644	—	—	644
Gross loans – June 30, 2023	$ 1,331,114	$ 728,468	$ 92,637	$ 3,448	$ 1,331	$ 2,156,998

The following table presents the approximate maturities and sensitivity to changes in interest rates for our loans as of June 30, 2024.

(Dollars in thousands)	Within 1 year	After 1 to 5 years	Loan Maturity After 5 to 15 years	After 15 years	Total
Fixed-rate	**$ 38,004**	**$ 246,840**	**$ 1,886,623**	**$ 168,462**	**$ 2,339,929**
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
Commercial	14,470	88,942	7,000	—	110,412
Taxi medallion	2,563	919	—	—	3,482
Strategic partnerships	1,299	—	—	—	1,299
Adjustable-rate	**$ 391**	**$ 648**	**$ —**	**$ —**	**$ 1,039**
Recreation	391	648	—	—	1,039
Home improvement	—	—	—	—	—
Commercial	—	—	—	—	—
Taxi medallion	—	—	—	—	—
Total loans	**$ 38,395**	**$ 247,488**	**$ 1,886,623**	**$ 168,462**	**$ 2,340,968**

PROVISION AND ALLOWANCE FOR CREDIT LOSSES

The allowance is maintained at a level estimated by management to absorb probable credit losses inherent in the loan portfolios based on management's quarterly evaluation of the portfolios, the related credit characteristics, and macroeconomic factors affecting the portfolios. As of June 30, 2024 and December 31, 2023, the allowance totaled $89.8 million and $84.2 million, which represented 3.76% and 3.80% of total loans, respectively. The provision for credit losses was $18.6 million and $35.8 million for the three and six months ended June 30, 2024 compared to $8.5 million and $12.5 million for the three and six months ended June 30, 2023 as a result of lower taxi medallion recoveries, higher charge off activity, and increased provisions necessary with the growth in our recreation loans, as well as the credit loss allowance required due to the impact fluctuating delinquencies have on our credit loss model.

The following table sets forth the activity in the allowance for credit losses for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2024	2023	2024	2023
Allowance for loan losses – beginning balance [(1)]	**$ 83,827**	$ 70,280	**$ 84,235**	$ 63,845
CECL transition amount upon ASU 2016-13 adoption	**—**	—	**—**	13,712
Charge-offs				
Recreation	**(14,627)**	(9,166)	**(32,728)**	(21,756)
Home improvement	**(4,063)**	(2,575)	**(8,961)**	(4,489)
Commercial	**—**	(900)	**—**	(900)
Taxi medallion	**—**	(221)	**—**	(3,814)
Total charge-offs	**(18,690)**	(12,862)	**(41,689)**	(30,959)
Recoveries				
Recreation	**3,962**	3,282	**7,510**	6,053
Home improvement	**1,243**	627	**2,154**	1,259
Commercial	**—**	—	**20**	10
Taxi medallion	**869**	5,168	**1,780**	8,537
Total recoveries	**6,074**	9,077	**11,464**	15,859
Net charge-offs [(2)]	**(12,616)**	(3,785)	**(30,225)**	(15,100)
Provision for credit losses	**18,577**	8,476	**35,778**	12,514
Allowance for credit losses – ending balance [(3)]	**$ 89,788**	$ 74,971	**$ 89,788**	$ 74,971

(1)2023 beginning balance represents allowance prior to the adoption of ASU 2016-13.

(2)As of June 30, 2024, cumulative net charge-offs of loans and loan collateral in process of foreclosure in the taxi medallion portfolio were $173.3 million, including $106.0 million related to loans secured by New York City taxi medallions, some of which may represent collection opportunities for the Company.

(3)As of June 30, 2024, there was no allowance for credit loss and net charge-offs related to the strategic partnership loans.

The following table sets forth the gross charge-offs for the three and six months ended June 30, 2024, by the year of origination:

Three Months Ended June 30, 2024 *(Dollars in thousands)*	2024	2023	2022	2021	2020	Prior	Total
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
Commercial	—	—	—	—	—	—	—
Taxi medallion	—	—	—	—	—	—	—
Total	$ 139	$ 5,607	$ 6,643	$ 2,497	$ 1,105	$ 2,699	$ 18,690

Six Months Ended June 30, 2024 *(Dollars in thousands)*	2024	2023	2022	2021	2020	Prior	Total
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
Commercial	—	—	—	—	—	—	—
Taxi medallion	—	—	—	—	—	—	—
Total	$ 139	$ 10,894	$ 15,141	$ 7,157	$ 2,681	$ 5,677	$ 41,689

The following table sets forth the gross charge-offs for the three and six months ended June 30, 2023, by the year of origination:

Three Months Ended June 30, 2023 *(Dollars in thousands)*	2023	2022	2021	2020	2019	Prior	Total
Recreation	$ 44	$ 3,568	$ 2,344	$ 785	$ 918	$ 1,507	$ 9,166
Home improvement	39	1,548	473	158	91	266	2,575
Commercial	—	—	—	—	900	—	900
Taxi medallion	—	—	—	—	—	221	221
Total	$ 83	$ 5,116	$ 2,817	$ 943	$ 1,909	$ 1,994	$ 12,862

Six Months Ended June 30, 2023 *(Dollars in thousands)*	2023	2022	2021	2020	2019	Prior	Total
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
Commercial	—	—	—	—	900	—	900
Taxi medallion	—	—	—	—	—	3,814	3,814
Total	$ 83	$ 9,628	$ 6,515	$ 2,757	$ 3,594	$ 8,382	$ 30,959

The following tables set forth the allowance for credit losses by type as of June 30, 2024 and December 31, 2023.

June 30, 2024 *(Dollars in thousands)*	Amount	Percentage of Allowance	Allowance as a Percent of Loan Category	Allowance as a Percent of Nonaccrual
Recreation	$ 65,140	73 %	4.35 %	292.79 %
Home improvement	18,388	20	2.38	82.65
Commercial	4,861	5	4.41	21.85
Taxi medallion	1,399	2	40.18	6.29
Total	$ 89,788	100 %	3.76 %	403.58 %

December 31, 2023 *(Dollars in thousands)*	Amount	Percentage of Allowance	Allowance as a Percent of Loan Category	Allowance as a Percent of Nonaccrual
Recreation	$ 57,532	68 %	4.31 %	221.50 %
Home improvement	21,019	25	2.76	80.92
Commercial	4,148	5	3.61	15.97
Taxi medallion	1,536	2	41.93	5.91
Total	$ 84,235	100 %	3.80 %	324.31 %

As of June 30, 2024, the total allowance for credit losses as a percent of loans decreased 4 basis points from December 31, 2023.

The following table shows the trend in loans 90 days or more past due as of the dates indicated.

	June 30, 2024		December 31, 2023	
(Dollars in thousands)	Amount	% (1)	Amount	% (1)
Recreation	$ 5,938	0.3 %	$ 9,095	0.4 %
Home improvement	1,305	0.1 %	1,502	0.1 %
Commercial	8,396	0.4 %	6,240	0.3 %
Total loans 90 days or more past due	$ 15,639	0.7 %	$ 16,837	0.8 %

(1)Percentages are calculated against the total loan portfolio.

The following tables show the activity of loan collateral in process of foreclosure for the three and six months ended June 30, 2024.

Three Months Ended June 30, 2024 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion**	**Total**
Loan collateral in process of foreclosure – March 31, 2024	**$ 1,475**	**$ 8,723**	**$ 10,198**
Transfer from loans, net	**5,669**	**—**	**5,669**
Sales	**—**	**—**	**—**
Cash payments received	**(2,225)**	**(881)**	**(3,106)**
Collateral valuation adjustments	**(3,478)**	**76**	**(3,402)**
Loan collateral in process of foreclosure – June 30, 2024	**$ 1,441**	**$ 7,918**	**$ 9,359**

Six Months Ended June 30, 2024 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion**	**Total**
Loan collateral in process of foreclosure – December 31, 2023	**$ 1,779**	**$ 9,993**	**$ 11,772**
Transfer from loans, net	**11,094**	**—**	**11,094**
Sales	**—**	**(39)**	**(39)**
Cash payments received	**(4,672)**	**(2,154)**	**(6,826)**
Collateral valuation adjustments	**(6,760)**	**118**	**(6,642)**
Loan collateral in process of foreclosure – June 30, 2024	**$ 1,441**	**$ 7,918**	**$ 9,359**

The following tables show the activity of loan collateral in process of foreclosure for the three and six months ended June 30, 2023.

Three Months Ended June 30, 2023 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion**	**Total**
Loan collateral in process of foreclosure – March 31, 2023	$ 1,461	$ 19,006	$ 20,467
Transfer from loans, net	3,991	159	4,150
Sales	(2,583)	(553)	(3,136)
Cash payments received	(128)	(2,517)	(2,645)
Collateral valuation adjustments	(2,012)	(21)	(2,033)
Loan collateral in process of foreclosure – June 30, 2023	$ 729	$ 16,074	$ 16,803

Six Months Ended June 30, 2023 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion**	**Total**
Loan collateral in process of foreclosure – December 31, 2022	$ 1,376	$ 20,443	$ 21,819
Transfer from loans, net	8,348	2,306	10,654
Sales	(4,778)	(568)	(5,346)
Cash payments received	(128)	(5,834)	(5,962)
Collateral valuation adjustments	(4,089)	(273)	(4,362)
Loan collateral in process of foreclosure – June 30, 2023	$ 729	$ 16,074	$ 16,803

As of June 30, 2024, taxi medallion loans in the process of foreclosure included 326 taxi medallions in the New York City market, 188 taxi medallions in the Chicago market, 23 taxi medallions in the Newark market, and 31 taxi medallions in other markets.

SEGMENT RESULTS

We manage our financial results under four operating segments; recreation lending, home improvement lending, commercial lending, and taxi medallion lending. We also show results for a non-operating segment, corporate and other investments.

Recreation Lending

Recreation lending is a growth business focused on originating prime and non-prime recreation loans which is a significant source of income for us, accounting for 67% and 66% of our interest income for the three and six months ended June 30, 2024 and 67% for both the three and six months ended June 30, 2023.

We maintain relationships with approximately 3,300 dealers and financial service providers, or 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 makes them valuable. We receive approximately half of our loan volume from dealers and the other half from FSPs. Our top ten dealer and FSP relationships were responsible for 41% of recreation lending's new loan originations for the six months ended June 30, 2024 and 2023. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration, 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 approximately $21,000 as of June 30, 2024. The loans are fixed rate with an average term at origination of 14 years. The weighted average maturity of our loans outstanding as of June 30, 2024 is 11 years.

The loans are secured primarily by RVs, boats, collector automobiles, and trailers, with RV loans making up 54% of the portfolio, boat loans making up 21%, and collector automobiles making up 11% of the portfolio as of June 30, 2024, compared to 59%, 19%, and 9% as of June 30, 2023. Recreation loans are made to borrowers residing nationwide, with the highest concentrations in Texas and Florida at 16% and 10% of loans outstanding, compared to 15% and 10% as of June 30, 2023, and with no other states at or above 10%. As of June 30, 2024 and 2023, the weighted average FICO scores, measured at origination, of our recreation loans outstanding were 685 and 681. The weighted average FICO scores at the time of origination for the loans funded in six months ended June 30, 2024 and 2023 were 689 and 678.

Seasonally, the second quarter typically has the greatest demand for our recreation loan products and results in higher originations. During the six months ended June 30, 2024, the recreation loan portfolio grew 12% to $1.5 billion, with the average interest rate increasing 18 basis points to 14.80% from a year ago. Additionally, reserve rates increased 28 basis points to 4.35% from June 30, 2023, reflecting higher delinquency and potential loss.

During the six months ended June 30, 2024, we originated $315.3 million in recreation loans, compared to $291.7 million in the prior year period. Originations increased despite more restrictive underwriting standards and management's efforts to mitigate concentration risks. The following table presents quarterly originations for 2024, 2023, and 2022.

(Dollars in thousands)	**2024**	**2023**	**2022**
First Quarter	**$ 105,765**	$ 101,681	$ 114,406
Second Quarter	**209,563**	190,007	170,207
Third Quarter	**—**	92,603	149,151
Fourth Quarter	**—**	62,748	79,298
Year Ended	**$ 315,328**	$ 447,039	$ 513,062

As of June 30, 2024, 35.1% of the recreation loan portfolio were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit history. The following table presents non-prime originations in comparison to total originations for the six months ended June 30, 2024 and years ended December 31, 2023 and 2022.

(Dollars in thousands)	**Total Originations**	**Non-prime Originations**	**Non-prime Originations (%)**
June 30, 2024	**$ 315,328**	**$ 99,698**	**31.6 %**
December 31, 2023	447,039	152,045	34.0
December 31, 2022	513,062	180,697	35.2

The following table presents certain financial data and ratios as of and for the three and six months ended June 30, 2024 and 2023.

(Dollars 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
Selected Earnings Data				
Total interest income	**$ 47,490**	$ 41,109	**$ 91,417**	$ 79,008
Total interest expense	**10,960**	7,580	**20,605**	13,484
Net interest income	**36,530**	33,529	**70,812**	65,524
Provision for credit losses	**15,795**	10,135	**32,825**	17,886
Net interest income after loss provision	**20,735**	23,394	**37,987**	47,638
Other income, net	**306**	—	**556**	—
Other expenses	**(11,236)**	(8,444)	**(19,523)**	(16,247)
Net income before taxes	**9,805**	14,950	**19,020**	31,391
Income tax provision	**(3,094)**	(3,867)	**(6,368)**	(8,380)
Net income after taxes	**$ 6,711**	$ 11,083	**$ 12,652**	$ 23,011
Balance Sheet Data				
Total loans, gross			**$ 1,497,428**	$ 1,331,114
Total credit allowance			**65,140**	54,187
Total loans, net			**1,432,288**	1,276,927
Total assets			**1,451,947**	1,294,925
Total borrowings			**1,200,977**	1,062,309
Selected Financial Ratios				
Return on average assets	**1.95%**	3.59%	**1.87%**	3.84%
Return on average equity	**13.05**	22.94	**12.31**	24.13
Interest yield	**13.30**	13.03	**13.20**	12.93
Net interest margin, gross	**10.23**	10.63	**10.23**	10.72
Net interest margin, net of allowance	**10.69**	11.08	**10.69**	11.18
Reserve coverage	**4.35**	4.07	**4.35**	4.07
Delinquency status (1)	**0.41**	0.39	**0.41**	0.39
Charge-off ratio	**2.99**	1.86	**3.64**	2.57

(1)Loans 90 days or more past due.

Home Improvement Lending

The home improvement lending segment works with contractors and FSPs to finance home improvements and is concentrated in roofs, swimming pools, and windows at 40%, 21%, and 13% of total loans outstanding as of June 30, 2024, as compared to 41%, 19%, and 13% as of June 30, 2023, with no other collateral types over 10%. Home improvement loans are made to borrowers residing nationwide, with the highest concentrations in Texas and Florida, each representing 10% of loans outstanding as of June 30, 2024 and consistent with concentrations as of June 30, 2023, with no other states at or above 10%. As of June 30, 2024 and 2023, the weighted average FICO scores of our home improvement loans outstanding, measured at origination, were 764 and 755. The weighted average FICO scores at the time of origination for the loans funded in the six months ended June 30, 2024 and 2023 were 778 and 770.

A large proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing backgrounds rather than by contractor employees who 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 for the salesperson throughout the financing process. We currently maintain relationships with approximately 800 contractors and FSPs. Our top ten contractors and FSP relationships were responsible for 55% of home improvement lending's new loan originations for the three and six months ended June 30, 2024. The percentage of new loan originations by the top ten contractor and FSP relationships is a measure of concentration, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

The home improvement loan portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $21,000 as of June 30, 2024. The loans are fixed rate with an average term at origination of 14 years. The weighted average maturity of our loans outstanding as of June 30, 2024 is 12 years.

During the six months ended June 30, 2024, the home improvement portfolio increased 2% to $773.2 million, with reserve coverage rates increasing 12 basis points from a year ago reflecting higher delinquency and potential losses. The average interest rate increased 50 basis points to 9.71% at June 30, 2024.

During the six months ended June 30, 2024, we originated $119.6 million in home improvement loans, compared to $212.0 million in the prior period. The decrease was driven by ongoing restrictive underwriting standards in 2024 and management's efforts to mitigate concentration risks. The following table presents quarterly originations for 2024, 2023, and 2022.

(Dollars in thousands)	**2024**	2023	2022
First Quarter	**$ 51,576**	$ 94,981	$ 89,820
Second Quarter	**67,990**	117,035	105,172
Third Quarter	**—**	79,333	100,451
Fourth Quarter	**—**	66,045	97,100
Year Ended	**$ 119,566**	$ 357,394	$ 392,543

As of June 30, 2024, 1.0% of the home improvement loan portfolio were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit history. The following table presents non-prime originations in comparison to total originations for the six months ended June 30, 2024 and years ended December 31, 2023 and 2022.

(Dollars in thousands)	**Total Originations**	**Non-prime Originations**	**Non-prime Originations (%)**
June 30, 2024	**$ 119,566**	**$ 397**	**0.3 %**
December 31, 2023	357,394	3,094	0.9
December 31, 2022	392,543	5,068	1.3

The following table presents certain financial data and ratios as of and for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Selected Earnings Data				
Total interest income	**$ 17,651**	$ 15,292	**$ 35,098**	$ 28,941
Total interest expense	**6,106**	4,194	**11,740**	7,473
Net interest income	**11,545**	11,098	**23,358**	21,468
Provision for credit losses	**3,279**	3,739	**4,177**	6,820
Net interest income after loss provision	**8,266**	7,359	**19,181**	14,648
Other income, net	**3**	2	**5**	3
Other expenses	**(5,457)**	(4,388)	**(9,571)**	(8,382)
Net income before taxes	**2,812**	2,973	**9,615**	6,269
Income tax provision	**(802)**	(769)	**(3,219)**	(1,674)
Net income after taxes	**$ 2,010**	$ 2,204	**$ 6,396**	$ 4,595
Balance Sheet Data				
Total loans, gross			**$ 773,184**	$ 728,468
Total credit allowance			**18,388**	16,447
Total loans, net			**754,796**	712,021
Total assets			**758,840**	718,383
Total borrowings			**627,674**	589,335
Selected Financial Ratios				
Return on average assets	**1.08 %**	1.28 %	**1.72 %**	1.39 %
Return on average equity	**7.00**	8.19	**11.04**	8.76
Interest yield	**9.32**	8.79	**9.29**	8.66
Net interest margin, gross	**6.10**	6.38	**6.18**	6.43
Net interest margin, net of allowance	**6.25**	6.53	**6.34**	6.57
Reserve coverage	**2.38**	2.26	**2.38**	2.26
Delinquency status [(1)]	**0.17**	0.16	**0.17**	0.16
Charge-off ratio	**1.49**	1.12	**1.80**	0.97

(1)Loans 90 days or more past due.

Commercial Lending

We originate both senior and subordinated loans nationwide to businesses in a variety of industries, with California, Wisconsin, and Texas each having 30%, 10%, and 10% of the segment portfolio of the segment portfolio, and no other states having a concentration at or above 10%. These mezzanine loans are primarily secured by a second position on all assets of the businesses and generally range in amount from $2.5 million to $6.0 million at origination, and typically include an equity component as part of the financing. These equity components, although a small portion of the overall financing, have the potential to generate significant yield enhancement when the underlying portfolio company enters a capital transaction. During the six months ended June 30, 2024, net gains of $3.7 million were recognized with respect to these equity investments. The commercial lending business has concentrations in manufacturing, construction, and wholesale trade making up 55%, 14%, and 11%, of the loans outstanding as of June 30, 2024. During the six months ended June 30, 2024, we originated $7.0 million in new commercial loans, compared to $7.8 million in 2023.

The following table presents certain financial data and ratios as of and for the three and six months ended June 30, 2024 and 2023. The commercial segment encompasses the mezzanine lending business, and the other legacy commercial loans (immaterial to total) have been allocated to corporate and other investments.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Selected Earnings Data				
Total interest income	**$ 3,538**	$ 2,814	**$ 7,183**	$ 5,515
Total interest expense	**1,056**	852	**2,154**	1,661
Net interest income	**2,482**	1,962	**5,029**	3,854
Provision (benefit) for credit losses	**478**	(113)	**694**	214
Net interest income after loss provision	**2,004**	2,075	**4,335**	3,640
Other income (loss), net	**(14)**	343	**4,188**	614
Other expenses	**(1,437)**	(1,147)	**(2,422)**	(1,567)
Net income before taxes	**553**	1,271	**6,101**	2,687
Income tax provision	**(72)**	(329)	**(2,043)**	(718)
Net income after taxes	**$ 481**	$ 942	**$ 4,058**	$ 1,969
Balance Sheet Data				
Total loans, gross			**$ 110,197**	$ 92,637
Total credit allowance			**4,861**	2,518
Total loans, net			**105,336**	90,119
Total assets			**105,548**	99,713
Total borrowings			**87,304**	81,801
Selected Financial Ratios				
Return on average assets	**1.86 %**	3.76 %	**7.68 %**	3.94 %
Return on average equity	**12.09**	23.97	**49.32**	24.74
Interest yield	**13.08**	11.87	**12.97**	11.71
Net interest margin, gross	**9.18**	8.28	**9.08**	8.18
Net interest margin, net of allowance	**9.57**	8.54	**9.45**	8.43
Reserve coverage (1)	**4.41**	2.72	**4.41**	2.72
Delinquency status (1) (2)	**7.52**	0.08	**7.52**	0.08
Charge-off (recovery) ratio (3)	**—**	3.80	**(0.04)**	1.89

(1)Ratio is based off of total commercial balances and relates solely to the legacy commercial loan balances.

(2)Loans 90 days or more past due.

(3)Ratio is based on total commercial lending balances and relates to the total loan business.

	As of June 30,			
	2024		2023	
Geographic Concentrations *(Dollars in thousands)*	**Total Gross Loans**	**% of Market**	**Total Gross Loans**	**% of Market**
California	**$ 32,981**	**30 %**	$ 21,460	23 %
Wisconsin	**11,560**	**10**	—	—
Texas	**10,778**	**10**	9,875	11
Illinois	**8,468**	**8**	13,802	15
Minnesota	**5,310**	**5**	10,730	12
Other	**41,100**	**37**	36,770	39
Total	**$ 110,197**	**100 %**	$ 92,637	100 %

Taxi Medallion Lending

The taxi medallion lending segment operates in the New York City metropolitan area. During the three and six months ended June 30, 2024, taxi medallion values remained consistent in the New York City and Newark markets with all other markets being valued at $0 at the end of the year. We continued to not recognize interest income with all loans being placed on nonaccrual as of the third quarter 2020 (except for settled loans with interest being paid in excess of the loan balance), and by transferring underperforming loans from the portfolio to loan collateral in process of foreclosure with charge-offs to collateral value, once loans become more than 120 days past due. All the loans are secured by taxi medallions and enhanced by personal guarantees of the shareholders and owners.

During the three and six months ended June 30, 2024, we collected $2.3 million and $5.3 million related to taxi medallion and related assets, which resulted in net recoveries and gains of $1.3 million and $2.9 million in those periods. The amount of cash collected as well as recoveries recorded vary greatly from period to period due to a wide variety of circumstances surrounding each of the underlying assets, and while we continue to focus on collection and recovery efforts, it is unlikely that there will be future collections at the higher levels experienced in the prior year.

The following table presents certain financial data and ratios as of and for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Selected Earnings Data				
Total interest income	**$ 190**	$ 787	**$ 330**	$ 1,097
Total interest expense	**25**	46	**53**	113
Net interest income	**165**	741	**277**	984
Recoveries for credit losses	**(975)**	(5,311)	**(1,918)**	(12,395)
Net interest income after loss provision	**1,140**	6,052	**2,195**	13,379
Other income, net	**334**	1,304	**973**	2,923
Other expenses	**(1,373)**	(743)	**(2,116)**	(2,770)
Net income before taxes	**101**	6,613	**1,052**	13,532
Income tax provision	**(14)**	(1,713)	**(352)**	(3,612)
Net income after taxes	**$ 87**	$ 4,900	**$ 700**	$ 9,920
Balance Sheet Data				
Total loans, gross			**$ 3,482**	$ 3,448
Total credit allowance			**1,399**	1,819
Total loans, net			**2,083**	1,629
Total assets			**7,511**	18,724
Total borrowings			**6,213**	15,360
Selected Financial Ratios				
Return on average assets	**4.29%**	100.63%	**14.89%**	94.20%
Return on average equity	**25.69**	641.63	**90.99**	590.25
Interest yield	**21.62**	83.55	**18.78**	28.80
Net interest margin, gross	**18.78**	78.67	**15.59**	25.84
Net interest margin, net of allowance	**31.77**	166.23	**26.61**	73.52
Reserve coverage	**40.18**	52.76	**40.18**	52.76
Delinquency status [(1)]	**—**	—	**—**	—
Recovery ratio	**(98.90)**	(525.21)	**(100.16)**	(124.01)

(1)Loans 90 days or more past due.

	As of June 30,	
	2024	**2023**
Geographic Concentrations *(Dollars in thousands)*	**Total Gross Loans**	**Total Gross Loans**
New York City	**$ 3,235**	$ 2,998
Newark	**247**	435
All Other	**—**	15
Total	**$ 3,482**	$ 3,448

	As of June 30,	
	2024	**2023**
Geographic Concentrations *(Dollars in thousands)*	**Total Loan Collateral in Process of Foreclosure**	**Total Loan Collateral in Process of Foreclosure**
New York City	**$ 7,349**	$ 13,586
Newark	**569**	2,061
All Other	**—**	427
Total	**$ 7,918**	$ 16,074

Corporate and Other Investments

This non-operating segment includes our equity and investment securities as well as our legacy commercial business, and other assets, liabilities, revenues, and expenses, including goodwill and intangible assets, which are not specifically allocated to the operating segments and are not used in evaluating performance of the operating segments. Commencing with the 2020 second quarter, the Bank began issuing loans related to the new strategic partnership business, which is included within this segment. The associated activities of the strategic partnership business 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, such as three business days. Strategic partnerships loans were $1.3 million as of both June 30, 2024 and June 30, 2023, with originations of $24.3 million and $40.0 million during the three and six months ended June 30, 2024 and $33.2 million and $60.2 million during the three and six months ended June 30, 2023.

The following table presents certain financial data and ratios as of and for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Selected Earnings Data				
Total interest income	**$ 1,835**	$ 1,724	**$ 3,746**	$ 3,007
Total interest expense	**2,689**	2,363	**5,437**	4,544
Net interest loss	**(854)**	(639)	**(1,691)**	(1,537)
Provision (recoveries) for credit losses	**—**	26	**—**	(11)
Net interest loss after loss provision	**(854)**	(665)	**(1,691)**	(1,526)
Other income, net	**470**	293	**780**	485
Other expenses	**(492)**	(4,281)	**(4,588)**	(8,429)
Net loss before taxes	**(876)**	(4,653)	**(5,499)**	(9,470)
Income tax benefit	**200**	1,206	**1,842**	2,530
Net loss after taxes	**$ (676)**	$ (3,447)	**$ (3,657)**	$ (6,940)
Balance Sheet Data				
Total loans, gross			**$ 1,299**	$ 1,331
Total credit allowance			**—**	—
Total loans, net			**1,299**	1,331
Total assets			**437,030**	387,392
Total borrowings			**361,488**	317,802

SUMMARY CONSOLIDATED FINANCIAL DATA

The table below presents our selected financial data for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Return on average assets	**1.30 %**	2.60 %	**1.55 %**	2.79 %
Return on average equity	**8.25**	16.52	**9.70**	17.49
Return on average stockholders' equity	**8.14**	18.24	**9.89**	19.45
Net interest margin, gross	**8.12**	8.48	**8.11**	8.45
Equity to assets (1)	**15.31**	15.39	**15.31**	15.39
Debt to equity (1) (2)	**5.4x**	5.3x	**5.4x**	5.3x
Net loans receivable to assets	**83 %**	83 %	**83 %**	83 %
Net charge-offs	**$ 12,616**	$ 3,785	**$ 30,225**	$ 15,100
Net charge-offs as a % of average loans receivable	**2.20 %**	0.74 %	**2.68 %**	1.51 %
Reserve coverage ratio	**3.76**	3.48	**3.76**	3.48

(1)Includes $68.8 million related to non-controlling interests in consolidated subsidiaries as of both June 30, 2024 and 2023.

(2)Excludes deferred financing costs of $8.6 million and $6.8 million as of June 30, 2024 and 2023.

CONSOLIDATED RESULTS OF OPERATIONS

Three and Six Months Ended June 30, 2024 Compared to the Three and Six Months Ended June 30, 2023

Net income attributable to shareholders was $7.1 million and $17.1 million, or $0.30 and $0.73 per diluted share, for the three and six months ended June 30, 2024, compared to $14.2 million and $29.5 million, or $0.62 and $1.29 per diluted share, for the three and six months ended June 30, 2023.

Total interest income was $70.7 million and $137.8 million for the three and six months ended June 30, 2024 compared to $61.7 million and $117.6 million for the three and six months ended June 30, 2023. The increase in interest income reflects the continued growth in our recreation, home improvement, and commercial lending segments and an increased weighted average interest rate on the loan portfolio. The yield on interest earning assets was 11.52% and 11.42% for the three and six months ended June 30, 2024, compared to 11.21% and 11.01% for the three and six months ended June 30, 2023. The increase reflects higher interest rates on new originations in our recreation and home improvement lending segments, with the yield anticipated to continue to increase as older loans with lower rates amortize and newer originations at the higher current rates become a larger portion of our portfolio.

Loans before allowance for credit losses were $2.4 billion as of June 30, 2024, comprised of recreation ($1.5 billion), home improvement ($773.2 million), commercial ($110.2 million), taxi medallion ($3.5 million), and strategic partnership ($1.3 million) loans. We had an allowance for credit losses as of June 30, 2024 of $89.8 million, which was attributable to recreation (73%), home improvement (20%), commercial (5%), and taxi medallion (2%) loans.

Loans increased $157.2 million, or 7%, for the quarter and $169.7 million, or 8%, from December 31, 2023 as a result of $309.1 million and $482.2 million of loan originations for the three and six months ended June 30, 2024, offset by principal payments, and to a lesser extent, charge-offs and transfers to loan collateral in process of foreclosure. The provision for credit losses were $18.6 million and $35.8 for the three and six months ended June 30, 2024, compared to $8.5 million and $12.5 million in the three and six months ended June 30, 2023, as a result of lower taxi medallion recoveries, higher charge-off activity, partly attributable to seasonality, and increased provisions with the growth in our loan portfolios. The provision for credit loss in the three and six months ended June 30, 2024 included $0.9 million and $1.8 million of net recoveries with respect to the taxi medallion lending segment, as compared to $4.9 million and $4.7 million for the three and six months ended June 30, 2023, reflecting continued recovery efforts with the impaired taxi medallion portfolio, while net charge-offs in the recreation and home improvement lending segments increased from the historically low levels experienced in the prior year periods. Gross charge-offs were $18.7 million and $41.7 million in the consumer portfolio for the three and six months ended June 30, 2024, compared to $11.7 million and $26.2 million in the three and six months ended June 30, 2023. Charge-offs in the consumer segment correlate to delinquency status, which has seen improvement from December 31, 2023, consistent with seasonal trends.

Interest expense was $20.8 million and $40.0 million for the three and six months ended June 30, 2024, compared to $15.0 million and $27.3 million for the three and six months ended June 30, 2023, reflecting both higher average borrowings and higher average borrowing costs during the three and six months ended June 30, 2024, both of which we expect to further increase in the current inflationary environment. The average cost of borrowed funds was 3.82% and 3.75% for the three and six months ended June 30, 2024, compared to 3.05% and 2.88% for the three and six months ended June 30, 2023. The increases of 77 basis points and 87 basis points for the three and six months ended June 30, 2024 are attributable to the increased cost of newly issued certificates of deposit used both to fund our growth and to replace older maturing vintages with lower rates. As we replace upcoming maturities with new issues, we expect our cost of funds to further increase. During the three months ended June 30, 2024, we issued certificates of deposit at rates up to 5.40% for three-month certificates of deposit and 4.50% for five year certificates of deposit. In addition, we expect our interest expense related to SBA borrowings to increase as newly issued SBA debentures carry a higher rate when compared to some of our previously issued debentures. Average debt outstanding was $2.2 billion and $2.1 billion for the three and six months ended June 30, 2024, up from $2.0 billion and $1.9 billion for the three and six months ended June 30, 2023, as we have increased our borrowings, particularly certificates of deposits, to fund our loan growth. See page 38 for tables that show average balances and cost of funds for our funding sources.

Net interest income was $49.9 million and $97.8 million for the three and six months ended June 30, 2024, compared to $46.7 million and $90.3 million for the three and six months ended June 30, 2023. The net interest margin before the impact of the allowance for credit losses was 8.12% and 8.11% for the three and six months ended June 30, 2024, compared to 8.48% and 8.45% for the three and six months ended June 30, 2023, reflecting the above, particularly the rising cost of borrowings experienced over the prior year period, offset by higher yields on loans and investments compared to the prior year period. With the rates we charge on loans and our cost of funds both increasing, our net interest margin has tightened, and we expect that trend to continue to some degree.

Net other income, which is comprised primarily of gains on the sale of loans and taxi medallions, gain (losses) on equity investments, prepayment fees, servicing fee income, late charges, and write-downs of loan collateral, was $1.1 million and $6.5 million for the three and six months ended June 30, 2024, compared to $1.9 million and $4.0 million for the three and six months ended June 30, 2023. During the quarter, we did not realize any gains associated with the sale of equity investments, unlike in the first quarter of 2024 when we realized a single equity gain of $4.7 million and net gains of $4.2 million.

Operating expenses were $20.0 million and $38.2 million for the three and six months ended June 30, 2024, compared to $19.0 million and $37.4 million for the three and six months ended June 30, 2023. Salaries and benefits were $9.4 million and $18.9 million for the three and six months ended June 30, 2024, compared to $9.3 million and $18.2 million for the three and six months ended June 30, 2023, primarily reflecting a greater head count at our operating subsidiaries, Medallion Bank and Medallion Capital, higher equity compensation costs in the current quarter, and the increased cost of managing our businesses as they grow. Legal and professional fees were $1.8 million and $2.6 million for the three and six months ended June 30, 2024, up from $1.4 million in the prior year three months and down from $3.1 million in the prior year six months. Costs in the current year periods were elevated due to higher expenses associated with the successful defense of an activist proxy campaign in 2024, which approximated $1.4 million. Although legal costs associated with the SEC litigation were nominal in both the current and prior year periods, we continue to maintain an approximate $6.5 million liability as a result of the collection of insurance coverage with respect to costs incurred in previous years. The Company anticipates recognizing the benefit of this liability, offsetting future costs, through the remainder of this matter.

Loan collateral in process of foreclosure was $9.4 million at June 30, 2024, down from $11.8 million at December 31, 2023. The decrease primarily reflects cash payments received during the period.

ASSET/LIABILITY MANAGEMENT

Interest Rate Sensitivity

We, like other financial institutions, are subject to interest rate risk to the extent that our interest-earning assets (consisting of consumer, commercial, and taxi medallion loans, and investment securities) reprice on a different basis over time in comparison to our interest-bearing liabilities (consisting primarily of bank certificates of deposit, SBA debentures and borrowings, historically credit facilities, and borrowings from banks and other lenders).

Having interest-bearing liabilities that mature or reprice more frequently on average than assets may be beneficial in times of declining interest rates, although such an asset/liability structure may result in declining net earnings during periods of rising interest rates. Abrupt increases in market rates of interest may have an adverse impact on our earnings until we are able to originate new loans at the higher prevailing interest rates. Conversely, having interest-earning assets that mature or reprice more frequently on average than liabilities may be beneficial in times of rising interest rates, although this asset/liability structure may result in declining net earnings during periods of falling interest rates. This mismatch between maturities and interest rate sensitivities of our interest-earning assets and interest-bearing liabilities results in interest rate risk.

The effect of changes in interest rates is mitigated by regular turnover of the portfolio. We believe that the average life of our loan portfolio varies to some extent as a function of changes in interest rates. Borrowers are more likely to exercise prepayment rights in a decreasing interest rate environment because the interest rate payable on the borrower’s loan is high relative to prevailing interest rates. Conversely, borrowers are less likely to prepay in a rising interest rate environment. However, borrowers may prepay for a variety of other reasons, such as to monetize increases in the underlying collateral values. In addition, we manage our exposure to increases in market rates of interest by incurring fixed-rate indebtedness, such as ten year subordinated SBA debentures, and by setting repricing intervals on certificates of deposit, for terms of up to five years.

A relative measure of interest rate risk can be derived from our interest rate sensitivity gap. The interest rate sensitivity gap represents the difference between interest-earning assets and interest-bearing liabilities, which mature and/or reprice within specified intervals of time. The gap is considered to be positive when repriceable assets exceed repriceable liabilities, and negative when repriceable liabilities exceed repriceable assets. A relative measure of interest rate sensitivity is provided by the cumulative difference between interest sensitive assets and interest sensitive liabilities for a given time interval expressed as a percentage of total assets.

The following table presents our interest rate sensitivity gap at June 30, 2024. The principal amounts of interest earning assets are assigned to the time frames in which such principal amounts are contractually obligated to be repriced. We do not reflect any prepayment assumptions in preparing the analysis, despite historical average life experience being significantly shorter than contractual terms.

	June 30, 2024 Cumulative Rate Gap [(1)]							
(Dollars in thousands)	**Less Than 1 Year**	**More Than 1 and Less Than 2 Years**	**More Than 2 and Less Than 3 Years**	**More Than 3 and Less Than 4 Years**	**More Than 4 and Less Than 5 Years**	**More Than 5 and Less Than 6 Years**	**Thereafter**	**Total**
Earning assets								
Fixed-rate	**$ 38,004**	**$ 17,978**	**$ 63,101**	**$ 77,574**	**$ 88,186**	**$ 71,387**	**$ 1,983,698**	**$ 2,339,928**
Adjustable rate	**391**	**624**	**—**	**25**	**—**	**—**	**—**	**1,040**
Investment securities and equity investments	**1,741**	**5,570**	**522**	**6,651**	**5,670**	**3,629**	**40,305**	**64,088**
Cash and cash equivalents	**157,961**	**—**	**—**	**—**	**—**	**—**	**—**	**157,961**
Total earning assets	**$ 198,097**	**$ 24,172**	**$ 63,623**	**$ 84,250**	**$ 93,856**	**$ 75,016**	**$ 2,024,003**	**$ 2,563,017**
Interest bearing liabilities								
Deposits	**$ 867,211**	**$ 391,277**	**$ 433,022**	**$ 118,517**	**$ 199,629**	**$ —**	**$ —**	**$ 2,009,656**
Privately placed notes	**—**	**31,250**	**—**	**53,750**	**39,000**	**—**	**17,500**	**141,500**
SBA debentures and borrowings	**12,500**	**15,500**	**4,500**	**—**	**2,500**	**—**	**37,750**	**72,750**
Trust preferred securities	**—**	**—**	**—**	**—**	**—**	**—**	**33,000**	**33,000**
Federal reserve and other borrowings	**25,000**	**—**	**—**	**—**	**—**	**—**	**—**	**25,000**
Total liabilities	**$ 904,711**	**$ 438,027**	**$ 437,522**	**$ 172,267**	**$ 241,129**	**$ —**	**$ 88,250**	**$ 2,281,906**
Interest rate gap	**$ (706,614)**	**$ (413,855)**	**$ (373,899)**	**$ (88,017)**	**$ (147,273)**	**$ 75,016**	**$ 1,935,753**	**$ 281,111**
Cumulative interest rate gap	**$ (706,614)**	**$ (413,855)**	**$ (373,899)**	**$ (88,017)**	**$ (147,273)**	**$ 75,016**	**$ 1,935,753**	$ —
December 31, 2023 [(2)]	$ (498,772)	$ (1,015,143)	$ (1,335,301)	$ (1,474,758)	$ (1,578,162)	$ (1,494,411)	$ 281,971	$ —
December 31, 2022[(2)]	$ (367,803)	$ (807,687)	$ (1,158,706)	$ (1,283,654)	$ (1,372,105)	$ (1,314,604)	$ 222,536	$ —

(1)The ratio of the cumulative one-year gap to total interest rate sensitive assets was (28%) as of June 30, 2024, and was (18%) as of December 31, 2023.

(2)Excludes federal funds sold and investment securities.

Our interest rate sensitive assets were $2.6 billion and interest rate sensitive liabilities were $2.3 billion at June 30, 2024. The one-year cumulative interest rate gap was a negative $706.6 million, or 28% of interest rate sensitive assets. We seek to manage interest rate risk by incurring fixed-rate indebtedness, by evaluating appropriate derivatives, pursuing securitization opportunities, entering into borrowing arrangements with terms that align with the anticipated life of our assets, and using other options consistent with managing interest rate risk.

LIBOR terminated on June 30, 2023. We did not have loans tied to LIBOR. Our trust preferred securities bore a variable rate of interest of 90-day LIBOR plus 2.13% until June 30, 2023. For these borrowings, the 90-day Secured Overnight Financing Rate adjusted by a relevant spread adjustment of approximately 26 basis points replaced the previous LIBOR-based rate.

Liquidity and Capital Resources

Our sources of liquidity include brokered certificates of deposit and other borrowings at the Bank, unfunded commitments to sell debentures to the SBA, loan amortization and prepayments, private and public issuances of debt securities, participations or sales of loans to third parties, issuances of preferred securities at our subsidiaries, and the disposition of our other assets.

In June 2024, we amended the notes previously issued in a private placement to certain institutional investors in December 2023, increasing the principal amount from $12.5 million to $17.5 million, reducing the interest rate to 8.875% from 9.0%, and extending the maturity date from December 2033 to June 2039. We used, and intend to use, the net proceeds from the offering for general corporate purposes, which included the repayment of the remaining 8.25% notes that matured in March 2024 described below.

In September 2023, we completed a private placement to certain institutional investors of $39.0 million aggregate principal amount of 9.25% unsecured senior notes due September 2028, with interest payable semiannually.

In April 2023, the Bank began to originate retail savings deposits through a third-party service provider and, as of June 30, 2024, the Bank had $10.9 million in retail savings deposit balances.

In March 2023, the Bank established a discount window line of credit at the Federal Reserve. As of June 30, 2024, the Bank had $99.2 million in home improvement loans pledged as collateral to the Federal Reserve. The current advance rate on the pledged securities is approximately 40% of book value, for a total of approximately $40.1 million in secured borrowing capacity, of which $25 million was utilized as of June 30, 2024.

The Bank has borrowing arrangements with several commercial banks. These agreements are accommodations that can be terminated at any time, for any reason, and allow the Bank to borrow up to $75.0 million. As of June 30, 2024, there were no outstanding amounts with respect to these arrangements.

In February 2021, we completed a private placement to certain institutional investors of $25.0 million aggregate principal amount of 7.25% unsecured senior notes due February 2026, with interest payable semiannually. Follow-on offerings of these notes in March and April 2021 raised an additional $3.3 million and $3.0 million.

In December 2020, we completed a private placement to certain institutional investors of $33.6 million aggregate principal amount of 7.50% unsecured senior notes due December 2027, with interest payable semiannually. Follow-on offerings of these notes in February and March 2021 raised an additional $8.5 million. In April 2021, we raised an additional $11.7 million in a follow-on offering, and repaid substantially all of our remaining bank borrowings.

In December 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, with a $46.0 million aggregate liquidation amount, 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.

The net proceeds from the December 2020, February 2021, March 2021, April 2021, September 2023, and December 2023 (as amended and increased in June 2024) private placements were used for general corporate purposes, including repayment of outstanding debt, including repayment of our 9.00% retail notes at maturity in April 2021 and to pay down other borrowings, including some borrowings at a discount, and to repurchase, repay, and cancel $36.0 million of our 8.25% notes, which matured in March 2024.

The table below presents the components of our debt as of June 30, 2024, exclusive of deferred financing costs of $8.6 million. See Note 5 to the consolidated financial statements for details of the contractual terms of our borrowings.

(Dollars in thousands)	Balance	Percentage	Rate [(1)]
Deposits [(2)]	$ 2,009,656	88 %	3.50 %
Privately placed notes	141,500	6	8.10
SBA debentures and borrowings	72,750	3	3.54
Trust preferred securities	33,000	1	7.73
Federal reserve and other borrowings	25,000	1	5.50
Total outstanding debt	$ 2,281,906	100 %	3.87 %

(1)Weighted average contractual rate as of June 30, 2024.

(2)Balance excludes $1.8 million of strategic partner reserve deposits as of June 30, 2024.

Our contractual obligations expire on or mature at various dates through September 2037. The following table shows our contractual obligations at June 30, 2024.

	Payments due by period						
(Dollars in thousands)	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total [(1)]
Borrowings							
Deposits [(2)]	$ 867,211	$ 391,277	$ 433,022	$ 118,517	$ 199,629	$ —	$ 2,009,656
Privately placed notes	—	31,250	—	53,750	39,000	17,500	141,500
SBA debentures and borrowings	12,500	15,500	4,500	—	2,500	37,750	72,750
Trust preferred securities	—	—	—	—	—	33,000	33,000
Federal reserve and other borrowings	25,000	—	—	—	—	—	25,000
Total outstanding borrowings	904,711	438,027	437,522	172,267	241,129	88,250	2,281,906
Operating lease obligations	2,540	2,556	1,954	958	712	715	9,435
Total contractual obligations	$ 907,251	$ 440,583	$ 439,476	$ 173,225	$ 241,841	$ 88,965	$ 2,291,341

(1)Total debt is exclusive of deferred financing costs of $8.6 million as of June 30, 2024.

(2)Balance excludes $1.8 million of strategic partner reserve deposits as of June 30, 2024.

Approximately $1.3 billion of our borrowings have maturity dates during the next two years, a majority of which are brokered CDs that have no right of voluntary withdrawal.

In addition, the illiquidity of portions of our loan portfolio and investments may adversely affect our ability to dispose of them at times when it may be advantageous for us to liquidate such portfolio or investments. In addition, if we were required to liquidate some or all of our portfolio, the proceeds of such liquidation may be significantly less than the current value of such investments. Because we borrow money to make loans and investments, our net operating income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our interest income. In periods of sharply rising interest rates, our cost of funds would increase, which would reduce our net interest income.

We use a combination of long-term and short-term borrowings and equity capital to finance our lending and investing activities. Our long-term fixed-rate investments are financed primarily with fixed-rate debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. We have analyzed the potential impact of changes in interest rates on net interest income. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity a hypothetical immediate 1% increase in interest rates would result in an increase to net income as of June 30, 2024 by $1.6 million on an annualized basis, and the impact of such an immediate increase of 1% over a one year period would have been a reduction in net income by $2.5 million at June 30, 2024. Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size, and composition of the assets on the balance sheet, and other business developments that could affect net income from operations in a particular quarter or for the year taken as a whole. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by these estimates.

From time to time, we work with investment banking firms and other financial intermediaries to investigate the viability of several other financing options which include, among others, the sale or spinoff of certain assets or divisions, the development of a securitization conduit program, and other independent financing for certain subsidiaries or asset classes. These financing options would also provide additional sources of funds for both external expansion and continuation of internal growth.

The following table illustrates sources of available funds for us and each of our subsidiaries, and amounts outstanding under trust preferred securities and borrowings and their respective end of period weighted average interest rates at June 30, 2024. See Note 5 to the consolidated financial statements for additional information about each borrowing.

(Dollars in thousands)	**Medallion Financial Corp.**	**Medallion Funding LLC**	**Medallion Capital Inc.**	**Freshstart Venture Capital Corp.**	**Medallion Bank**	**June 30, 2024**	December 31, 2023
Cash, cash equivalents and federal funds sold	**$ 18,954**	**$ 245**	**$ 16,402** (1)	**$ 3,003**	**$ 119,357**	**$ 157,961**	$ 149,845
Trust preferred securities	**33,000**					**33,000**	33,000
Average interest rate	**7.73 %**					**7.73 %**	7.75 %
Maturity	**9/37**					**9/37**	9/37
Retail and privately placed notes	**141,500**					**141,500**	139,500
Average interest rate	**8.10 %**					**8.10 %**	8.08 %
Maturity	**2/26 - 6/39**					**2/26 - 6/39**	3/24 - 12/33
SBA debentures & borrowings							
Amounts available			**28,750**			**28,750**	10,250
Amounts outstanding			**72,750**			**72,750**	75,250
Average interest rate			**3.54 %**			**3.54 %**	3.69 %
Maturity			**9/24- 3/34**			**9/24- 3/34**	3/24 - 3/34
Brokered CDs					**2,011,406** (2)	**2,011,406**	1,870,939
Average interest rate					**3.50 %**	**3.50 %**	3.07 %
Maturity					**7/24 - 6/29**	**7/24 - 6/29**	1/24 - 12/28
Federal reserve and other borrowings					**25,000**	**25,000**	—
Average interest rate					**5.50 %**	**5.50 %**	—
Maturity					**N/A**	**N/A**	—
Total cash	**$ 18,954**	**$ 245**	**$ 16,402**	**$ 3,003**	**$ 119,357**	**$ 157,961**	$ 149,845
Total debt outstanding	**$ 174,500**	**$ —**	**$ 72,750**	**$ —**	**$ 2,036,406**	**$ 2,283,656**	$ 2,118,689

(1)Cash resides in the applicable SBIC and is generally not available for corporate use.

(2)Includes deposits of $1.8 million related to the strategic partnership business and $8.2 million related to listing services.

Loan amortization, prepayments, and sales also provide a source of funding for us. Prepayments on loans are influenced significantly by general interest rates, taxi medallion loan market values, economic conditions, and competition.

We also generate liquidity through deposits generated at the Bank, the offering of privately placed notes, through the issuance of SBA debentures, through our trust preferred securities, and through preferred securities at our subsidiaries and have utilized borrowing arrangements with other banks in the past, as well as from cash flow from operations. In addition, we may choose to participate out a greater portion of our loan portfolio to third parties. We regularly seek additional sources of liquidity; however, given current market conditions, there can be no assurance that we will be able to secure additional liquidity on terms favorable to us or at all. If that occurs, we may decline to underwrite lower yielding loans in order to conserve capital until credit conditions in the market become more favorable; or we may be required to dispose of assets when we would not otherwise do so, and at prices which may be below the net book value of such assets in order for us to repay indebtedness on a timely basis.

Dividends and Stock Repurchases

Beginning in March 2022, the Company's board of directors reinstated our quarterly dividend. A dividend of $0.08 per share was paid in March, May, and August 2023. On October 24, 2023, the Company’s board of directors authorized and increased the quarterly dividend to $0.10 per share, and a dividend of $0.10 per share was paid in November 2023, March 2024, and May 2024. The Company currently expects to continue to pay quarterly dividends at the current rate for the foreseeable future. We may, however, re-evaluate the dividend policy in the future depending on market conditions. There can be no assurance that we will continue to pay any cash distributions, as we may retain our earnings to facilitate the growth of our business, to finance our investments, to provide liquidity, or for other corporate purposes.

On April 29, 2022, our board of directors authorized a new stock repurchase program with no expiration date, pursuant to which we were authorized to repurchase up to $35 million of our shares, which was increased to $40 million on August 10, 2022, also with no expiration date. Such new repurchase program replaced the previous one, which was terminated. During the three months ended June 30, 2024, the Company repurchased 183,900 shares of its common stock at an aggregate cost of $1.5 million. Accordingly, as of June 30, 2024, up to $16,357,829 of shares remained authorized for repurchase under our stock repurchase program.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in disclosure regarding quantitative and qualitative disclosures about market risk since we filed our Annual Report on Form 10-K for the year ended December 31, 2023.

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 30, 2024 to provide reasonable assurance that information required to be disclosed by the Company 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 Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

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 30, 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 30, 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

See Note 10 “Commitments and Contingencies” subsections (c) and (d) to the consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for details of the Company’s legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which was filed with the Securities and Exchange Commission on March 7, 2024.

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

On April 29, 2022, our board of directors authorized a new stock repurchase program with no expiration date, pursuant to which we were authorized to repurchase up to $35 million of our shares, which was increased to $40 million on August 10, 2022, also with no expiration date. Such new repurchase program replaced the previous one, which was terminated. During the quarter ended June 30, 2024, the Company repurchased 183,900 shares of its common stock at an aggregate cost of $1.5 million. Accordingly, as of June 30, 2024, up to $16,357,829 of shares remained authorized for repurchase under our stock repurchase program.

	Total Shares of Common Stock Repurchased	Average Price Paid per Share	Total Amount Paid	Maximum Value of Shares Yet to Be Purchased
April 1 - April 30	—	$ —	$ —	$ 17,872,483
May 1 - May 31	107,000	8.15	872,413	17,000,070
June 1 - June 30	76,900	8.35	642,241	16,357,829
Total	**183,900**	**$ 8.24**	**$ 1,514,654**	**$ 16,357,829**

ITEM 5. OTHER INFORMATION

None of our directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during our fiscal quarter ended June 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

EXHIBITS

Number	Description
4.1	Form of Note Purchase Agreement, including the form of Note attached thereto. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on June 25, 2024 (File No. 001-37747) and incorporated by reference herein.
31.1	Certification of Alvin Murstein pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Anthony N. Cutrone pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification of Alvin Murstein pursuant to 18 USC. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.2	Certification of Anthony N. Cutrone pursuant to 18 USC. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 FINANCIAL CORP.

Date: August 7, 2024

By: /s/ Alvin Murstein
Alvin Murstein
Chairman and Chief Executive Officer

By: /s/ Anthony N. Cutrone
Anthony N. Cutrone
Executive Vice President and Chief Financial Officer

Signing on behalf of the registrant as principal financial and accounting officer.

Exhibit 31.1

Certification of Alvin Murstein

I, Alvin Murstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medallion Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the 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 the 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 7, 2024

By: /s/ Alvin Murstein

Alvin Murstein
Chairman and Chief Executive Officer

Exhibit 31.2

Certification of Anthony N. Cutrone

I, Anthony N. Cutrone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medallion Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the 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 the 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 7, 2024

By: /s/ Anthony N. Cutrone

Anthony N. Cutrone
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 Financial Corp. (the "Company") for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission 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 Company.

By: /s/ Alvin Murstein
Chairman and
Chief Executive Officer

Date: August 7, 2024

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 Financial Corp. (the "Company") for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission 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 Company.

By: /s/ Anthony N. Cutrone
Executive Vice President and
Chief Financial Officer

Date: August 7, 2024