FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from to

FDIC Certificate No. 57449

MEDALLION BANK

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The number of outstanding shares of registrant's common stock, par value $1.00, all of which is held by Medallion Financial Corp., as of May 7, 2025 was 1,000,000.

MEDALLION BANK
FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those more fully described under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, or the following:

- The concentration of our business in consumer lending, which carries a risk of loss that is different from and typically higher than the risk of loss associated with commercial lending, and which has been, and could in the future be, adversely affected by an economic downturn;
- The effects of inflation, economic uncertainty and changes in U.S. trade policies, including the imposition or potential imposition of tariffs and the responses of other countries, on loan and origination volumes, credit performance and net interest income;
- Our dependence on the credit performance of our loans;
- Our reliance on our relationships with dealerships, contractors and financial service providers ("FSPs");
- Our use of brokered deposit sources for substantially all of our deposit-gathering activities;
- Our dependence on our senior management team for our future success;
- The sufficiency of our allowance for credit losses to cover losses on our loans;
- Competition with other lenders;

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

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended	
	March 31, 2025	March 31, 2024
Interest income		
Loan interest including fees	$ 70,617	$ 61,424
Investments	1,217	1,544
Total interest income	71,834	62,968
Interest expense	19,617	14,753
Net interest income	52,217	48,215
Provision for credit losses	19,038	17,002
Net interest income after provision for credit losses	33,179	31,213
Strategic partnership fees	685	326
Other non-interest income	996	276
Total non-interest income	1,681	602
Non-interest expense		
Salaries and benefits	5,348	4,984
Loan servicing	3,154	2,867
Collection costs	1,492	1,404
Regulatory fees	821	977
Professional fees	610	432
Information technology	322	267
Occupancy, equipment, and depreciation	727	207
Other	910	752
Total non-interest expense	13,384	11,890
Income before income taxes	21,476	19,925
Provision for income taxes	5,837	5,445
Net income	15,639	14,480
Less: Preferred stock dividends	1,512	1,512
Net income attributable to common shareholder	$ 14,127	$ 12,968

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

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

	Three Months Ended	
	March 31, 2025	**March 31, 2024**
Net income after taxes	$ 15,639	$ 14,480
Net change in unrealized gains (losses) on investment securities, net of tax	638	(151)
Total comprehensive income	16,277	14,329
Less: Preferred stock dividends	1,512	1,512
Total comprehensive income attributable to common shareholder	$ 14,765	$ 12,817

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

MEDALLION BANK
BALANCE SHEETS
(dollars in thousands)

	(UNAUDITED) As of March 31, 2025	As of December 31, 2024
Assets		
Cash and cash equivalents [1]	$ 115,108	$ 126,196
Investment securities, available-for-sale	60,424	54,805
Loans held for sale, at the lower of amortized cost or fair value	124,733	128,226
Loans	2,243,991	2,249,614
Allowance for credit losses	(91,807)	(91,638)
Loans, net	2,152,184	2,157,976
Loan collateral in process of foreclosure	3,174	3,326
Fixed assets, software, and right-of-use lease assets	8,543	9,126
Deferred tax assets	13,860	14,036
Accrued interest receivable	14,339	15,083
Other assets	38,598	40,325
Total assets	$ 2,530,963	$ 2,549,099
Liabilities and shareholders' equity		
Liabilities		
Deposits and other funds borrowed [2]	$ 2,087,828	$ 2,125,071
Accrued interest payable	4,557	5,586
Income tax payable [3]	23,853	17,951
Other liabilities [4]	22,702	17,204
Due to affiliates	881	910
Total liabilities	$ 2,139,821	$ 2,166,722
Commitments and contingencies (Note 10)		
Shareholders' equity		
Series E preferred stock, $1.00 par value, 26,303 shares authorized, issued, and outstanding as of March 31, 2025 and December 31, 2024. Liquidation preference of $1,000 per share.	26,303	26,303
Series F preferred stock, $1.00 par value, 1,840,000 shares authorized, issued, and outstanding as of March 31, 2025 and December 31, 2024. Liquidation preference of $25 per share.	42,485	42,485
Common stock, $1.00 par value, 7,000,000 shares authorized as of March 31, 2025 and December 31, 2024; 1,000,000 shares issued and outstanding as of March 31, 2025 and December 31, 2024.	1,000	1,000
Additional paid in capital	77,500	77,500
Accumulated other comprehensive loss, net of tax	(3,842)	(4,480)
Retained earnings	247,696	239,569
Total shareholders' equity	391,142	382,377
Total liabilities and shareholders' equity	$ 2,530,963	$ 2,549,099

(1) Includes $114.4 million and $125.5 million federal funds sold and interest-bearing deposits in other banks as of March 31, 2025 and December 31, 2024, respectively.
(2) Includes $4.5 million and $4.6 million of deferred financing costs as of March 31, 2025 and December 31, 2024, respectively.
(3) The majority of income tax payable is payable to Medallion Financial Corp.
(4) Includes $2.4 million and $2.5 million of operating lease liabilities as of March 31, 2025 and December 31, 2024, respectively.

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

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

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance as of December 31, 2024	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,480)	$ 239,569	$ 382,377
Net income	—	—	—	—	—	—	15,639	15,639
Dividends declared on common stock	—	—	—	—	—	—	(6,000)	(6,000)
Dividends declared on preferred stock - Series E	—	—	—	—	—	—	(592)	(592)
Dividends declared on preferred stock - Series F	—	—	—	—	—	—	(920)	(920)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	638	—	638
Balance as of March 31, 2025	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (3,842)	$ 247,696	$ 391,142

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance as of December 31, 2023	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,529)	$ 209,034	$ 351,793
Net income	—	—	—	—	—	—	14,480	14,480
Dividends declared on common stock	—	—	—	—	—	—	(6,000)	(6,000)
Dividends declared on preferred stock - Series E	—	—	—	—	—	—	(592)	(592)
Dividends declared on preferred stock - Series F	—	—	—	—	—	—	(920)	(920)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(151)	—	(151)
Balance as of March 31, 2024	1,866,303	$ 68,788	1,000,000	$ 1,000	$ 77,500	$ (4,680)	$ 216,002	$ 358,610

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

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

	Three Months Ended March 31,	
	2025	2024
Cash Flows from Operating Activities		
Net income	$ 15,639	$ 14,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,672	2,879
Deferred tax (provision) benefit	(73)	319
Provision for credit losses	19,038	17,002
Unrealized (gain) loss on equity securities	(26)	19
Proceeds from sale of loans	133,127	15,431
Loans held for sale principal payments	6,307	—
Originations of loans held for sale	(136,240)	—
Changes in operating assets and liabilities:		
Interest receivable	744	864
Other tax payable	5,902	5,117
Other assets	(2,921)	418
Interest payable	(1,029)	162
Other liabilities	(903)	415
Net cash provided by operating activities	43,237	57,106
Cash Flows from Investing Activities		
Loan originations	(138,127)	(174,722)
Proceeds from loan principal payments and loans in the process of foreclosure	124,516	116,430
Purchase of investments	(3,062)	—
Proceeds from principal receipts, sales and maturities of investments	4,808	1,025
Proceeds from sale of repossessed loan collateral	2,408	2,728
Purchase of fixed assets	(84)	(429)
Net cash used in investing activities	(9,541)	(54,968)
Cash Flows from Financing Activities		
Issuance of time deposits and other borrowed funds	457,214	193,056
Repayments of time deposits and other funds borrowed	(524,457)	(180,652)
Federal funds purchased, net	115,000	20,000
Repayments of federal and other funds borrowed	(85,000)	—
Change in due to affiliates	(29)	(368)
Dividends paid on common stock	(6,000)	(6,000)
Dividends paid on preferred stock - Series E	(592)	(592)
Dividends paid on preferred stock - Series F	(920)	(920)
Net cash (used in) provided by financing activities	(44,784)	24,524
Net change in cash and cash equivalents	(11,088)	26,662
Cash and cash equivalents, beginning of the period	126,196	110,043
Cash and cash equivalents, end of the period	$ 115,108	$ 136,705
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 20,646	$ 13,822
Cash paid for income taxes	9	43
Non-cash investing activities - loans transferred to loan collateral in process of foreclosure	6,483	5,425

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

MEDALLION BANK
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

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

Basis of Presentation – The Bank's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S.") and prevailing industry practices, which require management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. The allowance for credit losses is the only estimate made by management that is deemed to be a critical accounting estimate as defined by SEC regulations. Actual results could differ materially from those estimates.

These financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Bank's Annual Report on Form 10-K for the year ended December 31, 2024. These unaudited financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

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

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

For available-for-sale debt securities in an unrealized loss position, we first determine if we intend to sell the security, or if it is more likely than not that we will be required to sell it before recovering its amortized cost basis. If either condition is met, the security's amortized cost basis is written down to its fair value through earnings. If neither condition is met, we assess whether the decline in fair value is the result of credit losses or other factors. This assessment includes reviewing changes in the rating of the security by a rating agency, increases in defaults on the underlying collateral, and the extent to which the securities are issued by the federal government or its agencies, including the amount of the guarantee issued by those agencies, among other factors. If a credit loss exists, we compare the present value of expected cash flows from the security to its amortized cost basis. If the present value is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded through earnings, limited to the amount that the fair value of the security is less than its amortized cost basis. Any impairment not recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of taxes.

Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management confirms the uncollectability of an available-for-sale debt security or when either of the criteria regarding intent or requirement to sell is met. The investment securities allowance for credit losses was $0 as of March 31, 2025 and December 31, 2024.

Equity Securities – The Bank follows FASB ASC Topic 321, Investments – Equity Securities ("ASC 321"), which requires all applicable investments in equity securities with a readily determinable fair value to be valued as such, and those without a readily determinable fair value to be measured at cost, less any impairment, plus or minus any observable price changes. In the first quarter of 2021, the Bank purchased $2.0 million of equity securities with a readily determinable fair value. Under this classification, all unrealized gains and losses are included within earnings, and the $1.8 million fair value of these securities as of March 31, 2025, compared to $1.7 million as of December 31, 2024, are included within other assets on the balance sheets. The Bank did not purchase any equity securities during 2024 or during the three months ended March 31, 2025. See Note 13. "Fair Value of Assets and Liabilities" in these unaudited financial statements.

The table below presents the unrealized portion related to the equity securities held as of March 31, 2025 and March 31, 2024.

	Three Months Ended March 31,	
(in thousands)	**2025**	**2024**
Net gains (losses) recognized during the period on equity securities	$ 26	$ (19)

Loans Held for Sale – Loans held for sale consist of Recreation loans and Strategic Partnership loans intended to be sold to identified investors or on the secondary market. Loans held for sale are recorded at the lower of amortized cost or fair value. Changes in fair value are recognized in non-interest income. For loans transferred into the held for sale classification from the held for investment classification, any allowance for credit losses previously recorded is reversed at the transfer date, and the loans are transferred at their amortized cost basis (which is reduced by any previous charge-offs but excludes any allowance for credit losses). As of March 31, 2025 and December 31, 2024, the Bank did not recognize any fair value adjustments related to loans held for sale.

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

Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment to the yield of the related loans. At March 31, 2025 and December 31, 2024, net loan origination costs were $43.4 million and $43.0 million, respectively. Net amortization expense for the three months ended March 31, 2025, and 2024 was $2.3 million and $2.0 million, respectively.

Interest income is recognized on an accrual basis. 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 portfolios are typified by a larger number of smaller dollar loans that have characteristics similar to one another. A loan is considered to be nonperforming when based on current information and events, it is likely the Bank will be unable to collect all amounts due according to the contractual terms of the original loan agreement. Loans are considered past due when a borrower fails to make a full payment by the payment due date or maturity date. Management considers loans that are in bankruptcy status, but have not been charged off, to be nonperforming. Consumer loans are placed on nonaccrual when they become 90 days past due, or earlier if they enter bankruptcy, and are charged off in their entirety when deemed uncollectible, or when they become 120 days past due, whichever occurs first, at which time appropriate recovery efforts against both the borrower and the underlying collateral are initiated. For the Recreation loan portfolio, the process to repossess the collateral is generally started at 60 days past due. If the collateral is not located and the account reaches 120 days delinquent, the account is charged off. If the collateral is repossessed, a loss is recorded by writing the collateral down to its fair value less selling costs, and the collateral is sent to auction. When the collateral is sold, the net auction proceeds are applied to the account, and any remaining balance is written off. Proceeds collected on charged-off accounts are recorded as recoveries. Other loans are reserved to fair value when placed on nonaccrual and are charged off when management determines that a loss has occurred. Fair value is determined based upon comparable market prices for substantially similar collateral plus management's estimate of disposal costs, or through the use of a discounted cash flow model. All interest accrued but not collected for loans that are charged off is reversed against interest income. The interest on these loans is accounted for on a cash basis and applied to principal until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Interest receivable is excluded from the Bank's measurement of the allowance for credit losses.

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

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

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

Allowance for Credit Losses – The Bank adheres to ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC 326"). This accounting standard, commonly referred to as the current expected credit loss ("CECL") methodology, requires the Bank to estimate all expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts. For consumer loans, the Bank segments its loan portfolio by risk pool, which does not change after origination, and uses a probability of default ("PD")/loss given default ("LGD") model to determine the size of its allowance. For each loan, PD and LGD values are assigned based on the risk pool and delinquency status of the loan. Those values are determined by historical delinquent loan performance for the respective loan pool and actual loss rates within that pool, including the history of recoveries. The PD value time series for each loan is then modified using a model that incorporates statistically significant macroeconomic factors, such as unemployment rate and consumer spending, to predict increases or decreases in expected default rates. Those modifications are applied over a twelve-month reasonable and supportable forecast period followed by a six-month reversion period. As a final step, qualitative factors may be added to each loan pool based on management judgment, increasing or decreasing the size of the allowance for a particular loan pool. The allowance is evaluated on a regular basis by management and, in addition to the quantitative components of the CECL methodology, is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, prevailing economic conditions, and excess concentration risks. This evaluation is inherently subjective, as it requires estimates, including those based on changes in economic conditions and forecasted economic conditions, that are susceptible to significant revision as more information becomes available. Credit losses are deducted from the allowance and subsequent recoveries are added back to the allowance. The Bank has elected to exclude accrued interest from its measurement of the allowance for credit losses.

Fixed Assets, Software, and Right-of-Use Lease Assets – Fixed assets are stated at cost less accumulated depreciation and amortization, and include software developed in-house and capitalized. Maintenance and repairs are charged to expense while significant improvements are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Assets in work in progress are included in fixed assets and valued at cost. Depreciation is deferred until the asset is put into service. Capitalized leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining lease term.

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

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

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

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

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

Stock Compensation - Employees and officers of the Bank are eligible to participate in MFIN’s equity incentive plan (the “Plan”). The Plan provides for grants of stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance stock awards, and other awards to employees. The Plan is administered by the Compensation Committee of the Board of Directors of MFIN. For stock options, the option price per share may not be less than the current market value of MFIN’s common stock on the date the option is granted. The term and vesting periods of an option may not exceed ten years, and the terms of the restricted stock and other types of equity incentive award grants are determined by the Compensation Committee of the Board of Directors of MFIN. Stock-based compensation expense primarily relates to restricted stock, which is based on the fair value of MFIN shares granted measured at the grant date. The Bank’s stock-based compensation expense was $0.5 million and $0.4 million for the three months ended March 31, 2025 and 2024, respectively, which was allocated based on the awards granted to Bank employees by MFIN and was included in salaries and benefits.

Transfers of Financial Assets – Transfers of whole financial assets, groups of financial assets, or a participating interest in whole financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when a) the assets have been isolated from the Bank; b) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and c) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase the assets or interests before their maturity.

Recently Issued Accounting Standards — In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The main objective of this update is to provide transparency about income tax information through improvements to income tax disclosures primarily related to rate reconciliation and income taxes paid information. The amendments in this update are effective for the annual periods beginning after December 15, 2024. The Bank does not expect this update to have a material impact on its financial statements.

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." This update requires additional disclosures of certain costs and expenses, and addresses requests from investors for more detailed information about specific expense categories. The amendments in this update are effective for the annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The Bank is assessing the impact of the update on its financial statements.

In January 2025, the FASB issued ASU 2025-01, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date." This update clarifies that the initial effective date of ASU 2024-03, when all public business entities are required to adopt the disclosure requirements, is in the first annual reporting period beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027.

2. Investment Securities

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

	March 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 48,816	$ 33	$ (4,246)	$ 44,603
State and municipalities	16,766	13	(1,124)	15,655
Agency bonds	179	—	(13)	166
Total	$ 65,761	$ 46	$ (5,383)	$ 60,424

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 41,475	$ 28	$ (4,802)	$ 36,701
State and municipalities	17,373	81	(1,516)	15,938
Agency bonds	2,179	2	(15)	2,166
Total	$ 61,027	$ 111	$ (6,333)	$ 54,805

The amortized cost and estimated fair value of investment securities as of March 31, 2025 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.

	March 31, 2025	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 1,339	$ 1,338
Due after one year through five years	9,724	9,367
Due after five years through ten years	8,237	7,561
Due after ten years	46,461	42,158
Total	$ 65,761	$ 60,424

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

	March 31, 2025			
	Less than Twelve Months		Twelve Months and Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ (49)	$ 5,379	$ (4,197)	$ 28,103
State and municipalities	(134)	5,894	(990)	9,718
Agency bonds	—	—	(13)	166
Total	$ (183)	$ 11,273	$ (5,200)	$ 37,987

	December 31, 2024							
	Less than Twelve Months				Twelve Months and Over			
	Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value	
	(in thousands)							
Mortgage-backed securities, principally obligations of U.S. federal agencies	$	(106)	$	5,423	$	(4,696)	$	29,619
State and municipalities		(269)		4,884		(1,247)		9,939
Agency bonds		—		—		(15)		166
Total	$	(375)	$	10,307	$	(5,958)	$	39,724

The Bank had 57 and 58 securities at March 31, 2025 and December 31, 2024 with unrealized losses that have not been recognized into income, respectively. The investments are mortgage-backed securities and similar instruments with conservative characteristics, a substantial majority of which are directly or indirectly guaranteed by the U.S. Government. The Bank regularly reviews investment securities for impairment resulting from credit loss using both qualitative and quantitative criteria, as necessary. Based on the Bank's assessment, no material impairments for credit loss were recognized during the period. The Bank presently does not intend to sell its investment securities that are in an unrealized loss position and believes that it is unlikely that it will be required to sell these securities before they recover their book value.

As of March 31, 2025 and December 31, 2024, the Bank did not hold investments in any single issuer with an aggregate book value that exceeded 10% of the Bank's equity, other than U.S. Government agency residential mortgage-backed securities issued by the Federal National Mortgage Association.

3. Loans and Allowance for Credit Losses

Loans are summarized as follows:

	March 31, 2025		December 31, 2024	
	(in thousands)			
Recreation	$	1,431,610	$	1,422,403
Home Improvement		812,381		827,211
Total loans	$	2,243,991	$	2,249,614
Deferred loan acquisition costs, net		43,402		42,951
Total gross loans	$	2,200,589	$	2,206,663

The following tables show the loan activity for the three months ended March 31, 2025 and 2024.

Three Months Ended March 31, 2025	Recreation		Home Improvement		Taxi Medallion		Other [(1)]		Total	
	(in thousands)									
Loans - December 31, 2024	$	1,422,403	$	827,211	$	—	$	—	$	2,249,614
Loan originations		86,833		48,796		—		—		135,629
Principal receipts and maturities		(55,199)		(59,611)		—		—		(114,810)
Charge-offs		(20,274)		(4,227)		—		—		(24,501)
Transfers to loan collateral in process of foreclosure, net		(2,389)		—		—		—		(2,389)
Amortization of origination fees, net		(3,183)		1,133		—		—		(2,050)
Origination costs, net		3,419		(921)		—		—		2,498
Loans - March 31, 2025	$	1,431,610	$	812,381	$	—	$	—	$	2,243,991

(1) As of December 31, 2024, Strategic Partnership loans were classified as Held for Sale and Taxi Medallion loans were reclassified to Other Assets.

Three Months Ended March 31, 2024	Recreation	Home Improvement	Taxi Medallion	Other	Total
			(in thousands)		
Loans - December 31, 2023	$ 1,336,226	$ 760,617	$ 1,255	$ 2,240	$ 2,100,338
Loan originations	105,765	51,576	—	15,746	173,087
Principal receipts, sales, and maturities	(64,886)	(54,917)	(43)	(15,445)	(135,291)
Charge-offs	(18,101)	(4,898)	—	—	(22,999)
Transfers to loan collateral in process of foreclosure, net	5,425	—	—	—	5,425
Amortization of origination fees, net	(2,952)	938	—	—	(2,014)
Origination costs, net	3,688	(1,054)	—	—	2,634
Loans - March 31, 2024	$ 1,365,165	$ 752,262	$ 1,212	$ 2,541	$ 2,121,180

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

	Recreation (1)	Home Improvement (1)	Taxi Medallion (2)	Total
		(in thousands)		
Balance as of December 31, 2024	$ 71,102	$ 20,536	$ —	$ 91,638
Provision (benefit) for credit losses	16,870	2,845	(677)	19,038
Loan charge-offs	(20,274)	(4,227)	—	(24,501)
Recoveries	3,860	1,095	677	5,632
Balance as of March 31, 2025	$ 71,558	$ 20,249	$ —	$ 91,807

(1) Collectively evaluated for impairment.
(2) Activity is related to loan charge-offs from periods prior to Taxi Medallion loans being reclassified to Other Assets.

	Recreation (1)	Home Improvement (1)	Taxi Medallion (2)	Total
		(in thousands)		
Balance as of December 31, 2023	$ 57,533	$ 21,019	$ 731	$ 79,283
Provision (benefit) for credit losses	17,031	898	(927)	17,002
Loan charge-offs	(18,101)	(4,898)	—	(22,999)
Recoveries	3,548	911	903	5,362
Balance as of March 31, 2024	$ 60,011	$ 17,930	$ 707	$ 78,648

(1) Collectively evaluated for impairment.
(2) Individually evaluated for impairment.

The Recreation and Home Improvement loan portfolios are primarily consumer credit-driven, whereby borrowers are assessed a score based on credit history, credit performance, and related factors weighted in a credit scoring model that determines whether a borrower is qualified. Credit losses in these portfolios fluctuate with economic conditions and can range widely over time. Other loans in prior periods included loans made working with strategic partners ("Strategic Partnership" loans), which were then sold to third parties, and include loans that are made infrequently and on a case-by-case basis. The risk associated with these types of loans is specific to that particular credit, and such risks are monitored and tracked closely.

The following table sets forth the gross charge-offs by year of origination that occurred during the three months ended March 31, 2025:

	Three Months Ended March 31, 2025						
	2025	2024	2023	2022	2021	Prior	Total
	(in thousands)						
Recreation	$ —	$ 2,728	$ 3,707	$ 4,506	$ 1,933	$ 7,400	$ 20,274
Home Improvement	—	823	1,503	1,133	428	340	4,227
Total	$ —	$ 3,551	$ 5,210	$ 5,639	$ 2,361	$ 7,740	$ 24,501

The following table sets forth the gross charge-offs by year of origination that occurred during the three months ended March 31, 2024:

	Three Months Ended March 31, 2024						
	2024	2023	2022	2021	2020	Prior	Total
	(in thousands)						
Recreation	$ —	$ 3,763	$ 6,818	$ 3,497	$ 1,289	$ 2,734	$ 18,101
Home Improvement	—	1,524	1,680	1,163	287	244	4,898
Total	$ —	$ 5,287	$ 8,498	$ 4,660	$ 1,576	$ 2,978	$ 22,999

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

	Performing		Nonperforming		Total [(1)]	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
	(in thousands)					
Recreation	$ 1,377,051	$ 1,365,114	$ 7,503	$ 10,472	$ 1,384,554	$ 1,375,586
Home Improvement	814,516	829,685	1,519	1,392	816,035	831,077
Total	$ 2,191,567	$ 2,194,799	$ 9,022	$ 11,864	$ 2,200,589	$ 2,206,663

(1) Amounts exclude net deferred origination costs of $43.4 million and $43.0 million as of March 31, 2025 and December 31, 2024, respectively.

The tables below show the aging of all loan types (gross loans) as of March 31, 2025 and December 31, 2024:

	March 31, 2025						
	Days Past Due						
	30-59	60-89	90+	Total Past Due	Current	Total [(1)]	Recorded Investment 90+ Days and Accruing
	(in thousands)						
Recreation	$ 46,880	$ 14,148	$ 7,140	$ 68,168	$ 1,316,386	$ 1,384,554	$ —
Home Improvement	4,644	2,117	1,519	8,280	807,755	816,035	—
Total	$ 51,524	$ 16,265	$ 8,659	$ 76,448	$ 2,124,141	$ 2,200,589	$ —

(1) Amounts exclude net deferred origination costs of $43.4 million.

	December 31, 2024						
	Days Past Due						
	30-59	60-89	90+	Total Past Due	Current	Total (1)	Recorded Investment 90+ Days and Accruing
				(in thousands)			
Recreation	$ 54,169	$ 20,376	$ 10,018	$ 84,563	$ 1,291,023	$ 1,375,586	$ —
Home Improvement	5,407	2,432	1,386	9,225	821,852	831,077	—
Total	$ 59,576	$ 22,808	$ 11,404	$ 93,788	$ 2,112,875	$ 2,206,663	$ —

(1) Amounts exclude net deferred origination costs of $43.0 million.

At March 31, 2025, $7.5 million, or less than 1% of Recreation loans, $1.5 million, or less than 1% of Home Improvement loans were on nonaccrual. At December 31, 2024, $10.5 million, or 1% of Recreation loans, $1.4 million, or less than 1% of Home Improvement loans, were on nonaccrual. The amount of interest income on nonaccrual loans that would have been recognized if the loans had been paying in accordance with their original terms was $118,000 (none of which has been applied to principal) for the three months ended March 31, 2025, and $142,000 ($30,000 of which was applied to principal) for the three months ended March 31, 2024.

4. Fixed Assets, Software, and Right-of-Use Lease Assets

Fixed assets and their related useful lives were as follows:

	Useful Lives	As of March 31, 2025	As of December 31, 2024
		(in thousands)	
Computer software	3 years	$ 7,037	$ 7,009
Equipment	3-5 years	487	432
Furniture and fixtures	5-10 years	372	372
Leasehold improvements	3-5 years	179	179
		8,075	7,992
Less accumulated depreciation and amortization		(1,999)	(1,421)
Net fixed assets and software		$ 6,076	$ 6,571

Depreciation expense was $0.6 million and $0.1 million for the three months ended March 31, 2025 and 2024, respectively.

5. Deposits and Other Funds Borrowed

Deposits and other funds borrowed consisted of the following:

	As of March 31, 2025	As of December 31, 2024
	(in thousands)	
Brokered certificates of time deposits(1)	$ 2,007,599	$ 2,075,323
Retail savings deposits	5,161	5,975
Listing service deposits	10,364	10,365
Strategic partner collateral deposits	4,249	3,000
Total deposits	$ 2,027,373	$ 2,094,663
Federal Reserve and other borrowings	65,000	35,000
Total deposits and other funds borrowed	$ 2,092,373	$ 2,129,663

(1) Excludes $4.5 million and $4.6 million of deferred financing costs as of March 31, 2025 and December 31, 2024, respectively.

The scheduled maturities of brokered certificates of deposit and listing service deposits were as follows:

	Three Months Ended March 31, 2025
	(in thousands)
2026	$ 802,353
2027	466,604
2028	389,848
2029	173,104
2030	186,054
Total(1)	$ 2,017,963

(1) Excludes $4.5 million of deferred financing cost, $4.2 million of strategic partner collateral deposits, and $5.2 million of retail savings deposits with no fixed maturity dates.

Most deposits are raised through the use of investment brokerage firms who package deposits qualifying for FDIC insurance into pools that are sold to the Bank. The rates paid on these brokered deposits are highly competitive with market rates paid by other financial institutions. Additionally, a brokerage fee is paid depending on the maturity of the deposits, which averages less than 15 basis points, and which is capitalized and amortized to interest expense over the life of the respective pool. The total amount capitalized as of March 31, 2025 and December 31, 2024 was $4.5 million and $4.6 million, respectively, of which $0.7 million and $0.6 million was amortized to interest expense for the three months ended March 31, 2025 and 2024, respectively. The Bank also originates time deposits through internet listing services, which are deposits from other financial institutions, and retail savings deposits through a third-party service provider. All time deposits are in denominations of $250,000 or less. Interest on deposits is accrued daily and paid monthly, quarterly, semiannually or at maturity. As of March 31, 2025 and December 31, 2024, the total amount of uninsured deposits at the Bank was $3.3 million and $2.1 million, respectively. The weighted average interest rate of deposits outstanding, including brokerage fees amortized into interest expense, as of March 31, 2025 and December 31, 2024 was 3.87% and 3.83%, respectively.

The following table presents additional maturity information for deposits:

	As of March 31, 2025	As of December 31, 2024
	(in thousands)	
Three months or less	$ 376,991	$ 296,187
Over three months through six months	219,337	277,218
Over six months through one year	206,025	311,698
Over one year	1,215,610	1,200,585
Total(1)	$ 2,017,963	$ 2,085,688

(1) Excludes $4.5 million and $4.6 million of deferred financing costs as of March 31, 2025 and December 31, 2024, respectively. Excludes $4.2 million and $3.0 million of strategic partner collateral deposits as of March 31, 2025 and December 31, 2024, respectively. Excludes $5.2 million and $6.0 million of retail savings deposits that have no fixed maturity dates as of March 31, 2025 and December 31, 2024, respectively.

As of March 31, 2025 and December 31, 2024, the Bank had unsecured and undrawn federal funds lines with correspondent banks of $75.0 million. These lines can be terminated at any time and for any reason. As of March 31, 2025 and December 31, 2024, the Bank had $213.4 million and $225.2 million, respectively, in Home Improvement loans pledged as collateral to the Federal Reserve with an advance rate of approximately 46% of book value, resulting in approximately $97.4 million and $101.4 million, respectively, in secured borrowing capacity with the Federal Reserve, of which $65.0 million and $35.0 million, respectively, was utilized. The discount window facility is not committed, and any borrowings by the Bank from the discount window facility are at the discretion of the Federal Reserve. The weighted average interest rate on funds borrowed from the discount window was 4.50% as of March 31, 2025.

6. Income Taxes

The components of the Bank's tax provision for the three months ended March 31, 2025 and 2024 were as follows:

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Current		
Federal	$ 4,269	$ 3,773
State	1,641	1,352
Deferred		
Federal	(54)	235
State	(19)	85
Net provision for income taxes	$ 5,837	$ 5,445

The following table presents a reconciliation of statutory federal income tax provision to actual income tax provision reported for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Statutory federal income tax provision at 21%	$ 4,510	$ 4,184
State and local income taxes, net of federal income tax provision	1,272	1,102
Change in effective state income tax rate	—	—
Non-deductible expenses	26	596
Other	29	(437)
Total provision for income taxes	$ 5,837	$ 5,445

The following table sets forth the significant components of the Bank's deferred and other tax assets and liabilities as of March 31, 2025 and December 31, 2024:

	As of March 31, 2025	As of December 31, 2024
	(in thousands)	
Provision for credit losses	$ 24,668	$ 24,623
Deferred loan acquisition costs	(12,465)	(12,425)
Unrealized losses on investments	1,494	1,742
Other	163	96
Net deferred tax assets	$ 13,860	$ 14,036

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

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible pursuant to ASC Topic 740, “Income Taxes.” Management considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management’s evaluation of the realizability of deferred tax assets must consider both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Based on these considerations, no valuation allowance was deemed necessary as of March 31, 2025 and December 31, 2024.

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

7. Other Transactions with Affiliates

The Bank's assets that were sourced and serviced by MFIN affiliates totaled $5.0 million and $7.3 million as of March 31, 2025 and December 31, 2024, respectively. The Bank paid $0.3 million and $0.4 million of loan servicing fees to MFIN affiliates for the three months ended March 31, 2025 and 2024, respectively.

As of March 31, 2025 and December 31, 2024, the Bank owed $781,000 and $810,000, respectively, to affiliates for monthly servicing fees on loans, charges for corporate overhead, and legal expenses, partially offset by payments due to the Bank from collection of loan payments by affiliates. As of March 31, 2025 and December 31, 2024, the Bank held a $100,000 collateral deposit due to MFIN. The Bank compensated MFIN for corporate services in the amounts of $115,000 and $112,000 for the three months ended March 31, 2025 and 2024, respectively.

8. 401(k) Plan

The Bank participates in the 401(k) Plan offered by MFIN. The 401(k) Plan covers all full- and part-time employees of the Bank who have reached the age of 18 and have a minimum of thirty (30) days of service. Under the 401(k) Plan, an employee may elect to defer not less than 1% and not more than the applicable limits set forth in the Internal Revenue Code. Employee contributions are invested in various mutual funds according to the directions of the employee. Once eligible full-time employees have completed a minimum of 90 days of service and part-time employees have worked at least 1,000 hours, MFIN matches employee contributions to the 401(k) Plan in an amount per employee equal to fifty percent of the first 8% of the employee's annual contributions, subject to legal limits. The Bank provided $95,000 and $89,000 in employer matching for the three months ended March 31, 2025 and 2024, respectively.

9. Segment Reporting

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

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

A committee consisting of the Bank's Chief Executive Officer, Chief Financial Officer and Chief Lending Officer functions as the chief operating decision maker ("CODM"). The CODM meets weekly and with various Bank committees, and primarily uses segment information to determine where and how to invest available capital, identify areas to improve efficiency of resource allocation, and optimize overall expenses. The CODM assesses segment performance mainly through selected financial ratios such as return on average assets, net interest margin, delinquency status, and annualized net charge-off ratio, and by reviewing specific balance sheet items such as the CRA investment accounted for using the equity method which help identify areas requiring action.

Where segments use services provided by corporate support units or another segment, the costs of those services are allocated to the respective segments. The expense is generally allocated based on the actual cost and use of services provided, when applicable, but may also be allocated based on the segment's assets, loan origination volumes, or number of employees.

The following tables present segment results for the periods indicated.

Three Months Ended March 31, 2025

(dollars in thousands)	Recreation	Home Improvement	Other	Total
Total interest income	$ 50,466	$ 19,771	$ 1,597	$ 71,834
Total interest expense	(11,231)	(6,499)	(1,887)	(19,617)
Net interest income (loss)	39,235	13,272	(290)	52,217
Provision (benefit) for credit losses	16,870	2,845	(677)	19,038
Other income and expense[(1)]	(7,527)	(3,870)	(306)	(11,703)
Net income before taxes	14,838	6,557	81	21,476
Income tax provision	4,037	1,776	24	5,837
Net income after tax	$ 10,801	$ 4,781	$ 57	$ 15,639
Balance sheet data				
Loans	$ 1,431,610	$ 812,381	$ —	$ 2,243,991
Loans held for sale	114,234	—	10,499	124,733
Total assets	1,508,594	803,496	218,873	2,530,963
Total deposits and other funds borrowed[(2)]	1,181,550	674,188	236,635	2,092,373
Selected financial ratios				
Return on average assets	3.15 %	2.39 %	0.07 %	2.51 %
Return on average equity	20.67	15.67	0.46	16.49
Interest yield on earning assets[(3)]	13.27	9.78	3.91	12.02
Net interest margin on earning assets	10.32	6.56	(0.71)	8.35
Reserve coverage	5.00	2.49	—	4.09
Delinquency status[(4)]	4.76	1.02	—	3.41
Annualized net charge-off ratio	4.67	1.55	—	3.41

(1) Other income and expense included in net income includes the following non-interest expenses: loan servicing, salaries and benefits, collection costs, professional fees, regulatory fees, information technology, occupancy, equipment, depreciation, and other.
(2) Excludes $4.5 million of deferred financing costs.
(3) Interest yield on Recreation loans was 13.28% as of March 31, 2025.
(4) 30 days or more past due.

Three Months Ended March 31, 2024

(dollars in thousands)	Recreation	Home Improvement	Other	Total
Total interest income	$ 43,927	$ 17,447	$ 1,594	$ 62,968
Total interest expense	(8,593)	(5,033)	(1,127)	(14,753)
Net interest income (loss)	35,334	12,414	467	48,215
Provision (benefit) for credit losses	17,031	898	(927)	17,002
Other expense[(1)]	(7,122)	(3,589)	(577)	(11,288)
Net income before taxes	11,181	7,927	817	19,925
Income tax provision	3,070	2,151	224	5,445
Net income after tax	$ 8,111	$ 5,776	$ 593	$ 14,480
Balance sheet data				
Loans	$ 1,365,165	$ 752,262	$ 3,753	$ 2,121,180
Total assets	1,334,922	745,252	226,341	2,306,515
Total deposits and other funds borrowed[(2)]	1,100,605	630,851	163,320	1,894,776
Selected financial ratios				
Return on average assets	2.48 %	3.10 %	1.25 %	2.59 %
Return on average equity	15.78	19.71	7.94	16.47
Interest yield on earning assets	13.17	9.28	5.52	11.76
Net interest margin on earning assets	10.56	6.60	51.35	8.59
Reserve coverage	4.40	2.38	18.81	3.71
Delinquency status[(3)]	4.06	0.87	—	2.92
Annualized net charge-off (recovery) ratio	4.36	2.12	(99.42)	3.38

(1) Other expense included in net income includes the following non-interest expenses: loan servicing, salaries and benefits, collection costs, professional fees, regulatory fees, information technology, occupancy, equipment, depreciation, and other.
(2) Excludes $4.3 million of deferred financing costs.
(3) 30 days or more past due.

10. Commitments and Contingencies

Loans – As of March 31, 2025 and December 31, 2024, the Bank had $2.3 million and $2.8 million, respectively, in commitments to extend credit to customers for unfunded amounts.

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

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

	As of March 31, 2025	As of December 31, 2024
	(in thousands)	
Assets		
Operating lease right-of-use assets	$ 2,467	$ 2,556
Liabilities		
Operating lease liabilities	$ 2,430	$ 2,530

Operating lease costs were $148,000 and $143,000 for the three months ended March 31, 2025 and 2024, respectively.

Supplemental cash flow information related to operating leases for the three months ended March 31, 2025 and 2024 was payments of $143,000 and $147,000, respectively, against amounts included in the measurement of lease liabilities.

The weighted-average remaining lease term for operating leases was 5.6 years. The weighted-average discount rate used for operating leases was 6.75% as of March 31, 2025 and 2024.

There were no material operating leases that the Bank entered into and were yet to commence as of March 31, 2025.

	As of March 31, 2025
	(in thousands)
Remainder of 2025	$ 431
2026	591
2027	579
2028	443
2029	457
Thereafter	390
Total lease payments	2,891
Less imputed interest	(461)
Present value of lease liabilities	$ 2,430

11. Capital Requirements

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

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as defined in the regulations (set forth in the table below). Additionally, as conditions of granting the Bank's application for federal deposit insurance, the FDIC ordered that the Tier 1 leverage capital to total assets ratio, as defined, be not less than 15%, and that an adequate allowance for credit losses be maintained. As of March 31, 2025 and December 31, 2024, the Bank's Tier 1 leverage capital ratio was 16.0% and 15.7%, respectively. The Bank had excess Tier 1 leverage capital of $23.8 million over the 15% minimum required, which was $373.3 million based on the Bank's total assets as of March 31, 2025. The Bank's actual capital amounts and ratios and the regulatory minimum ratios are presented in the following table:

	March 31, 2025		December 31, 2024		Minimum Regulatory Requirements as of March 31, 2025	Well-Capitalized Requirements
	Amount	Ratio	Amount	Ratio		
	(dollars in thousands)					
Tier 1 leverage capital	$ 397,064	16.0%	$ 391,016	15.7%	15.0%	5.0%
CET1 risk-based capital	328,277	13.6	322,229	13.3	7.0	6.5
Tier 1 risk-based capital	397,064	16.4	391,016	16.1	8.5	8.0
Total risk-based capital	428,007	17.7	422,139	17.4	10.5	10.0

In the table above, the minimum risk-based ratios reflect the capital conservation buffer of 2.5%. As of both March 31, 2025 and December 31, 2024, the minimum regulatory requirements, inclusive of the capital conservation buffer, were the binding requirements for risk-based requirements, and the "well capitalized" requirements were the binding requirements for Tier 1 leverage capital. With the adoption of ASC 326, "Financial Instruments – Credit Losses," on January 1, 2023, the Bank elected to phase in the regulatory capital effects of the CECL transition amount, which reduced the capital impact by $2.1 million as of March 31, 2025 and increased the Tier 1 leverage capital ratio by 7 basis points.

12. Fair Value of Financial Instruments

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

(a) Loans – A discounted cash flow method under the income approach is utilized to estimate the market value of the loan portfolio. The discounted cash flow method relies upon assumptions about the amount and timing of scheduled principal and interest payments, principal prepayments, and current market rates. The loan portfolio is aggregated into categories based on loan type and credit quality. For each loan category, weighted average statistics, such as coupon rate, age, and remaining term are calculated. These are Level 3 valuations. Prior to the second quarter of 2024, fair value was reported as approximating book value.

(b) Loans held for sale - Loans held for sale consist of Recreation loans and Strategic Partnership loans intended to be sold to identified investors or on the secondary market. Loans held for sale are recorded at the lower of amortized cost or fair value.

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

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

(e) Cash and cash equivalents – Book value equals market value.

(f) Accrued interest receivable – Book value equals market value.

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

(h) Fixed rate borrowings – Market values for certificates of deposit are estimated by using discounted cash flow analyses, based on market spreads to benchmark rates, and are considered Level 2 valuations. Prior to the second quarter of 2024, fair value was reported as approximating book value.

(i) Accrued interest payable – Due to the short-term nature of these instruments, the carrying amount approximates fair value.

(j) Commitments to extend credit – The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also includes a consideration of the difference between the current levels of interest rates and the committed rates. As of March 31, 2025 and December 31, 2024, the estimated fair value of these off-balance sheet instruments was not material.

The Bank's financial instruments consisted of the following as of March 31, 2025 and December 31, 2024:

	March 31, 2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(in thousands)		
Financial Assets					
Cash and cash equivalents[1]	$ 115,108	$ 115,108	$ 113,858	$ 1,250	
Investment securities	60,424	60,424		60,424	
Loans held for sale	124,733	130,659			130,659
Loans, net	2,152,184	2,106,794			2,106,794
Equity securities[2]	1,758	1,758	1,758		
Accrued interest receivable	14,339	14,339	14,339		
Financial Liabilities					
Deposits and other funds borrowed[3]	2,082,963	2,093,195		2,093,195	
Accrued interest payable	4,557	4,557	4,557		

(1) Includes federal funds sold and interest-bearing deposits in other banks.
(2) Included in other assets on the balance sheets.
(3) Excludes $4.5 million of deferred financing costs and $4.2 million of strategic partner reserve deposits as of March 31, 2025.

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(in thousands)		
Financial Assets					
Cash and cash equivalents[1]	$ 126,196	$ 126,196	$ 124,946	$ 1,250	
Investment securities	54,805	54,805		54,805	
Loans held for sale	128,226	133,243			133,243
Loans, net	2,157,976	2,131,192			2,131,192
Equity securities[2]	1,732	1,732	1,732		
Accrued interest receivable	15,083	15,083	15,083		
Financial Liabilities					
Deposits and other funds borrowed[3]	2,126,663	2,118,683		2,118,683	
Accrued interest payable	5,586	5,586	5,586		

(1) Includes federal funds sold and interest-bearing deposits in other banks.
(2) Included in other assets on the balance sheets.
(3) Excludes $4.6 million of deferred financing costs and $3.0 million of strategic partner reserve deposits as of December 31, 2024.

13. Fair Value of Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	As of March 31, 2025			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Available-for-sale investment securities	$ —	$ 60,424	$ —	$ 60,424
Equity securities	1,758	—	—	1,758
Total	$ 1,758	$ 60,424	$ —	$ 62,182

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Available-for-sale investment securities	$ —	54,805	$ —	$ 54,805
Equity securities	1,732	—	—	1,732
Total	$ 1,732	$ 54,805	$ —	$ 56,537

As of March 31, 2025, the Bank did not have any assets or liabilities measured at fair value on a non-recurring basis.

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. As of March 31, 2025 and December 31, 2024, the Bank did not have any assets or liabilities classified as Level 3.

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

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

On January 23, 2025, the Bank's Board of Directors (the "Board") declared a quarterly cash dividend of $0.50 per share on the Series F, to shareholders of record at the close of business on March 17, 2025, which was paid on April 1, 2025. On April 24, 2025, the Board declared a quarterly cash dividend of $0.67982 per share based on a dividend rate of 10.75761% on the Series F to shareholders of record at the close of business on June 16, 2025, which is payable on July 1, 2025.

15. Small Business Lending Fund Program (SBLF)

On February 27, 2009 and December 22, 2009, the Bank issued, and the U.S. Treasury purchased under the Troubled Asset Relief Program ("TARP") Capital Purchase Program (the "CPP"), the Bank's fixed rate non-cumulative Perpetual Preferred Stock, Series A, B, C, and D for an aggregate purchase price of $21.5 million in cash. On July 21, 2011, the Bank issued, and the U.S. Treasury purchased 26,303 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series E ("Series E"), for an aggregate purchase price of $26.3 million under the SBLF, with a liquidation amount of $1,000 per share. The SBLF is a voluntary program intended to encourage small business lending by providing capital to qualified smaller banks at favorable rates. In connection with the issuance of the Series E, the Bank exited the CPP by redeeming the Series A, B, C, and D shares; and received approximately $4.0 million, net of dividends due, on the repaid securities. The Bank previously paid a dividend rate of 1% on the Series E, which increased to 9% in the first quarter of 2016. On March 27, 2025, the Board declared a quarterly cash dividend of $22.50 per share on the Series E, which was paid on April 1, 2025.

16. Subsequent Events

On April 30, 2025, the Bank closed a sale of $52.8 million in Recreation loans held for sale. The total proceeds received, which included the principal amount outstanding, a purchase premium and accrued but unpaid interest, were $55.9 million. The sale was structured as a 90/10 loan participation on a pool of $58.6 million in loans, $5.9 million of which were retained by the Bank. Loan servicing was also retained by the Bank.

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

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

Objective

The following is a discussion of our financial condition as of March 2025, as compared to December 2024, and our results of operations for the three months ended March 31, 2025 and 2024. This section is intended to provide management's perspective of its results of operations. This discussion and analysis should be read in conjunction with our unaudited financial statements and related notes thereto presented elsewhere, as well as our audited financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2024. In addition to historical information, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially. See "Cautionary Note Regarding Forward-Looking Statements." For a more complete discussion of the factors that could affect our future results, see Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024.

General

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

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

In the second half of 2014, we ceased originating loans to finance the purchase of taxi medallions (which we refer to as our "Taxi Medallion" loans and previously referred to as "Medallion" loans), though we have continued to refinance those loans as they mature and the Bank from time to time has provided financing to purchasers in connection with the disposition of repossessed taxi medallion collateral. In December 2024, we determined that the four remaining Taxi Medallion loans were indistinguishable from our other Taxi Medallion assets and were removed from our loan portfolio. These are now reported as other assets and referred to as our "Taxi Medallion" assets. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Results—Other."

As of March 2025, we had total assets of $2.5 billion, including a loan portfolio, net of the allowance for credit losses, of $2.2 billion, and equity capital of $391.1 million. We seek to maintain capital ratios in excess of those required for well-capitalized status under the FDIC's regulatory framework, including a 15% Tier 1 leverage ratio (Tier 1 capital to average assets) as required by the FDIC as a condition of obtaining federal deposit insurance. For the three months ended March 31, 2025, we had pre-tax income of $21.5 million and after-tax income of $15.6 million. Subsequent to quarter-end, on April 30, 2025, we closed a sale of $52.8 million in Recreation loans held for sale consistent with a letter of intent signed earlier in April. For more information, see Note 16 in our unaudited financial statements. We continue to monitor the market for potential loan sale opportunities. We do not expect to complete any sales under the letter of intent signed in December 2024 and discussed in our Annual Report on Form 10-K for the year ended December 31, 2024.

As used throughout this Form 10-Q, all references to “Medallion Bank,” the “Bank,” “we,” “us,” and “our” mean Medallion Bank, an industrial bank organized and existing under the laws of the State of Utah, unless the context otherwise requires. References to this “Form 10-Q” are to our Quarterly Report on Form 10-Q for the three months ended March 31, 2025. All references to March 2025 and 2024 refer to our three months ended, or the dates, as the context requires, March 31, 2025 and March 31, 2024, respectively. All references to December 2024 refer to our year ended, or the date, as the context requires, December 31, 2024.

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

Unless otherwise specified, loans are exclusive of loans held for sale, and loan portfolios and loan balances are presented inclusive of net deferred loan acquisition costs. References to “gross” loans are to the face amounts of the loans, i.e., loan balances presented exclusive of net deferred loan acquisition costs. Effective December 31, 2024, we reclassified all Taxi Medallion loans and commercial loans as other assets, and all Strategic Partnership Program loans as held for sale.

Our Business

Our primary business is consumer lending, substantially all of which is conducted through third-party sellers of consumer goods and services in our Recreation Lending and Home Improvement Lending segments. As of March 2025, our Recreation and Home Improvement loan portfolios together were $2.2 billion, representing 88.7% of our total assets, with a weighted average yield (which is equal to gross interest income minus amortization of loan origination costs) of 12.0% for the three months ended March 2025. Business in the consumer lending segments is moderately seasonal, with the spring and summer quarters (the second and third quarters) being more active both for the purchase of recreation products and home improvements, which correspondingly results in higher origination volumes during those quarters. Consumers typically make fewer purchases of recreation products and home improvements during the fall and winter quarters (the fourth and first quarters, respectively), which results in lower origination volumes during those quarters. The degree to which our consumer loan businesses are seasonal also depends upon weather, with heavy winters making the business more seasonal.

We make consumer loans to borrowers residing in all 50 U.S. states, plus the District of Columbia, and currently work with dealerships in 46 states in connection with our Recreation Lending segment and with contractors in 47 states in connection with our Home Improvement Lending segment. We serve our dealers and contractors primarily using digital tools such as lending websites and mobile applications for phone or tablet, or via Application Programming Interfaces (“APIs”) designed to facilitate system-to-system credit transactions. Additionally, we have dedicated teams of business development, relationship management and customer service employees that provide dealers and contractors with the support and services they require to meet the needs of their customers.

Recreation Lending

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

Recreation loans represented $1.4 billion, or 64%, of our loan portfolio, as of March 2025. The loans are secured primarily by RVs, boats and collector cars with a smaller proportion of loans secured by other collateral such as trailers, powersport vehicles and boat motors. The weighted average yield of our Recreation loan portfolio was 13.30% for the three months ended March 2025. During the three months ended March 2025, we originated $86.8 million of Recreation loans, a decrease of $18.9 million from the three months ended March 2024.

Recreation Lending operates like a traditional indirect auto finance business, including the use of technology at the point of sale to facilitate the transaction. We maintain non-exclusive relationships with approximately 3,300 dealers and FSPs, not all of which are active at any one time. FSPs are entities that provide finance and insurance services to small dealers that do not have the desire or ability to provide such services themselves. The ability of FSPs to aggregate the financing and relationship management for many small dealers, and to engage in transactions in low-cost ways through the use of APIs or digital tools, makes them valuable to the Bank. We receive approximately half of our loan volume from dealers and the other half from FSPs. Management monitors the number of dealers and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. In the three months ended March 2025 and 2024, approximately 39% and 45% of Recreation Lending’s new loan originations, respectively, were from our top ten dealer and FSP relationships. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration within the segment’s loan originations, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

Home Improvement Lending

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

Home Improvement loans represented $812.4 million, or 36%, of our loan portfolio as of March 2025. The loans are secured by the personal property installed, and the security interest for some of these loans is perfected with a Uniform Commercial Code ("UCC") fixture filing. The weighted average yield of the Home Improvement loan portfolio was 9.78% for the three months ended March 2025. During the three months ended March 2025, we originated $48.8 million of Home Improvement loans, a decrease of $2.8 million from the three months ended March 2024.

Home Improvement Lending operates in a manner similar to Recreation Lending, with a few key differences. We currently maintain a smaller number of non-exclusive relationships; the Bank has relationships with approximately 900 contractors and FSPs. Management monitors the number of contractors and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. Most of our home improvement-financed sales take place in the borrower's home instead of a store, with the contractor presenting the borrower with a bid that includes a financing option. A substantial proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing background rather than by contractor employees that provide financing services. The result is contractor demand for financing services that facilitate an in-home transaction (e.g., digital tools including mobile applications for phone or tablet, support for E-SIGN compliant electronic signatures, and extended operating hours) and additional resources to help the salesperson throughout the financing process. In the three months ended March 2025 and 2024, approximately 57% and 54% of Home Improvement Lending's new loan originations were from our top ten contractor and FSP relationships, respectively. The percentage of new loan originations by the top ten contractor and FSP relationships is a measure of concentration within the segment's loan originations, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

Other

Our remaining operations, which are reported in our "Other" segment in the financial statements contained elsewhere in this report, include our legacy portfolio of Taxi Medallion assets and related operations, our Strategic Partnership Program (described further below), and other loans, as well as cash, investments and net non-interest earning assets. The total Taxi Medallion exposure reported in our Other segment was $5.0 million, or substantially less than 1%, of the Bank's total assets as of March 2025.

Through our Strategic Partnership Program, we partner with non-banks offering loans and other financial services to their customers. As of March 2025, we have four active Strategic Partnership Program clients. The associated activities are currently limited to originating loans or other receivables facilitated by our Strategic Partners and selling those loans or receivables to our Strategic Partners or other third parties without recourse within a specified time after origination. Revenues in the Strategic Partnership Program are currently derived primarily from contracted program fees paid to us by our Strategic Partners and interest income earned while the loans or receivables remain on our books, offset by any transaction fees paid by us to our Strategic Partners for their role in processing loan applications or servicing loans. We have incurred compliance and other expenses associated with the development of the Strategic Partnership Program and expect continued and increasing costs as the Strategic Partnership Program grows. The scope of our activities may change over time as we further develop this line of business.

Business Environment

The U.S. financial markets have continued to experience volatility as concerns about persisting inflation, elevated interest rates, economic policies related to tariffs and trade, and ongoing geopolitical tensions have weighed on market participants and consumers. These factors have resulted in generally higher interest expense for deposits and slowing loan demand for certain banking institutions, including us. U.S. trade policy that features an increased reliance on tariffs may increase the cost of the products we finance, and loan demand may decline as a result. Additionally, depending on the scope and targets of tariffs, supply chain disruptions could result in sharp reductions in the supply of products we finance, which could have short-term negative effects on demand for our consumer loans but longer-term improvements in auction values at sale due to higher used product prices and the average size of Recreation loans. Prolonged uncertainty, elevated tariff levels or the widespread use of tariffs in U.S. trade policy could also increase unemployment rates and otherwise weaken economic conditions, which could adversely affect the creditworthiness of our borrowers and our provision for credit losses and charge-offs.

The U.S. Federal Reserve decreased its policy rate by 50 basis points in the third quarter of 2024 and by 50 basis points in the fourth quarter of 2024. However, rates continue to be elevated compared to recent historical averages, and the demand for our products and creditworthiness of our borrowers may continue to be adversely affected until market interest rates are further reduced. High market interest rates could continue to increase our cost of funds, which has adversely affected, and could continue to adversely affect, our net interest margin. Continued reductions in the U.S. Federal Reserve's policy rate may eventually affect the rates we are able to charge on new loan originations, resulting in lower yields in future periods but a commensurately lower cost of funds. We have experienced, and may again experience, changes in loan origination credit quality mix, particularly for Recreation loans, that result in increased credit quality but at the expense of loan interest income yield, or vice versa.

Over the last decade, a period of unusually low market interest rates followed by U.S. government actions to stabilize the economy during the COVID pandemic raised our net interest margin significantly over historical levels. Since the end of the COVID pandemic and during the U.S. Federal Reserve's subsequent efforts to combat persistent inflation, our net interest margin has been normalizing. In an environment of historically normal interest rates, and absent changes in strategy, management expects to produce a net interest margin more consistent with today's net interest margin than the elevated net interest margins of 2017-2023.

In addition, market participants and regulators have focused on the impact that rising interest rates have had on the market values of available-for-sale and held-to-maturity securities portfolios of banks. Our investment portfolio is small, and unrealized losses were not material, relative to our total assets and shareholders' equity as of March 2025.

For additional information on the impact on our business of macroeconomic conditions that affect the U.S. economy, consumer spending and consumer credit, see Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Critical Accounting Estimates

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

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

Allowance for Credit Losses

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

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

Under the CECL lifetime loss standard in effect since January 1, 2023, we calculate the allowance for credit losses using both quantitative and qualitative factors. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in credit characteristics of our loans, loan prepayment and other cash flow-related behaviors, and macroeconomic factors. Periodically, we update our allowance model assumptions based on prior experience. During the three months ended March 2025, we updated our assumptions to include a redevelopment of our macroeconomic factor model, which increased the allowance's sensitivity to unemployment, the consumer price index, and labor force participation. We also further segmented the Recreation loan portfolio by credit risk. These adjustments had the effect of increasing the allowance for credit losses for both Recreation and Home Improvement loans.

Our quantitative loss factor rates decreased 8 basis points for Recreation loans and decreased 1 basis points for Home Improvement loans in March 2025 compared to December 2024, largely as a result of improving delinquency, partially offset by increases in the reserve driven by our macroeconomic factor model. Our qualitative loss factor rates increased by 8 basis points for Recreation loans and increased 2 basis points for Home Improvement loans in the three months ended March 2025 compared to December 2024, which was associated with management's assessment of the adequate reserve level for the portfolios. If our qualitative loss factor rates were to increase (or decrease) 50 basis points, our Recreation and Home Improvement general reserve would increase (or decrease) by $6.9 million and $4.1 million, respectively.

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

Key Elements for the three months ended March 2025 Compared to the three months ended March 2024

Below are key elements of our performance for the three months ended March 2025 compared to the three months ended March 2024.

- Net income was $15.6 million for the three months ended March 2025, compared to $14.5 million for the three months ended March 2024. See "Net Income" in "Results of Operations" later in this Form 10-Q.

- Pre-provision net revenue ("PPNR"), which is a non-GAAP financial measure calculated by excluding our provision for credit losses from our pre-tax income, was $40.5 million for the three months ended March 2025, compared to PPNR of $36.9 million for the three months ended March 2024. The increase in PPNR was driven by an increase in net interest income as a result of growth in both our Recreation and Home Improvement loan portfolios. See "Non-GAAP Financial Measures" below for additional information, including a reconciliation of PPNR to the most comparable GAAP presentation.

- Recreation and Home Improvement loan origination volumes decreased 13.8% to $135.6 million during the three months ended March 2025, compared to the three months ended March 2024, driven primarily by a decrease in Recreation loan origination demand.

- Loan origination volume related to our Strategic Partnership Program increased significantly to $136.2 million from $15.7 million during the three months ended March 2025, compared to the three months ended March 2024, driven by new relationships added in 2024 and growth of our existing relationships.

- Net interest income increased 8.3% to $52.2 million for the three months ended March 2025, compared to the three months ended March 2024, primarily due to higher average balances and yields in our Recreation and Home Improvement loan portfolios.

- Our efficiency ratio, which is calculated by dividing total non-interest expense by the sum of net interest income and non-interest income, was 24.83% for the three months ended March 2025, a deterioration of 47 basis points from the efficiency ratio for the three months ended March 2024, primarily due to increased salary and benefit costs, loan servicing costs, and depreciation expense, partially offset by increased interest income during the period.

- Loan delinquencies 30 days or greater decreased by 76 basis points to 3.41% of period-end loan portfolio balances as of March 2025, compared to December 2024, driven by seasonal improvements in credit performance for both Recreation and Home Improvement loans.

- Our annual net charge-off rate increased 3 basis points to 3.41% for the three months ended March 2025, compared to the three months ended March 2024, following increases in loan delinquency 30 days or greater over the course of 2024 in the Recreation and Home Improvement loan portfolios and a reduction in Taxi Medallion-related recoveries.

- Our provision for credit losses was $19.0 million, increasing by $2.0 million for the three months ended March 2025 compared to the three months ended March 2024. The increase was primarily due to increased charge-offs and delinquencies in the Recreation and Home Improvement loan portfolios, fewer Taxi Medallion-related recoveries, and an increase to our qualitative factor reserves added by management.

- Our Tier 1 capital increased by $6.0 million from December 2024, the result of net income partially offset by dividends paid during the three months ended March 2025. Our Tier 1 leverage ratio was 16.0% at March 2025 and 15.7% at December 2024.

Results of Operations

Net Income

Net income was $15.6 million for the three months ended March 2025, compared to net income of $14.5 million for the three months ended March 2024. The increase in net income for the three months ended March 2025 was driven by an increase in net interest income and non-interest income, partially offset by an increase in the provision for credit losses.

The returns on average shareholders' equity and average total assets for the three months ended March 2025 were 16.49% and 2.51%, respectively, compared to 16.47% and 2.59%, respectively, for the three months ended March 2024. The return on average equity increase for the three months ended March 2025 was primarily driven by the increase in net income described above combined with modest net equity growth. The decline in return on average assets was driven by loan portfolio growth that outpaced net income growth.

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Interest income	$ 71,834	$ 62,968
Interest expense	19,617	14,753
Net interest income	52,217	48,215
Provision for credit losses	19,038	17,002
Net interest income after provision for credit losses	33,179	31,213
Non-interest income	1,681	602
Non-interest expense	13,384	11,890
Earnings before provision for income taxes	21,476	19,925
Provision for income taxes	5,837	5,445
Net income	$ 15,639	$ 14,480

Other Financial and Statistical Data

The following table sets forth certain other financial and statistical data for the periods indicated:

	As of and for the Three Months Ended March 31,			
	2025		2024	
	$	%	$	%
	(dollars in thousands)			
Return on average assets		2.51%		2.59%
Return on average equity		16.49		16.47
Equity to assets		15.45		15.55
Non-interest expense as a % of average loan receivables		2.42		2.28
Efficiency ratio[(1)]		24.83		24.36
Effective income tax rate		27.18		27.33
Total loan receivables	$ 2,243,991		$ 2,121,180	
Net charge-offs				
Recreation	$ 16,414	4.67%	$ 14,553	4.36%
Home Improvement	3,132	1.55	3,987	2.12
Taxi Medallion	(677)	—	(901)	(294.14)
Other	—	—	—	—
Allowance for credit losses as a % of period-end loan receivables				
Recreation	$ (71,558)	5.00%	$ (60,011)	4.40%
Home Improvement	(20,249)	2.49	(17,930)	2.38
Taxi Medallion	—	—	(707)	58.42
Other	—	—	—	—
30+ days past due as a % of period-end loan receivables				
Recreation	$ 68,168	4.76%	$ 55,484	4.06%
Home Improvement	8,280	1.02	6,537	0.87
Taxi Medallion	—	—	—	—
Other	—	—	—	—
Asset quality ratios				
Gross nonperforming loans to total gross loans		0.41%		0.52%
Allowance for credit losses to gross nonperforming loans		1,017.59%		720.75%

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

Average Balance Sheet

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

	As of and for the Three Months Ended March 31,					
	2025			2024		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(dollars in thousands)					
Assets [1]						
Interest-earning assets						
Interest-earning cash and cash equivalents	$ 1,250	$ 5	1.62%	$ 1,250	$ 5	1.61%
Federal funds sold	104,388	818	3.18	98,837	1,053	4.28
Securities available for sale	57,960	381	2.67	53,660	473	3.55
Equity securities	1,738	13	3.03	1,744	12	2.77
Taxi Medallion assets [2]	449	58	52.40	—	—	—
Loans held-for-sale	125,550	4,052	13.09	—	—	—
Loan receivables						
Recreation	1,424,823	46,736	13.30	1,341,452	43,927	13.17
Home Improvement	820,012	19,771	9.78	756,202	17,447	9.28
Taxi Medallion	—	—	—	1,232	5	1.63
Other	—	—	—	2,413	45	7.50
Total loan receivables	2,244,835	66,507	12.02	2,101,299	61,424	11.76
Allowance for credit losses	(91,889)			(78,546)		
Net loan receivables	2,152,946			2,022,753		
Non-interest-earning assets						
Cash and due from banks	681			372		
Accrued interest receivable	14,094			12,722		
Repossessed inventory – Recreation	2,047			1,708		
Repossessed inventory – Taxi Medallion	11,768			12,536		
Other assets held in bankruptcy	1,800			1,800		
Deferred and other tax assets, net	14,085			12,554		
Other assets	34,939			30,742		
Total assets	$ 2,523,695			$ 2,250,678		
Interest-bearing liabilities						
Interest-bearing deposit accounts	$ 2,051,199	$ 19,587	3.87%	$ 1,846,015	$ 14,753	3.21%
Borrowings	37,500	30	0.32	5,000	—	—
Total interest-bearing liabilities	$ 2,088,699	$ 19,617	3.81%	1,851,015	$ 14,753	3.21%
Non-interest-bearing liabilities						
Accrued interest payable	5,069			3,379		
Other liabilities	21,757			16,448		
Due to affiliates	700			610		
Dividends payable	1,960			1,960		
Taxes payable	20,814			23,651		
Shareholders' equity	384,696			353,615		
Total liabilities and equity	$ 2,523,695			$ 2,250,678		
Interest rate spread			7.68%			8.02%
Net interest income		$ 52,217			$ 48,215	
Net interest margin			8.35%			8.59%

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

(2) Amounts relate to payments made on Taxi Medallion loans reclassified to other assets as of December 31, 2024.

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities, and typically constitutes a substantial majority of our total revenue. For the three months ended March 2025, net interest income was $52.2 million, compared $48.2 million for the three months ended March 2024. The following sections provide a description of the component parts of net interest income:

Interest Income

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

Interest income increased by $8.9 million, or 14%, for the three months ended March 2025 compared to the three months ended March 2024, due primarily to higher average balances and yields in our Recreation and Home Improvement loan portfolios.

The yield on our average loans outstanding increased to 12.02% for the three months ended March 2025, compared to 11.76% for the three months ended March 2024. The rising yield was due to increases in the average interest rates on new loans originated for both Recreation and Home Improvement loans.

The yield we earn on our loans is a function of the rates we are able to charge on those loans, which are governed, to an extent, by the overall interest rate environment. The Federal Reserve’s decision to decrease its policy rate by 50 basis points in September 2024, by 25 basis points in November 2024 and by 25 basis points in December 2024, as well as the market’s sentiment on the timing of those and future decisions, may have an impact on the rates we are able to charge on new loan originations. Likewise, the cost of new borrowings, particularly deposits, is also tied to the market sentiment of the timing of future interest rate decisions. To the extent that further interest rate decreases are anticipated, and to the extent those policy rates translate into market rate changes, we could expect a decrease in both the rate charged on new loan originations as well as a decrease in the cost of newly issued borrowings.

Interest Expense

Interest expense increased by $4.9 million, or 33%, for the three months ended March 2025, compared to the three months ended March 2024, driven by an increase in our overall cost of funds and growth in our deposit liabilities. Our average cost of funds increased to 3.81% for the three months ended March 2025, compared to 3.21% for the three months ended March 2024, mostly due to increases in the interest rates paid on newly issued deposits compared to maturing deposits, reflecting the current higher interest rate environment relative to historical lows.

Provision for Credit Losses

Our provision for credit losses was $19.0 million for the three months ended March 2025, compared to $17.0 million for the three months ended March 2024, an increase of $2.0 million, or 12%. The increase was primarily due to increased charge-offs and delinquencies of Recreation and Home Improvement loans and fewer Taxi Medallion-related recoveries and settlements, partially offset by a reduction in expected losses in the Home Improvement loan portfolio.

Recreation and Home Improvement Loan Provisions

The provision for Recreation loans for the three months ended March 2025 was $16.9 million, compared to $17.0 million for the three months ended March 2024. The provision for Home Improvement loans for the three months ended March 2025 was $2.8 million, compared to $0.9 million for the three months ended March 2024, due to adjustments made to the macroeconomic factor model in 2024 that were not necessary in 2025. Those adjustments in the three months ended March 2024 reduced the size of the Home Improvement allowance for credit losses, creating a provision benefit.

Periodically, we update our allowance model assumptions based on prior experience. During the three months ended March 2025, we updated our assumptions to include a redevelopment of our macroeconomic factor model, which increased the allowance's sensitivity to unemployment, the consumer price index, and labor force participation. We also further segmented the Recreation loan portfolio by credit risk. These adjustments had the effect of increasing the allowance for credit losses for both Recreation and Home Improvement loans, which had consistent effects on the provisions for credit losses.

Our quantitative loss rate calculation decreased 8 basis points for Recreation loans and decreased 1 basis points for Home Improvement loans in March 2025, compared to December 2024, largely as a result of improving delinquency, partially offset by increases in the reserve driven by our macroeconomic factor model. Our qualitative loss factor rates increased 8 basis points for Recreation loans and increased 2 basis points for Home Improvement loans in the period ended March 2025 compared to December 2024, associated with management's assessment of the adequate reserve level for the portfolios.

Taxi Medallion Loan Provisions

The benefit for credit losses for Taxi Medallion loans for the three months ended March 2025 was $0.7 million, compared to $0.9 million for the three months ended March 2024. The decrease in the benefit for credit losses for the three months ended March 2025 compared to the three months ended March 2024 was due to fewer Taxi Medallion-related recoveries.

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

Non-Interest Income

For the three months ended March 2025, non-interest income was $1.7 million, compared to $0.6 million for the three months ended March 2024. The increase for the three months ended March 2025 was due primarily to an increase in Strategic Partner fee income.

Non-Interest Expense

Non-interest expense was $13.4 million for the three months ended March 2025, compared to $11.9 million for the three months ended March 2024. The increase for the three months ended March 2025 was due primarily to higher salary and benefits costs, which reflected an increase in our number of employees to 136 as of March 2025 from 132 as of March 2024, along with higher occupancy, equipment, and depreciation expense and loan servicing costs.

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Salaries and benefits	$ 5,348	$ 4,984
Loan servicing	3,154	2,867
Collection costs	1,492	1,404
Regulatory fees	821	977
Professional fees	610	432
Information technology	322	267
Occupancy, equipment, and depreciation	727	207
Other	910	752
Total	$ 13,384	$ 11,890

Transactions with Affiliates

We benefit from services we receive from MFIN and certain other affiliates. In 2010, MFIN formed Medallion Servicing Corp. ("MSC") to provide loan servicing, collection and other customer services to the Bank pursuant to a loan servicing agreement. The services provided by MSC to the Bank include services in connection with the liquidation of our Taxi Medallion assets, loans in the process of foreclosure, and certain other assets. We also receive certain corporate services, including support for human resources and legal, from MFIN pursuant to a corporate services agreement. We expect to continue to incur servicing and collection costs as a result of ongoing servicing and workouts associated with the Taxi Medallion assets. Costs related to human resources services will depend on the number of employees at the Bank, and costs for legal support will vary from period to period depending on the projects active at the time. As of March 2025 and December 2024, the Bank held a $100,000 collateral deposit due to MFIN.

In the three months ended March 2025, we compensated MFIN for loan servicing in the amount of $0.3 million, which was a decrease of $43,000 over the related compensation in the three months ended March 2024. This was due to an ongoing decline in servicing and collection activity associated with Taxi Medallion assets. We compensated MFIN in the amount of $0.1 million for corporate services in each of the three months ended March 2025 and 2024.

Provision for Income Taxes

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

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

In the three months ended March 2025, we recognized income tax expense of $5.8 million compared to $5.4 million in the three months ended March 2024. Our effective income tax rate for the three months ended March 2025 and 2024, was 27.2% and 27.3%, respectively.

Segment Results

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

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

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

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

Recreation Lending

The Recreation Lending segment has historically been a return-oriented prime and non-prime consumer finance business which is a significant source of income for the Bank, accounting for 70% of our interest income for the three months ended March 2025 and 2024. The loans are secured primarily by RVs, boats and collector cars.

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(dollars in thousands)	
Gross interest income	$ 53,948	$ 46,879
Amortization of loan origination costs(1)	(3,482)	(2,952)
Non-interest income	400	249
Interest expense	(11,231)	(8,593)
Provision for credit losses	(16,870)	(17,031)
Servicing fees	(3,004)	(2,874)
Salaries	(2,640)	(2,703)
Direct	(531)	(294)
Overhead	(1,752)	(1,500)
Net income before taxes	$ 14,838	$ 11,181
Average outstanding assets	$1,542,323	$1,341,452
(as a % of average outstanding assets)		
Gross interest income	14.19%	14.06%
Amortization of loan origination costs(1)	(0.92)	(0.89)
Non-interest income (loss)	0.11	0.07
Interest expense	(2.95)	(2.58)
Provision for credit losses(2)	(4.44)	(5.11)
Servicing fees	(0.79)	(0.86)
Salaries	(0.69)	(0.81)
Direct	(0.14)	(0.09)
Overhead	(0.46)	(0.45)
Net income before taxes	3.90	3.35

(1) Includes amortization of loan origination costs for loans and loans held for sale.
(2) Provision for credit losses as a % of average loans outstanding was 4.80% for the three months ended March 2025.

Net income before taxes increased by $3.7 million in the three months ended March 2025 from $11.2 million for the three months ended March 2024, primarily due to an increase in loan interest income resulting from portfolio growth, partially offset by increased interest expense.

During the three months ended March 2025, we originated $86.8 million of Recreation loans, a decrease of $18.9 million from the three months ended March 2024, which was driven by a moderate decline in loan applicant quality and management's efforts to manage loan performance and capital. In the table below are the quarterly loan originations from the first quarter of 2023 through the first quarter of 2025:

	2025	2024	2023
		(in thousands)	
Q1	$ 86,833	$ 105,765	$ 101,681
Q2	—	209,563	190,008
Q3	—	139,105	92,603
Q4	—	72,201	62,749

In addition to offering prime credit financing, we specialize in helping recreation product dealerships finance customers with past credit challenges, which include bankruptcy, tax liens, collections and other credit issues. As of March 2025 and 2024, the weighted average origination FICO scores of our loans outstanding were 683 and 684 for this portfolio, respectively. The weighted average FICO scores at the time of origination for the loans funded in the three months ended March 31, 2025 and 2024 were 683 and 692, respectively. Management uses weighted average FICO scores as an indicator of portfolio risk. Due to our use during underwriting of custom credit scoring models that we believe more effectively assess credit risk than FICO scores alone, weighted average FICO scores alone are not a comprehensive assessment of credit risk.

Recreation loans represented $1.4 billion, or 64%, of the Bank's loan portfolio as of March 2025, compared to $1.4 billion, or 63%, of the Bank's loan portfolio as of December 2024. The gross and net interest yields of our Recreation loan portfolio were 14.26% and 13.30%, respectively, for the three months ended March 2025. There was also $114 million of Recreation loans held for sale on the balance sheet as of March 2025 that are included in our Recreation segment assets, but not included in Recreation loans. The gross interest yield of our Recreation segment assets was 14.19% for the three months ended March 2025, compared to 14.06% for the three months ended March 2024. The net interest yield of our Recreation segment assets was 13.27% for the three months ended March 2025, compared to 13.17% for the three months ended March 2024. Due to market interest rate increases starting in 2022, our funding costs have increased faster than our net interest yields, compressing our net interest margin. The Recreation net interest margin was 10.32% for the three months ended March 2025, compared to 10.56% for the three months ended March 2024.

The Bank maintains active relationships with approximately 3,300 dealers and FSPs, not all of which are active at any one time. The ability of FSPs to aggregate the financing and relationship management for many small dealers makes them valuable to the Bank. Management monitors the number of dealers and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. In the three months ended March 2025, 39% of Recreation Lending's new loan originations were from our top ten dealer and FSP relationships, compared to 45% for the three months ended March 2024. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration within the segment, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

The Recreation loan portfolio consists of tens of thousands of geographically distributed loans with an average loan size of $20,900 as of March 2025. The loans are fixed rate loans with an average term at origination of 14.5 years. The weighted average maturity of our loans outstanding is 10.7 years. See "Loan Portfolios." The loan terms and weighted average maturities aid management in making appropriate funding type and maturity decisions and provide investors with information about the characteristics of our loan portfolio and asset-liability management activities. Recreation loans are made to borrowers residing in all fifty states, with the highest concentrations in Texas and Florida at 16% and 10% at March 2025, respectively, compared to concentrations in Texas and Florida at 16% and 10% of loans outstanding at December 2024, respectively, and with no other states over 10%. Recreation loans are secured primarily by RVs, boats and collector cars, with RV loans making up 55% of the portfolio, boat loans making up 22% of the portfolio, and collector cars making up 11% of the portfolio at March 2025, compared to 55%, 20% and 11%, at December 2024, respectively, with no other collateral types over 10%. The percentages of new loan originations by state and by collateral type provide management and investors with information about concentration exposures, which management uses to monitor concentrations and determine whether to undertake diversification efforts.

Our Recreation Lending net charge-offs for the three months ended March 2025 were 4.67% of average loans outstanding, compared to 4.36% for the three months ended March 2024. The increase in net charge-offs in our Recreation Lending segment in the three months ended March 2025 was due to relative declines in credit performance across the portfolio.

Our Recreation Lending provisions for credit losses for the three months ended March 2025 were 4.44% of average loans outstanding, compared to provisions for credit losses of 5.11% for the three months ended March 2024. The decrease from the three months ended March 2024 to March 2025 was largely due to improving loan performance in recent vintages with growing portfolio concentration in those vintages.

We maintain an allowance for Recreation credit losses that was $71.6 million, or 5.00%, of Recreation loans as of March 2025. The recovery rates and typical time periods for repossessing and liquidating the collateral underlying our Recreation loans mitigates our exposure to credit losses in this portfolio. Our practice is to perfect security interests in the underlying collateral, when possible, except when it is impractical given the small size of the loan or collateral perfection requirements in particular states. If state law permits titling of collateral, we typically perfect our interest via the titling process, which designates the Bank as a lien holder on the title for the collateral and thus facilitates the process for repossession under applicable state law. If a UCC filing is the only mechanism to perfect our interest in collateral, we record that UCC filing in state records.

Home Improvement Lending

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

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
	(dollars in thousands)	
Gross interest income	$ 18,638	$ 16,509
Accretion of loan origination fees	1,133	938
Non-interest income	2	2
Interest expense	(6,499)	(5,033)
Provision for credit losses	(2,845)	(898)
Servicing fees	(752)	(778)
Salaries	(1,827)	(1,829)
Direct	(246)	(118)
Overhead	(1,047)	(866)
Net income before taxes	$ 6,557	$ 7,927
Average outstanding assets	$ 820,012	$ 756,202
(as a % of average outstanding assets)		
Gross interest income	9.22 %	8.78 %
Accretion of loan origination fees	0.56	0.50
Non-interest income (loss)	—	—
Interest expense	(3.21)	(2.68)
Provision for credit losses	(1.41)	(0.48)
Servicing fees	(0.37)	(0.41)
Salaries	(0.90)	(0.97)
Direct	(0.12)	(0.06)
Overhead	(0.52)	(0.46)
Net income before taxes	3.24	4.22

Net income before taxes decreased to $6.6 million in the three months ended March 2025, from $7.9 million in the three months ended March 2024, primarily due to an increase in provision for credit losses, partially offset by an increase in net interest income. The increase in provision for credit losses was due to non-recurring changes in the macroeconomic factor model that substantially reduced provisions in the three months ended March 2024.

During the three months ended March 2025, we originated $48.8 million of Home Improvement loans, a decrease of $2.8 million from the three months ended March 2024, driven primarily by reduced loan demand from our contractors and FSPs. In the table below are the quarterly loan originations from the first quarter of 2023 through the first quarter of 2025:

	2025	2024	2023
		(in thousands)	
Q1	$ 48,796	$ 51,576	$ 94,981
Q2	—	67,990	117,035
Q3	—	96,545	79,333
Q4	—	82,531	66,045

Home Improvement loans represented $812.4 million, or 36%, of the Bank's loan portfolios as of March 2025, compared to $827.2 million and 37% of the Bank's loan portfolios as of December 2024. Home Improvement Lending provides us with high-quality assets; as of March 2025 and 2024, the weighted average origination FICO scores of our loans outstanding in this portfolio were 767 and 764, respectively. The weighted average FICO scores at the time of origination for the loans funded in the three months ended March 2025 and 2024 were 783 and 776, respectively. Management uses weighted average FICO scores as an indicator of portfolio risk. Due to our use of custom credit scoring models during underwriting, which we believe more effectively assess credit risk than FICO scores alone, weighted average FICO scores alone are not a comprehensive assessment of credit risk.

The gross interest yield of the Home Improvement Lending portfolio was 9.22% for the three months ended March 2025, compared to 8.78% for the three months ended March 2024. The net interest yield of the Home Improvement Lending portfolio was 9.78% for the three months ended March 2025, compared to 9.28% for the three months ended March 2024. Due to market interest rate increases starting in 2022, our funding costs have increased faster than our net interest yields, compressing our net interest margin, though that compression has slowed in recent periods. The Home Improvement net interest margin was 6.56% for the three months ended March 2025, compared to 6.60% for the three months ended March 2024.

The Bank currently has active relationships with approximately 900 contractors and FSPs. Management monitors the number of contractors and FSPs and their relative contributions as a means of assessing market share and segment growth. Over time, changes in these metrics will provide investors with information about origination concentration and growth trends in the segment. In the three months ended March 2025, 57% of Home Improvement Lending's new loan originations were from our top ten contractor and FSP relationships, compared to 54% for the three months ended March 2024. The Home Improvement loan portfolio is concentrated in roofs, swimming pools and windows at 35%, 29% and 13% at March 2025, respectively, compared to concentrations in roofs, swimming pools and windows at 36%, 27%, and 13% at December 2024, respectively, with no other collateral types over 10%. Home Improvement loans are made to borrowers residing in all fifty states, with the highest concentrations in Florida and Texas at 13% and 11% as of March 2025, respectively, compared to concentrations in Florida and Texas at 12% and 11% as of December 2024, respectively, and with no other states over 10%. The percentage of new loan originations by the top ten relationships, by collateral type and by state provides management and investors with information about concentration exposures that management uses to determine whether to undertake diversification efforts.

The weighted average maturity of our loans outstanding was 12.6 years as of March 2025 and the average loan size was $21,200. The average loan term at origination is 15.2 years. See "Loan Portfolios." The loan terms and weighted average maturities aid management in making appropriate funding type and maturity decisions and provide investors with information about the characteristics of our loan portfolio and asset-liability management activities.

Our Home Improvement Lending net charge-offs for the three months ended March 2025 were 1.55% of average loans outstanding, compared to 2.12% for the three months ended March 2024. The decrease in net charge-offs for the three months ended March 2025 was due to improvements in credit performance, largely reflecting improving credit performance for recent loan vintages and a growing portfolio concentration in those vintages.

Our Home Improvement Lending provision for credit losses for the three months ended March 2025 was 1.41% of average loans outstanding, compared to 0.48% for the three months ended March 2024. The increase in the three months ended March 2025 was largely due to non-recurring changes in the macroeconomic factor model that substantially reduced provisions in the three months ended March 2024.

We maintain an allowance for Home Improvement credit losses that was $20.2 million, or 2.49%, of the Home Improvement loan portfolio as of March 2025. Losses in the Home Improvement loan portfolio are initially gross losses because recoveries are relatively slow, sometimes taking years to realize. This is due to the nature of the UCC fixture filing, which is our means of perfecting the security interest for Home Improvement loans. Recovery is generally realized upon the sale or refinance of the underlying real property. We obtain the right to file a UCC fixture filing in county records for all loans in the security agreement of our loan, but our practice is to record UCC fixture filings at origination for only those loans which finance swimming pool installations, for home improvement projects with large loan amounts, or for borrowers who have relatively low credit scores. We often record UCC fixture filings after origination for loans without perfected collateral that become delinquent. The UCC fixture filing does not give us the right to foreclose, and we do not repossess collateral. Instead, the UCC filing appears in real property records to notify lienholders of our interest in the personal property affixed to that real property.

Other

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

	Three Months Ended March 31,	
	2025	2024
	(dollars in thousands)	
Gross interest income	$ 1,597	$ 1,594
Amortization of loan origination costs	—	—
Non-interest income	1,280	350
Interest expense	(1,887)	(1,127)
Provision for credit losses	677	927
Servicing fees	(439)	(457)
Salaries	(880)	(451)
Direct	(17)	(15)
Overhead	(250)	(4)
Net income before taxes	$ 81	$ 817
Average outstanding assets	$ 165,785	$ 159,136

Net income before taxes for the Other segment was $0.1 million in the three months ended March 2025, compared to net income before taxes of $0.8 million for the three months ended March 2024. The decline was driven by higher interest expense and a reallocation of overhead costs to our Strategic Partnership Program, partially offset by an increase in non-interest income.

Effective December 2024, we reclassified all Strategic Partnership Program loans as held for sale. The segment had no loans and $10.5 million in loans held for sale as of March 2025.

Previously included in loans within the Other segment was a Taxi Medallion loan portfolio. These loans were to borrowers who continued to make monthly payments, but with collateral that remained in a deteriorated state and an allowance for credit losses that maintained the net value on our balance sheet at collateral value. In December 2024, we determined that the four remaining Taxi Medallion loans were indistinguishable from the other assets for which we had provided purchase financing over the years, and we removed them from our loan portfolio and reclassified them as other assets.

We continue to receive payments on these Taxi Medallion assets, and it is possible that we will receive all that was due on the original loan balances for these assets, an amount which is larger than what is recorded on our balance sheet. Those payments in excess of the balance sheet value will be recorded as gains, should they occur. This opportunity represents up to $15.7 million of value that is not recorded on our balance sheet.

Loan Portfolios

Loans, which exclude loans held for sale, decreased by $5.6 million to $2.2 billion as of March 2025, essentially unchanged from December 2024, driven by declines in Home Improvement loan balances, partially offset by Recreation loan growth. Our total loan-to-deposit ratio increased to 107.5% as of March 2025, compared to 105.8% as of December 2024.

	As of March 31, 2025		As of December 31, 2024	
	Amount	%	Amount	%
	(dollars in thousands)			
Loan receivables				
Recreation	$ 1,431,610	63.8%	$ 1,422,403	63.2%
Home Improvement	812,381	36.2	827,211	36.8
Total	$ 2,243,991	100.00%	$ 2,249,614	100.00%

As of March 2025 and December 2024, the Recreation loan portfolio represented 64% and 63% of outstanding loan balances, respectively, while our Home Improvement loan portfolio represented 36% and 37%, respectively.

Because of high prepayment speeds due both to early pay-downs and payoffs, the average life associated with our Recreation and Home Improvement loan portfolios is significantly shorter than the average maturity. The average life of our Recreation loans is projected to be 44 months, while the average life of our Home Improvement loans is projected to be 37 months. The average life of our loans aids management in making appropriate funding type and maturity decisions, and provides investors with information about the characteristics of our loan portfolios and asset-liability management activities. Our calculations use the contractual amortization amount plus projected credit losses and monthly prepayment speeds consistent with our experience over the prior 12 months for both portfolios. In the case of Recreation loans, the projected loss assumption is 394 basis points, and the prepayment speed assumption is 1.57% per month. For Home Improvement loans, the projected loss assumption is 163 basis points, and the prepayment speed assumption is 2.20% per month. For comparison, the average maturities referenced elsewhere in this Form 10-Q are based on the contractual terms of the loans in each portfolio.

The following table presents the Bank's contractual years to maturity for our fixed rate and adjustable rate Recreation and Home Improvement loans:

	As of March 31, 2025				
	Years to Maturity				
	Within 1 year	1-5 years	5-15 years	15+ years	Total [(1)]
			(in thousands)		
Fixed rate					
Recreation	$ 2,252	$ 114,651	$ 1,217,421	$ 49,695	$ 1,384,019
Home Improvement	6,399	26,587	583,468	199,581	816,035
Adjustable rate					
Recreation	$ 378	$ 157	$ —	$ —	$ 535
Home Improvement	—	—	—	—	—
Total gross loans	$ 9,029	$ 141,395	$ 1,800,889	$ 249,276	$ 2,200,589

(1) Amounts exclude net deferred origination costs of $43.4 million.

Credit Quality

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

	Gross Performing	Gross Nonperforming	Total [(1)]
		(in thousands)	
As of March 31, 2025			
Recreation	$ 1,377,051	$ 7,503	$ 1,384,554
Home Improvement	814,516	1,519	816,035
Total	$ 2,191,567	$ 9,022	$ 2,200,589
As of December 31, 2024			
Recreation	$ 1,365,114	$ 10,472	$ 1,375,586
Home Improvement	829,685	1,392	831,077
Total	$ 2,194,799	$ 11,864	$ 2,206,663

(1) Amounts exclude net deferred origination costs of $43.4 million and $43.0 million as of March 2025 and December 2024, respectively.

The decrease in the value of gross nonperforming loans as of March 2025 compared to December 2024 was due to credit performance improvements in recent Recreation loan vintages, partially offset by higher delinquency in the Home Improvement loan portfolio.

During the three months ended March 2025, 62% of our Recreation loans originated were prime receivables and 38% were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit histories. Since our historical competitive advantage includes the origination of non-prime Recreation loans, we do not currently expect the percentage of non-prime receivables at origination to decrease significantly from current levels. The table below shows non-prime loan originations as a percentage of total loan originations for Recreation loans.

Recreation Loans

Year Ended	Total Originations	Non-prime Originations	Non-prime %
	(dollars in thousands)		
2025 (1)	$ 86,833	$ 32,583	38 %
2024	526,634	185,334	35
2023	447,039	152,045	34
2022	513,062	180,697	35
2021	441,911	130,296	30

(1) Includes originations through March 31, 2025.

During the three months ended March 2025, more than 99% of our Home Improvement loans originated were prime receivables and less than 1% were non-prime receivables with obligors who have adverse credit histories. Management uses Home Improvement loans as a prime-credit offset to non-prime Recreation loans, increasing or decreasing the overall mix of non-prime loans on the balance sheet. The table below shows non-prime loan originations as a percentage of total loan originations for Home Improvement loans.

Home Improvement Loans

Year Ended	Total Originations	Non-prime Originations	Non-prime %
	(dollars in thousands)		
2025 (1)	$ 48,796	$ —	Less than 1%
2024	298,642	586	Less than 1
2023	357,394	3,094	1
2022	392,543	5,068	1
2021	258,049	4,034	2

(1) Includes originations through March 31, 2025.

Nonperforming Assets

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

	As of March 31, 2025	As of December 31, 2024
	(dollars in thousands)	
Loans on nonaccrual:		
Recreation	$ 7,503	$ 10,472
Home Improvement	1,519	1,392
Total	$ 9,022	$ 11,864
Other repossessed inventory - Recreation	$ 2,156	$ 1,993
Other repossessed inventory - Taxi Medallion	1,018	1,333
Other remarketed assets, net	3,993	5,959
Other assets held in bankruptcy	1,800	1,800
Total nonperforming assets	$ 17,989	$ 22,949
Asset quality ratios:		
Total gross nonaccrual loans to total loans	0.40%	0.53%
Total nonperforming assets to total assets	0.71%	0.90%
Allowance for credit losses to gross nonaccrual loans	1,017.59%	772.40%
Allowance for credit losses to total loans	4.09%	4.07%

Our repossessed and net remarketed assets as of March 2025 and December 2024 were $7.2 million and $9.3 million, respectively. The decrease was primarily driven by the repayment of balances on remarketed Taxi Medallion assets.

Delinquencies

Loan delinquencies of 30 days or more as a percentage of period-end loan balances outstanding declined to 3.41% as of March 2025, compared to 4.17% as of December 2024. The 76 basis point decrease was driven by a decrease in both Recreation and Home Improvement loan delinquencies.

	Current	30-59	60-89	90+	Total [(1)]
			(in thousands)		
As of March 31, 2025					
Recreation	$ 1,316,386	$ 46,880	$ 14,148	$ 7,140	$ 1,384,554
Home Improvement	807,755	4,644	2,117	1,519	816,035
Total	$ 2,124,141	$ 51,524	$ 16,265	$ 8,659	$ 2,200,589
As of December 31, 2024					
Recreation	$ 1,291,023	$ 54,169	$ 20,376	$ 10,018	$ 1,375,586
Home Improvement	821,852	5,407	2,432	1,386	831,077
Total	$ 2,112,875	$ 59,576	$ 22,808	$ 11,404	$ 2,206,663

(1) Amounts exclude net deferred origination costs of $43.4 million and $43.0 million as of March 2025 and December 2024, respectively.

Net Charge-Offs

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

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

	Three Months Ended March 31,	
	2025	2024
Recreation	4.67%	4.36%
Home Improvement	1.55%	2.12%
Taxi Medallion [(1)]	—%	(294.14%)

(1) Negative percentage indicates a recovery. In the three months ended March 2025, we had recoveries of prior period Taxi Medallion loan charge-offs but no longer carry any Taxi Medallion loans for the calculation denominator.

Our net charge-offs during the three months ended March 2025 increased to $18.9 million, compared to $17.6 million in the three months ended March 2024. The increase in net charge-offs during the three months ended March 2025 was due to an increase in Recreation loan losses and fewer Taxi Medallion-related recoveries, partially offset by a decline in Home Improvement loan losses and higher recoveries in both Recreation and Home Improvement loan portfolios. We recorded $0.7 million in total net Taxi Medallion-related recoveries for the three months ended March 2025, compared to $0.9 million for the three months ended March 2024.

Allowance for Credit Losses

The allowance is maintained at a level estimated by management to absorb current expected credit losses in the loan portfolios and is based on management's continuing evaluation of the portfolio, the related credit characteristics, loan prepayment and other cash flow-related behaviors, and macroeconomic factors affecting the portfolios. As of March 2025 and December 2024, our allowance for credit losses ("ACL") totaled $91.8 million and $91.6 million, which represented 4.09% and 4.07% of total loans, respectively. The small increase in the size of the allowance as of March 2025 was primarily driven by asset growth as the allowance levels remained essentially flat.

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

	As of March 31, 2025				As of December 31, 2024			
	Loan Amount	% of Total Loans	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	% of Total Loans	Allowance Amount	Allowance as a % of Loan Amount
	(dollars in thousands)							
Loan receivables:								
Recreation	$1,431,610	63.8%	$ 71,558	5.0%	$1,422,403	63.2%	$ 71,102	5.0%
Home Improvement	812,381	36.2	20,249	2.5	827,211	36.8	20,536	2.5
Total	$2,243,991	100.00%	$ 91,807	4.1%	$2,249,614	100.00%	$ 91,638	4.1%

	Three Months Ended March 31,	
	2025	2024
	(dollars in thousands)	
Beginning balance - ACL	$ 91,638	$ 79,283
Charge-offs:		
Recreation	$ 20,274	$ 18,101
Home Improvement	4,227	4,898
Taxi Medallion	—	—
Other	—	—
Total	$ 24,501	$ 22,999
Recoveries:		
Recreation	$ 3,860	$ 3,548
Home Improvement	1,095	911
Taxi Medallion	677	903
Other	—	—
Total	$ 5,632	$ 5,362
Net charge-offs	$ 18,869	$ 17,637
Provision	$ 19,038	$ 17,002
Ending balance - ACL	$ 91,807	$ 78,648
Ratios:		
ACL to total loans	4.09%	3.71%
Net charge-offs to average loans	3.41%	3.38%

Funding, Liquidity and Capital Resources

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

	For the Three Months Ended March 31, 2025			For the Three Months Ended March 31, 2024		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate
	(dollars in thousands)					
Interest-bearing deposit accounts [1]	$2,051,199	98.20%	3.87%	$ 1,846,015	99.73%	3.21%
Borrowings	37,500	1.80	0.32	5,000	0.27	—
Total interest-bearing liabilities	$2,088,699	100.00%	3.81%	$ 1,851,015	100.00%	3.21%

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

The increase in the average interest rate on interest-bearing deposits from 3.21% for the three months ended March 2024 to 3.87% for the three months ended March 2025 was primarily due to increases in interest rates paid on new deposits compared to rates paid on maturing deposits.

Deposits

We obtain substantially all of the funding for our business through time certificates of deposit in amounts less than or equal to the current FDIC deposit insurance coverage limit of $250,000, originated nationally through a variety of deposit broker relationships. Brokered deposits typically offer a low-cost and operationally efficient source of funding compared to credit facilities and other funding sources utilized by non-bank lending businesses. Except in the case of death or adjudicated incapacity, brokered deposits may not be withdrawn prior to maturity, which aids us in the management of our liquidity position. In October 2020, we began to originate time deposits through internet listing services. These deposits are from other organizations, primarily financial institutions and, as of March 2025 and December 2024, we had $10.4 million and $10.4 million, respectively, in listing service deposits. Under our banking charter, we are not authorized to accept demand deposits, but we are able to offer savings accounts. During 2023, we began offering retail savings deposits through a third-party service provider, which had a balance of $5.2 million, or 0.25% of our total deposits, as of March 2025. Retail savings deposits, while improving our deposit diversity, may be withdrawn by depositors with few limitations. We do not currently plan for these deposits to be a significant percentage of our overall deposits, though we may increase our offering of retail savings deposits in the event of a return to a more traditional market yield curve.

We monitor the term, maturity schedule and concentrations of our brokered and listing service time deposits to manage our funding risk, and we regularly assess the Bank's liquidity position through stress tests. As of March 2025 and December 2024, the weighted average maturity of our time certificates of deposit was 620 days and 609 days, respectively. As a policy, we maintain a minimum of eight active deposit broker relationships, which is intended to ensure that our funding is stable and consistent.

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

Short-Term Borrowings

Our short-term borrowings consist of unsecured federal funds lines offered by our correspondent banks, and a secured Federal Reserve discount window facility, to address temporary funding needs when it is not necessary or feasible to acquire time certificates of deposit through our network of brokers. The unsecured federal funds lines are accommodations that can be terminated at any time for any reason. As of March 2025 and December 2024, we had two active unsecured federal funds lines with credit limits of $35.0 million and $40.0 million. As of March 31, 2025 and December 31, 2024, the Bank had a secured Federal Reserve discount window facility with credit availability of approximately $97.4 million and $101.4 million, respectively, which gave us a total of $172.4 million and $176.4 million in short-term borrowing capacity, respectively. The discount window facility is not committed, and any borrowings by the Bank from the discount window facility are at the discretion of the Federal Reserve.

As of March 2025 and December 2024, $65 million and $35 million was drawn against the Federal Reserve discount window facility, respectively, and $0 was drawn on the unsecured federal funds lines. The $65 million drawn against the Federal Reserve discount window facility as of March 2025 was repaid in full in April 2025.

Liquidity

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

We maintain a portfolio of cash and investment securities for liquidity purposes, which as of March 2025 and December 2024 had $175.5 million and $181.0 million, respectively, of cash and cash equivalents and agency residential mortgage-backed securities, non-mortgage-backed agency securities, and Utah Housing Corporation bonds. The decrease in cash and investments as of March 2025 compared to December 2024 was associated with our seasonally declining balance sheet size. As additional sources of liquidity, as of March 2025 and December 2024, we had an aggregate of $107.4 million and $141.4 million, respectively, of unused capacity in unsecured federal funds lines from correspondent banks and the secured discount window facility with the Federal Reserve. See "Short-Term Borrowings" above for details about these credit facilities.

As a general matter, our investments are highly liquid, giving us the ability to readily convert them to cash. The level and composition of our liquidity portfolio may fluctuate based upon the level of expected maturities of our funding sources as well as operational requirements, market conditions, and management's judgment. Investment securities are considered liquid assets because they can be sold and the unrealized losses would not have a meaningful impact on regulatory capital.

Capital and Payment of Dividends

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

We are currently and have historically been capitalized in excess of minimum regulatory requirements. As of March 2025, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.6%, 16.4% and 17.7%, respectively, and we had a Tier 1 capital to total assets leverage ratio of 16.0%. As of December 2024, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.3%, 16.1% and 17.4%, respectively, and we had a Tier 1 leverage capital to total assets ratio of 15.7%.

	As of March 31, 2025		As of December 31, 2024		Minimum Regulatory Requirements(1)	Well-Capitalized Requirements
	Amount	Ratio	Amount	Ratio		
			(dollars in thousands)			
Tier 1 leverage capital	$ 397,064	16.0%	$ 391,016	15.7%	4.0%	5.0%
CET-1 risk-based capital	328,277	13.6	322,229	13.3	7.0	6.5
Tier 1 risk-based capital	397,064	16.4	391,016	16.1	8.5	8.0
Total risk-based capital	428,007	17.7	422,139	17.4	10.5	10.0

(1) As a condition to receipt of FDIC insurance, we entered into the 2003 Capital Maintenance Agreement requiring us to maintain a 15% Tier 1 leverage ratio. This level of capital far exceeds the minimum requirement for capital adequacy purposes and is above the threshold for well-capitalized status under the FDIC's regulatory framework. As of March 2025, the Bank had excess tier 1 leverage capital of $23.8 million over the minimum required pursuant to the 2003 Capital Maintenance Agreement, which was $373.3 million based on our total assets as of that date.

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

During the year ended December 2024, we paid total dividends on our common stock of $24.0 million to MFIN. In January 2025, the Bank's Board of Directors (the "Board") declared a $6.0 million cash dividend on the common stock that was paid on February 15, 2025. On April 24, 2025, the Board declared a $6.0 million cash dividend on the common stock which is payable on May 15, 2025.

On January 23, 2025, the Board declared a quarterly cash dividend of $0.50 per share on the Bank's Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F ("Series F"), to shareholders of record at the close of business on March 17, 2025, which was paid on April 1, 2025. On April 24, 2025, the Board declared a quarterly cash dividend of $0.67982 per share based on a dividend rate of 10.75761% on the Series F to shareholders of record at the close of business on June 16, 2025, which is payable on July 1, 2025.

We paid dividends on our Series E Preferred Stock issued to the U.S. Treasury under the Small Business Lending Fund Program of $0.6 million in each of the three months ended March 2025 and 2024. The dividend rate of 9% will remain stable for so long as our Series E Preferred Stock remains outstanding. In addition, if the Bank is not "publicly traded" within the meaning of our Articles, then so long as any share of the Series E Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common equity, any other shares of junior stock or parity stock. So long as our shares of Series F Preferred Stock are listed on The Nasdaq Capital Market or another securities exchange, we will not be negatively impacted by that restriction.

Subject to market conditions, we may seek to issue one or more additional series of preferred stock in order to increase our capital levels, grow our consumer loan portfolios or, depending on the size and other terms of any such issuance and subject to receipt of any required regulatory approvals, redeem some or all of our outstanding Series F or Series E preferred stock. Any determination to seek to redeem some or all of our outstanding preferred stock would be based on our actual and anticipated capital levels and capital deployment opportunities. There can be no assurance that we will issue additional series of preferred stock or, if we do, that we will apply the proceeds to redeem the Series F or Series E preferred stock.

Regulatory Capital Requirements

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

The rules establish minimum risk-based capital ratios and prompt corrective action thresholds that require banking organizations to maintain a minimum common equity Tier 1 ("CET1") capital ratio of 4.5%, a Tier 1 capital ratio of 6.0%, a total capital ratio of 8.0% and a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average consolidated assets for the quarter. Additionally, as conditions of granting the Bank's application for federal deposit insurance, the FDIC ordered that the Tier 1 leverage capital to total assets ratio, as defined, be not less than 15%, and that an adequate allowance for credit losses be maintained.

A capital conservation buffer of 2.5% above the risk-based capital ratios is required for banking institutions to avoid restrictions on their ability to make capital distributions, including paying dividends. As of March 2025, our risk-based capital ratios were above the regulatory minimums that incorporated the 2.5% capital conservation buffer.

Recently Issued Accounting Standards

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

Non-GAAP Financial Measures

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

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

Pre-Provision Net Revenue

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

	For Three Months Ended March 31,	
	2025	2024
	(in thousands)	
GAAP net income	$ 15,639	$ 14,480
Plus: Provision for credit losses	19,038	17,002
Plus: Income tax expense	5,837	5,445
Pre-provision net revenue	$ 40,514	$ 36,927

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk Management

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

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

If interest rates changed in parallel by the amounts below	The following estimated percentage increase/(decrease) to net interest income would result at March 31, 2025	The following estimated percentage increase/(decrease) to net interest income would result at March 31, 2024
Down 100 basis points	1.15%	0.82%
Up 100 basis points	(1.14)%	(0.71)%
Down 200 basis points	2.32%	1.76%
Up 200 basis points	(2.13)%	(1.44)%
Down 300 basis points	3.49%	2.69%
Up 300 basis points	(3.16)%	(2.17)%
Down 400 basis points	4.44%	3.62%
Up 400 basis points	(4.20)%	(2.19)%

The shift in net interest income variances in the March 2025 simulation compared to the March 2024 simulation is primarily attributed to an increased liability sensitivity on our balance sheet. The increase stems from a strategic, temporary shortening of liability durations in anticipation of an expected loan sale. Additionally, we made minor updates to our interest rate risk model assumptions to better align with recent experiences. As of March 2025, we continue to be slightly liability sensitive.

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

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

If interest rates changed in parallel by the amounts below:	The following estimated percentage increase/(decrease) to EVE would result	The following estimated percentage increase/(decrease) to EVE would result
	March 31, 2025	March 31, 2024
Down 100 basis points	5.85%	3.71%
Up 100 basis points	(5.78)%	(3.44)%
Down 200 basis points	12.28%	7.49%
Up 200 basis points	(10.88)%	(6.65)%
Down 300 basis points	19.34%	11.69%
Up 300 basis points	(15.47)%	(9.63)%
Down 400 basis points	27.24%	16.24%
Up 400 basis points	(19.71)%	(12.39)%

The change in EVE variance in the March 2025 simulation compared to the March 2024 simulation is largely due to model updates to reflect changes in assumptions consistent with recent experience. Additionally, a slight shift towards shorter term liabilities resulted in a moderate increase in EVE fluctuations between periods.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, and have concluded that they are effective as of March 31, 2025 to provide reasonable assurance that information required to be disclosed by the Bank in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Bank’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control

As required by Rule 13a – 15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated our internal control over financial reporting to determine whether any changes occurred during the quarter ended March 31, 2025 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 March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBITS

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDALLION BANK

Date: May 7, 2025

By: /s/ Donald S. Poulton

Donald S. Poulton

President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ D. Justin Haley

D. Justin Haley

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

Exhibit 31.1

CERTIFICATIONS
Certification of Donald S. Poulton

I, Donald S. Poulton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medallion Bank;

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

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

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

By: /s/ Donald S. Poulton

Donald S. Poulton
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS
Certification of D. Justin Haley

I, D. Justin Haley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medallion Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

By: /s/ D. Justin Haley

D. Justin Haley
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Medallion Bank (the “Bank”) for the quarter ended March 31, 2025 as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 7, 2025

By: /s/ Donald S. Poulton

Donald S. Poulton
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Medallion Bank (the "Bank") for the quarter ended March 31, 2025 as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 7, 2025

By: /s/ D. Justin Haley

D. Justin Haley
Executive Vice President and
Chief Financial Officer