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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2023

OR

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

For the transition period from to

Commission file number 001-37747

MEDALLION FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

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

437 MADISON AVENUE, 38th Floor

NEW YORK, NEW YORK 10022

(Address of principal executive offices) (Zip Code)

(212) 328-2100

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbols	Name of each exchange on which registered
Common Stock, par value $0.01 per share	MFIN	NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant, computed by reference to the last reported price at which the stock was sold on June 30, 2023, as reported on NASDAQ, was $146,115,624.

The number of outstanding shares of registrant's common stock, par value $0.01, as of March 6, 2024 was 23,483,564.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2024 Annual Meeting of Shareholders, for which a Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year-end of December 31, 2023, are incorporated by reference into Part III of this Form 10-K.

MEDALLION FINANCIAL CORP.
2023 FORM 10-K ANNUAL REPORT

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

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

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

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

PART I

ITEM 1. OUR BUSINESS

We, Medallion Financial Corp., or the Company, are a specialty finance company organized as a Delaware corporation. Our strategic focus is growing our consumer finance and commercial lending businesses. Our total assets were $2.6 billion as of December 31, 2023 and $2.3 billion as of December 31, 2022.

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

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

Our Market

We provide loans to individuals and small to mid-size businesses, through our subsidiaries, under four operating segments:

- loans that finance consumer purchases of recreational vehicles, boats, and other consumer recreational equipment;
- loans that finance consumer home improvements;
- loans that finance commercial businesses; and
- historically, loans that finance taxi medallions.

The following table shows our loans receivable as of December 31, 2023.

(Dollars in thousands)	**Loans**	**Allowance for Credit Losses**	**Net Loans Receivable**
Recreation	**$ 1,336,226**	**$ 57,532**	**$ 1,278,694**
Home improvement	**760,617**	**21,019**	**739,598**
Commercial	**114,827**	**4,148**	**110,679**
Taxi medallion	**3,663**	**1,536**	**2,127**
Strategic partnership [(1)]	**553**	**—**	**553**
Total	**$ 2,215,886**	**$ 84,235**	**$ 2,131,651**

(1) Strategic partnership loans are held in our non-operating segment.

Recreation Lending

Recreation lending is a growth-oriented business focused on originating prime and non-prime recreation loans, comprising 60% of our loans receivable as of December 31, 2023. The segment is a significant source of income, accounting for 67% of our interest income for the year ended December 31, 2023. All of our recreation loans are serviced by a third-party loan servicer that we have used since the business's inception.

We maintain relationships with approximately 3,200 dealers and financial service providers, or FSPs, not all of which are active at any one time. FSPs are entities that provide finance and insurance, or F&I, services to small dealers that do not have the desire or ability to provide F&I services themselves. The ability of FSPs to aggregate the financing and relationship management for many small dealers makes them valuable to us. We receive approximately half of our loan volume from dealers and the other half from FSPs. Our top ten dealer and FSP relationships were responsible for 43% of recreation lending's new loan originations for the year ended December 31, 2023. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

The recreation loan portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $20,000 as of December 31, 2023. The loans are fixed rate with an average term at origination of 12.9 years. The weighted average maturity of our loans outstanding is 10.0 years. The size, geographic dispersion, source and collateral variety of the loans reduces risk to the Company. As of December 31, 2023, recreation loans were primarily secured by recreational vehicles, or RVs, which make up 54% of the portfolio, and boat loans, which make up 19% of the portfolio. Recreation loans are made to borrowers residing nationwide, with the highest concentrations in Texas and Florida, at 15% and 10% of loans outstanding as of December 31, 2023 with no other states at or above 10%. As of December 31, 2023, 2022, and 2021, the weighted average FICO scores, measured at origination, of our recreation loans outstanding were 683, 671, and 668. The weighted average FICO scores at the time of origination for the loans funded in the years ended December 31, 2023, 2022, and 2021 were 686, 676, and 684.

Home Improvement Lending

Working directly with contractors and FSPs, we offer flexible customer financing for window, siding, and roof replacement, swimming pool installations, and other home improvement projects. Our core product is a standard installment loan, which features affordable monthly payments and competitive interest rates for prime credit customers at no cost to the contractor. We also offer a variety of promotional loan options to help contractors close a challenging sale. Promotional loan options include same-as-cash, no interest, and deferred payment features, which allow borrowers to reduce the total cost of financing or start repayments when it is most convenient. Home improvement loans comprised 34% of our loans receivable as of December 31, 2023.

Home improvement lending operates in a manner similar to recreation lending, with a few key differences. We currently maintain a smaller number of relationships, with approximately 800 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. Most of our home improvement-financed sales take place in the borrower's home instead of a store, with the contractor presenting the borrower with a bid that includes a financing option.

A large proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing backgrounds rather than by contractor employees who provide F&I services. The result is contractor demand for financing services that facilitate an in-home transaction (e.g., digital tools, including mobile applications for phone or tablet, support for E-SIGN compliant electronic signatures, and extended operating hours), and additional resources for the salesperson throughout the financing process. Our top ten contractors and FSP relationships were responsible for 57% of home improvement lending's new loan originations for the year ended December 31, 2023. The percentage of new loan originations by the top ten contractor and FSP relationships is a measure of concentration, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

We offer home improvement loans with only fixed rates, with an average term at origination of 13.6 years. The weighted average maturity of our loans outstanding is 12.3 years as of December 31, 2023. The average size of the loans in our home improvement portfolio at December 31, 2023 was approximately $20,000. The geographic dispersion of the home improvement loan portfolio supplements credit quality in reducing risk to the Company. As of December 31, 2023, home improvement loans were concentrated in roofs, swimming pools, and windows at 41%, 20%, and 13%. Home improvement loans are made to borrowers residing nationwide, with the highest concentrations in Texas and Florida both at 10% of loans outstanding as of December 31, 2023, and with no other states at or above 10%. As of December 31, 2023, 2022, and 2021, the weighted average FICO scores, measured at origination, of our home improvement loans outstanding were 764, 753, and 754. The weighted average FICO scores at the time of origination for the loans funded in the years ended December 31, 2023, 2022, and 2021 were 771, 758, and 759.

Commercial Lending

We originate both senior and subordinated loans nationwide to businesses to finance either the purchase of the equipment and related assets necessary to open a new business or the purchase or improvement of an existing business. From the inception of the commercial loan business, we have originated more than $1.0 billion in commercial loans. Commercial loans of $114.8 million comprised 5% of our loans receivable as of December 31, 2023.

We have worked to increase our commercial loan activity, primarily because of the attractive higher yielding nature of most of this business. We focus our marketing efforts on the manufacturing, professional, scientific, and technical services, with California, and Minnesota each representing 27% and 12% of the segment portfolio, and no other states having a concentration greater than 10%. These commercial loans are primarily secured by a second position on all assets of the businesses and generally range in amount from $2.5 million to $6.0 million at origination. As a component of most of the transactions, a portion of the investment is an equity or partnership stake, and occasionally, we also receive warrants to purchase an equity interest in the borrowers or some other form of success fee or profit participation. We seek to expand our commercial loan activities by developing a more diverse borrower base with a wider geographic area of coverage, and by expanding the targeted industries.

Commercial loans are generally secured by equipment, accounts receivable, real estate, or other assets, and have interest rates averaging 437 basis points over the prevailing prime rate at the end of 2023, compared to 473 basis points over the prime rate at the end of 2022.

Taxi Medallion Lending

Taxi medallion loans of $3.7 million comprised less than 1% of our loans receivable as of December 31, 2023. Taxi medallion loans collateralized by taxi medallions in the New York City metropolitan area and related assets comprised 100% of the taxi medallion loan portfolio as of December 31, 2023.

Our taxi medallion loans are secured by the taxi medallion and enhanced with personal guarantees of the owners, shareholders or equity members. When a borrower defaults on a loan, we have the ability to restructure the underlying loan or repossess the taxi medallion collateralizing that loan and sell it in the market or through a foreclosure auction and pursue the personal guarantees, all of which we have done. We have recorded an allowance for credit losses against the loans to mitigate potential future losses, and since 2020, the entire portfolio has remained on nonaccrual. Consistent with our established policy, once loans become 120 days past due, they are charged off down to collateral value and transferred to loan collateral in process of foreclosure. Taxi medallion loan collateral in process of foreclosure was $10.0 million as of December 31, 2023, with 100% located in the New York City metropolitan area.

New York City Market. A New York City taxi medallion is the only permitted license to operate a taxi and accept street hails in New York City. As reported by the Taxi and Limousine Commission, or TLC, taxi medallions sold for a wide variety of prices during 2023 supporting our estimated value of $79,500, net of liquidation costs, as of December 31, 2023.

A prospective taxi medallion owner must qualify under the taxi medallion ownership standards set and enforced by the TLC. These standards prohibit individuals with criminal records from owning taxi medallions, require that the funds used to purchase taxi medallions be derived from legitimate sources, and mandate that taxi vehicles and meters meet TLC specifications. In addition, before the TLC will approve a taxi medallion transfer, the TLC requires a letter from the seller’s insurer stating that there are no outstanding claims for personal injuries in excess of insurance coverage. After the transfer is approved, the owner’s taxi is subject to quarterly TLC inspections.

Strategic Partnerships

In 2019, the Bank launched a strategic partnership program to provide lending and other services to financial technology, or fintech, companies to offer loans and other financial services to customers. The Bank entered into an initial partnership in 2020 and began issuing its first loans. 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, such as three business days. Revenues are currently derived primarily from contracted program fees paid to us by our strategic partners and interest income earned while the loans or receivables remain on our books, offset by any transaction fees paid by us to our strategic partners for their role in processing loan applications. We originated $118.3 million and $49.5 million of strategic partnership loans for the years ended December 31, 2023 and 2022. We held $0.6 million of strategic partnership loans as of both December 31, 2023 and 2022.

Our Strategy

Our core philosophy has been to identify markets that are profitable and where we can obtain defensible market positions. The key elements of our strategy to grow our consumer lending (recreation and home improvement) and commercial lending businesses and increase their profitability include:

Capitalize on relationships with brokers and dealers. We are committed to establishing, building, and maintaining relationships with our brokers and dealers. Our marketing efforts are focused on building relationships in the consumer markets as we work directly with dealerships, contractors and FSPs to offer quality financing for their customers, including those with past credit challenges. We believe that relationships with dealers and brokers provide us with, in addition to loan origination opportunities, significant benefits, including an additional layer of due diligence and additional monitoring capabilities. We have assembled a management team that has developed an extensive network of dealer and broker relationships in our target markets over the last 50 years. We believe that our management team's relationships with these dealers and brokers have provided and will continue to provide us with loan origination opportunities. In 2023, all of our consumer loans were generated by brokers, dealers, contractors, and FSPs.

Focus on niche industries and our expertise in these niche fields. We specialize in providing consumer loans for the purchase of RVs, boats, and other consumer recreational equipment, and to finance home improvements through contractors and suppliers in the home improvement sector. We believe our focus on these niche areas provides us with an opportunity to realize favorable returns.

Employ disciplined underwriting policies and maintain rigorous portfolio monitoring. We have an extensive loan underwriting and monitoring process. We conduct a thorough analysis of each potential loan and its prospects, competitive position, financial performance, and industry dynamics. We stress the importance of credit and risk analysis in our underwriting process. We believe that our continued adherence to this disciplined process will permit us to continue to generate a stable, diversified and increasing revenue stream of current income from our earning assets to enable us to make distributions to our stockholders.

Leverage the skills of our experienced management team. The members of our management team have broad investment backgrounds, with prior experience in banking and non-bank consumer and commercial lending, at specialty finance companies, middle market commercial banks, and other financial services companies. We believe that the experience and contacts of our management team will continue to allow us to effectively implement the key aspects of our business strategy.

Seek strategic acquisitions. In addition to increasing market share in existing lending markets and identifying new niches, we seek to acquire other financing businesses and related portfolios, and specialty finance companies that make secured loans to small businesses and consumers which have experienced historically low credit losses similar to our own. Since our initial public offering in May 1996, we have acquired eight specialty finance companies, five loan portfolios, and three taxi rooftop advertising companies.

Expand our strategic partnership program. We launched an initial fintech partnership during 2020. These activities include originating loans or other receivables marketed by our partners and selling those loans or receivables to our partners or others, within a specified time after origination, such as three business days. Revenues are derived primarily from contracted program fees paid to us by our partners, and interest income earned while the loans or receivables are on our books, offset by transaction fees paid to our partners for processing loan applications. Our partners are non-banks offering loans and other financial services to their customers. We continue to evaluate and launch additional partnerships.

Loan Characteristics

Consumer Loans. Consumer loans generally require equal monthly payments covering accrued interest and amortization of principal over a negotiated term, generally around eleven to fourteen years. Interest rates offered are fixed. Borrowers may prepay consumer loans without any prepayment penalty. In general, the Bank has established relationships with dealers, FSPs, and contractors, which are the sources for consumer loan volumes. The loans are made up of recreation loans and home improvement loans which were 64% and 36% of total consumer loans at December 31, 2023.

Our recreation loans are secured primarily by RVs, boats and other consumer recreational equipment with a small proportion of loans secured by other collateral such as autos, motorcycles and boat motors. These loans, which together make up our largest and most profitable loan portfolio, have a weighted average yield of 13.07% at December 31, 2023. Our home improvement loans are secured by the personal property installed on real property, and the security interest for some of these loans is perfected with a UCC fixture filing. As of December 31, 2023, these loans had a weighted average yield of 8.86%.

Commercial Loans. We have typically originated commercial loans in principal amounts generally ranging from $2.5 million to $6.0 million, and occasionally have originated loans under or in excess of those amounts. These loans are generally retained and typically have maturities ranging from three to ten years and require monthly payments ranging from full amortization over the loan term to fully deferred interest and principal at maturity, with multiple payment options in between. All loans may be prepaid, and in the first five years, a prepayment fee may be owed to us. The term of, and interest rate charged on, certain of our outstanding loans are subject to the regulations of the Small Business Administration, or the SBA. Under SBA regulations, the maximum rate of interest permitted on loans originated by us is 19%; however, terms and interest rates are subject to market competition for all loans.

Taxi Medallion Loans. Our taxi medallion loan portfolio consists of mostly fixed-rate loans, collateralized by first security interests in taxi medallions and related assets. We estimate that the weighted average loan-to-value ratio of all of the taxi medallion loans was 183% as of December 31, 2023, compared to 339% as of December 31, 2022. These ratios do not factor in the reserve on these loans of $1.5 million and $9.5 million as of December 31, 2023 and 2022 and also do not include loan collateral in process of foreclosure, held at the lower of amortized cost or collateral value. In addition, we have recourse against the vast majority of the owners of the taxi medallions and related assets through personal guarantees. Other than in connection with dispositions of existing taxi medallion assets, Medallion Financial Corp. has not originated a new taxi medallion loan since 2015, and the Bank has not originated a new taxi medallion loan since 2014.

Marketing, Origination, and Loan Approval Process

Each loan application is individually reviewed through analysis of several factors, including loan-to-value ratios, the borrower's credit history, public records, personal interviews, trade references, personal inspection of the premises, and approval from the TLC, SBA, or other regulatory body, if applicable. Each commercial and taxi medallion loan applicant is required to provide personal or corporate tax returns, premises leases, and/or property deeds.

The Company's senior management establishes loan origination criteria. Loans that conform to such criteria may be processed by a loan officer with the proper credit authority, and non-conforming loans (other than those by the Bank) must be approved by the Company's Chief Executive Officer, President, and/or the Chief Credit Officer and the Investment Oversight Committee of the Company's board of directors. Loan criteria for loans originated with the Bank is established by the Bank's board of directors and senior management. The Bank's policies identify specific approval authorities for its recreation and home improvement loans. Policy exceptions are reported to the Bank's board of directors. Consumer loans are primarily sourced through relationships with RV and boat dealers, and home improvement contractors throughout our market area. Commercial loans are generally sourced through a network of private equity sponsors who we have long-standing relationships with, and are also referred by contacts with banks.

Sources of Funds

Management determines our funding sources, based upon an analysis of the respective financial and other costs and burdens associated with funding sources. We also fund our lending operations through debt offerings and private placements, fixed-rate, senior secured notes, long-term subordinated debentures issued to the SBA, as well as preferred equity securities at our subsidiaries. In the past, we have utilized credit facilities with banks, as well as equity and debt offerings, to fund our lending operations. Our funding strategy and interest rate risk management strategy is to have the proper structuring of debt to minimize both rate and maturity risk, while maximizing returns with the lowest cost of funding over an intermediate period of time. Since the inception of the Bank, substantially all of the Bank's borrowings have been provided by FDIC insured brokered certificates of deposit.

The table below summarizes our sources of available funds and amounts outstanding under credit facilities, exclusive of deferred financing costs of $8.5 million, and their weighted average interest rates at December 31, 2023. See Note 5 to the consolidated financial statements for additional information.

(Dollars in thousands)	Total
Cash, cash equivalents, and federal funds sold	**$ 149,845**
Brokered certificates of deposit & other funds borrowed	**1,870,939**
Average interest rate	**3.07%**
Retail notes and privately placed borrowings	**139,500**
Average interest rate	**8.08%**
Maturity	**3/24 - 12/33**
SBA debentures and borrowings	
Amounts undisbursed	**10,250**
Amounts outstanding	**75,250**
Average interest rate	**3.69%**
Maturity	**3/24 - 3/34**
Trust preferred securities	**33,000**
Average interest rate	**7.75%**
Maturity	**9/37**
Total cash [(1)]	**$ 149,845**
Total debt outstanding	**$ 2,118,689**

(1) Includes $110.0 million at the Bank and $8.9 million at SBIC subsidiaries.

We fund our fixed-rate loans with fixed rate brokered or listing service certificates of deposit, fixed rate private notes, fixed-rate SBA debentures and borrowings, and to a lesser extent variable rate borrowings. The mismatch between maturities and interest-rate sensitivities of these balance sheet items results in interest rate risk. We seek to manage our exposure to increases in market rates of interest to an acceptable level by incurring fixed-rate debt.

Nevertheless, we accept varying degrees of interest rate risk depending on market conditions. For additional discussion of our funding sources and asset liability management strategy, see Asset/Liability Management on page 53.

Competition

Banks, credit unions, and finance companies, some of which are SBICs, compete with us in originating consumer and commercial loans. Many of these competitors have greater resources than we have, and certain competitors are subject to less restrictive regulations than we are. As a result, we cannot assure you that we will be able to identify and complete the financing transactions that will permit us to compete successfully.

Human Capital Resources

As of December 31, 2023, we employed 169 persons: 128 at Medallion Bank, 33 at our parent company, and 8 at Medallion Capital. This compares to 158 persons at the end of 2022: 119 at Medallion Bank, 33 at our parent company, and 6 at Medallion Capital.

We are committed to hiring inclusively, fostering an inclusive culture, and ensuring equitable pay for employees. We value diversity among all of our employees. Equal employment opportunity is a fundamental principle at the Company, where employment is based upon personal capabilities and qualifications. We prohibit and do not tolerate any discrimination against employees, applicants, interns or any other covered persons, and we ensure equal employment opportunity without discrimination on the basis of race, color, creed, religion, national origin, ancestry, ethnicity, citizenship status, physical or mental disability, age, sex (including pregnancy), gender, gender identity or gender expression (including transgender status), marital status, familial status, veteran status, genetic information or any other protected characteristic as established by applicable federal, state or local law.

We incentivize our employees through a combination of competitive salary, equity compensation and other benefits. We provide most employees with incentive bonuses in the form of cash and equity. Employee equity ownership helps us attract, retain, motivate and reward employees, while aligning employee compensation with our stockholders' interests by linking realizable pay with stock performance.

Our Compensation Committee reviews management's recommendations and advises management and the Board of Directors on broad compensation policies such as salary ranges, annual incentive bonuses, long-term incentive plans, including equity-based compensation programs, and other benefit and perquisite programs.

We have a 401(k) Investment Plan and other generally available benefit programs like health insurance, paid and unpaid leaves, life insurance, disability coverage, accident insurance and critical illness insurance; we believe that the availability of these benefit programs generally enhance employee productivity and loyalty to the Company. We believe it is important for our employees at the Bank to provide service to the communities in which they live and encourage them to take time, including prearranged work time, to participate in activities of local civic organizations, charitable or nonprofit organizations or educational institutions. We value employee development and training and are committed to identifying and developing the talents of our next-generation leaders. Our employee benefits also help protect the health, well-being and financial security of our employees.

SUPERVISION AND REGULATION

Exemption from the 1940 Act

In order to maintain our status as a non-investment company, we operate so as to fall outside the definition of an "investment company" or within an applicable exception. We expect to continue to fall within the exception from the definition of an "investment company" provided under Section 3(c)(6) of the 1940 Act as a company primarily engaged, directly or through majority-owned subsidiaries, in the business of, among other things, (i) banking, (ii) purchasing and otherwise acquiring notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance and services, and (iii) making loans to manufacturers, wholesalers, and retailers of, and to prospective purchasers of, specified merchandise, insurance, and services. We monitor our continued compliance with this exception and were compliant as of December 31, 2023.

Regulation of Medallion Bank as an Industrial Bank

In May 2002, we formed the Bank, which received approval from the FDIC for federal deposit insurance in October 2003. The Bank is subject to extensive federal and state banking laws, regulations, and policies that are intended primarily for the protection of depositors, the Deposit Insurance Fund, and the banking system as a whole, not for the protection of our other creditors and stockholders.

Under the banking charter, the Bank is authorized to make consumer and commercial loans and may accept all FDIC-insured deposits other than demand deposits (checking accounts). As a state-charted non-member bank with FDIC-insured deposits, the Bank is examined, supervised and regulated by the FDIC and the Utah Department of Financial Institutions, or the Utah DFI. The statutes enforced by, and regulations and policies of, these agencies affect almost all aspects of its business, including by prescribing permissible types of loans and investments, the amount of required capital, the permissible scope of its activities and various other requirements. If the Bank's regulators were to determine that we have violated banking laws and regulations, including by engaging in unsafe and unsound practices, the Bank could be subject to enforcement and other regulatory actions, which could have an adverse effect on its business, results of operations and financial condition.

Capital Standards

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

Under the risk-based capital standards, the Bank's assets, exposures and certain off-balance sheet items are assigned to broad risk categories, each with designated weights, and the resulting capital ratios represent capital as a percentage of total risk-weighted assets. The minimum capital ratios applicable to us are as follows:

- **CET1 Risk-Based Capital Ratio**, equal to the ratio of Common Equity Tier 1 (CET1), capital to risk-weighted assets. CET1 capital primarily includes common shareholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets, certain deferred tax assets and accumulated other comprehensive income. The minimum CET1 risk-based capital ratio requirement is 4.5%.
- **Tier 1 Risk-Based Capital Ratio**, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital primarily consists of CET1 capital and perpetual preferred stock. The minimum Tier 1 risk-based capital ratio requirement is 6%.
- **Total Risk-Based Capital Ratio**, equal to the ratio of total capital, including CET1 capital, additional Tier 1 capital and Tier 2 capital, to risk-weighted assets. The Bank's Tier 2 capital primarily includes allowance for credit losses up to 1.25% of the Bank's risk-weighted assets. The minimum total risk-based capital ratio requirement is 8%.
- **Tier 1 Leverage Ratio**, equal to the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets and certain other deductions). The minimum Tier 1 leverage ratio requirement is 4%.

The prompt corrective action framework, which generally applies to FDIC-insured depository institutions, including the Bank, also includes capital requirements the Bank must satisfy to, among other things, be able to accept brokered deposits without limitations. See "Prompt Corrective Action" and "Brokered Deposits" below.

In addition to meeting the minimum capital requirements, under the U.S. Basel III capital rules, the Bank must also maintain the required capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions (including dividends on the Bank's preferred stock) and certain discretionary bonus payments to management. The capital conservation buffer is calculated as a ratio of CET1 capital to risk-weighted assets, and it effectively increases the required minimum risk-based capital ratios.

The table below shows the capital requirements the Bank is required to maintain:

	Minimum U.S. Basel III Regulatory Capital Ratio Plus Capital Conservation Buffer
CET1 risk-based capital ratio	**7.0%**
Tier 1 risk-based capital ratio	**8.5%**
Total risk-based capital ratio	**10.5%**

For purposes of calculating the denominator of the three risk-based capital ratios, the assets of covered banking organizations are given risk weights that, under the U.S. Basel III capital rules, range from 0% to 1,250%, depending on the nature of the asset. Most of the Bank's loans are assigned a 100% risk weight, with loans that are 90 days or more past due or on nonaccrual assigned a 150% risk weight. In addition, direct obligations of the U.S. Department of the Treasury (U.S. Treasury), or obligations unconditionally guaranteed by the U.S. government have a 0% risk weight, while general obligation claims on states or other political subdivisions of the United States are assigned a 20% risk weight, except for municipal or state revenue bonds, which have a 50% risk weight.

The U.S. Basel III capital rules provide for limited recognition in CET1 capital, and deduction from CET1 capital above certain thresholds, of three categories of assets: (i) deferred tax assets arising from temporary differences that cannot be realized through net operating loss carrybacks (net of related valuation allowances and of deferred tax liabilities), (ii) mortgage servicing assets (net of associated deferred tax liabilities) and (iii) investments in more than 10% of the issued and outstanding common stock of unconsolidated financial institutions (net of associated deferred tax liabilities). The federal banking regulators have adopted a rule that is designed to simplify the capital treatment of those categories of assets for banking organizations, such as the Bank, which are not subject to the advanced approaches in the U.S. Basel III capital rules.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. Among other things, these standards revise the Basel Committee's standardized approach for credit risk and provide a new standardized approach for operational risk capital. In July 2023, the U.S. federal bank regulatory agencies proposed a rule implementing the Basel Committee's finalization of the post-crisis regulatory capital reforms. The proposed rule would apply to large banks and banks with significant trading activity. Capital requirements would not change for community banks, which includes the Bank.

Federal banking regulators published a final rule, effective in April 2019, permitting banking organizations to phase in any adverse day-one regulatory capital effects of the adoption of ASU 2016-13 (referred to as the current expected credit loss model, or CECL), over a period of three years. The Bank formally adopted CECL on January 1, 2023. For additional information on ASU 2016-13, see "Note 1. Organization and Summary of Significant Accounting Policies" in the annual audited financial statements included elsewhere in this Form 10-K.

The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018, or EGRRCPA, required the federal banking regulators to adopt regulations to implement an exemption from the U.S. Basel III capital rules for smaller banking organizations, including the Bank, which maintain a "Community Bank Leverage Ratio" of at least 8% to 10%. Specifically, the EGRRCPA provides that if any depository institution or depository institution holding company with less than $10 billion in total consolidated assets maintains tangible equity in excess of this leverage ratio, as implemented by the federal banking regulators, it would be deemed to be in compliance with (i) the leverage and risk-based capital requirements promulgated by the federal banking agencies; (ii) in the case of a depository institution, the capital ratio requirements to be considered "well-capitalized" under the federal banking agencies' "prompt corrective action" regime; and (iii) "any other capital or leverage requirements" to which the depository institution or holding company is subject, unless the appropriate federal banking agency determines otherwise based on the particular institution's risk profile.

The FDIC has adopted a rule, implementing the Community Bank Leverage Ratio. Under the rule, the Community Bank Leverage Ratio is the same as the Tier 1 Leverage Ratio under the Basel III capital rules and a qualifying small banking organization, such as the Bank, that has less than $10 billion in total consolidated assets and meets certain risk-based criteria can choose to apply the Community Bank Leverage Ratio framework if its Community Bank Leverage Ratio is greater than 9%. The Bank has not elected and currently does not expect to elect to apply the Community Bank Leverage Ratio framework but will continue to assess the framework and may choose to apply it in the future.

As a condition to receipt of FDIC insurance, the Bank entered into a capital maintenance agreement with the FDIC, or the 2003 Capital Maintenance Agreement, requiring it to maintain a 15% leverage ratio (Tier 1 capital to average assets) and an adequate allowance for credit losses and restricting the amount of taxi medallion loans that the Bank may finance to three times the Bank's Tier 1 capital.

Prompt Corrective Action

The Bank is subject to FDIC regulations which apply to every FDIC-insured depository institution, setting out a system of mandatory and discretionary supervisory actions that generally become more severe as the capital levels of an individual institution decline. Pursuant to provisions of the Federal Deposit Insurance Act, or FDIA, and related regulations with respect to prompt corrective action, the federal banking regulators must take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. The FDIA sets forth the following five capital categories: "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." An insured depository institution's capital category depends upon how its capital levels compare with various relevant capital measures and certain other factors that are established by regulation.

	"Well-capitalized"	"Adequately capitalized"
CET1 risk-based capital ratio	6.5%	4.5%
Tier 1 risk-based capital ratio	8.0%	6.0%
Total risk-based capital ratio	10.0%	8.0%
Tier 1 leverage ratio	5.0%	4.0%

If a bank meets the quantitative thresholds for well-capitalized status provided above and is not subject to any written agreement, order or directive from the appropriate regulatory agency to meet and maintain a specific capital level, it will qualify as well-capitalized. Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a material adverse effect on the Bank's operations or financial condition. See "Brokered Deposits" below for additional information. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications. Pursuant to the 2003 Capital Maintenance Agreement, the Bank has agreed that the Bank's capital levels will at all times meet or exceed the levels required for the Bank to be considered well-capitalized under FDIC rules.

Brokered Deposits

The Bank uses "brokered deposits" to fund a substantial portion of the Bank's activities. Under the FDIA and related regulations, FDIC-insured institutions such as the Bank may only accept brokered deposits without FDIC permission if they meet specified capital standards and are not subject to any written agreement, order or directive to meet and maintain a specific capital level, and are subject to restrictions with respect to the interest they may pay on deposits unless they are well-capitalized. In particular, the FDIA and the FDIC's regulations prohibit an insured depository institution from accepting brokered deposits unless it is well-capitalized or is adequately capitalized and receives a waiver from the FDIC.

Under FDIC regulations governing brokered deposits and interest rate restrictions. A bank that is "adequately capitalized" and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate, at the time any such deposit is accepted, in excess of (i) 75 basis points over certain national rates described in the FDIC's regulations or (ii) 90% of the highest interest rate paid on a particular deposit product in the bank's local market area, if the bank provides notice to the FDIC and evidence of such local rate. There are no such restrictions under the FDIC on a bank that is well-capitalized.

Pursuant to the 2003 Capital Maintenance Agreement, the Bank has agreed that our capital levels will at all times meet or exceed the level required for the Bank to be considered well-capitalized under FDIC rules. If the Bank was no longer able to accept or renew brokered deposits as a result of failing to meet the requisite capital standards or as a result of being subject to a written agreement, order or directive to meet and maintain a specific capital level, there would be a material adverse effect on the Bank's business, financial condition, liquidity and results of operations.

Deposit Insurance

The Bank's deposits have the benefit of FDIC insurance up to the applicable limits. The FDIC's Deposit Insurance Fund, or DIF, is funded by assessments on insured depository institutions, such as us. The Bank's assessment (subject to adjustment by the FDIC) is currently based on the Bank's average total consolidated assets less the Bank's average tangible equity during the assessment period, the Bank's supervisory ratings, and specified forward-looking financial measures used to calculate the assessment rate.

In October 2022, the FDIC adopted a rule applicable to all FDIC-insured banks that increased initial base deposit insurance assessment rates by 2 basis points, beginning with the first quarterly assessment period of 2023. The FDIC, as required under the FDIA, established a plan in September 2020 to restore the DIF reserve ratio to meet or exceed the statutory minimum of 1.35 percent within eight years. The increased assessment is intended to improve the likelihood that the DIF reserve ratio would reach the required minimum by the statutory deadline of September 30, 2028.

In November 2023, the FDIC adopted a final rule providing for the recovery, by special assessment, of losses to the FDIC deposit insurance fund as a result of the FDIC's use of the systemic risk exception following the closures of Silicon Valley Bank and Signature Bank. In addition, the FDIC must recover, by special assessment, losses to the FDIC deposit insurance fund as a result of the FDIC's use of the systemic risk exception to the least cost resolution test under the FDIA. The special assessment will be collected on the basis of insured depository institution's uninsured deposits, adjusted to exclude the first $5 billion of uninsured deposits, and will therefore not be applicable to us.

Payment of Dividends

The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions that limit the amount available for such distribution, depending upon earnings, financial condition and cash needs of the institution, as well as general business conditions. Insured depository institutions are also prohibited from paying management fees to any controlling persons or, with certain limited exceptions, making capital distributions, including dividends, if after such transaction the institution would be less than adequately capitalized.

Under Utah law, the Bank may only declare dividends to the Bank's shareholders out of the Bank's net profits, after providing for all expenses, losses, interest and taxes accrued or due. Further, the Bank is required to transfer to a surplus fund at least 10% of the Bank's net profits before dividends for the period covered by the dividend until the surplus fund reaches 100% of the Bank's capital stock. Any amount paid from the Bank's net earnings into a fund for the retirement of outstanding debt capital instruments or preferred stock for the period covered by the dividend will be considered an addition to the Bank's surplus fund if, upon the retirement of such instruments, the amount paid into the retirement fund for the period may be properly carried to the Bank's surplus fund.

The federal banking agencies also have authority to prohibit depository institutions from engaging in business practices that are considered unsafe or unsound, possibly including payment of dividends or other payments under certain circumstances even if such payments are not expressly prohibited by statute.

In addition, as discussed under "Capital Standards," if the Bank's risk-based capital ratios do not satisfy the minimum risk-based requirements plus the capital conservation buffer, the Bank will face graduated constraints on, among other things, capital distributions (including dividends on the Bank's preferred stock) based on the amount of the shortfall and the amount of the Bank's eligible retained income. For these purposes, eligible retained income is defined as the greater of (i) net income for the four preceding quarters, net of distributions and associated tax effects not reflected in net income; and (ii) the average net income over the preceding four quarters.

Safety and Soundness

The FDIA also implemented certain specific restrictions on transactions and required federal banking regulators to adopt overall safety and soundness standards for depository institutions related to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits, and such other operational and managerial standards as the agencies deem appropriate. Guidelines adopted by the federal banking regulators establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. These guidelines also prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. The federal banking agencies may require an institution to submit to an acceptable compliance plan as well as have the flexibility to pursue other more appropriate or effective courses of action given the specific circumstances and severity of an institution's noncompliance with one or more standards. The FDIC may also terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Among other things, in addition to the restrictions on brokered deposits discussed above, the FDIA limits the interest rates paid on deposits by undercapitalized institutions and limits the aggregate extensions of credit by a depository institution to an executive officer, director, principal shareholder or related interest.

Consumer Financial Protection

The Bank is subject to a number of federal and state consumer protection laws that extensively govern the Bank's consumer lending businesses. These laws include, but are not limited to, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Electronic Fund Transfer Act and these laws' respective state-law counterparts, as well as laws regarding unfair and deceptive acts and practices. These federal and state laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive practices and subject the Bank to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal banking regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, and civil money penalties. Failure to comply with consumer protection requirements may also result in substantial reputational harm that could adversely affect our business.

Community Reinvestment Act of 1977

The Bank is subject to certain requirements and reporting obligations under the Community Reinvestment Act, or CRA. Under the CRA, the Bank has an obligation, consistent with safe and sound operations, to help meet the credit needs of the Bank's entire assessment area, including low- and moderate-income individuals and communities in that assessment area. Currently, the Bank's assessment area is Salt Lake County, Utah. In connection with its examination of the Bank, the FDIC is required to assess the Bank's CRA performance in the areas of lending, investments and services. The FDIC may take compliance with the CRA into account when regulating and supervising the Bank's other activities. The CRA also requires the agencies to take into account banks' records of meeting community credit needs when evaluating applications for, among other things, new branches or mergers. We have elected to be evaluated for the Bank's compliance with CRA requirements based on a strategic plan we adopted with public involvement and regulatory approval. That strategic plan includes measurable goals for helping to meet the credit needs of the Bank's assessment area and is available on the Bank's website. The CRA provides that CRA examination ratings be made public. The Bank received a rating of "Outstanding" in its most recently completed CRA examination.

In October 2023, the Federal Reserve, the FDIC, and the Office of the Comptroller of the Currency, or the OCC, jointly issued a final rule that significantly amended the agencies' regulatory framework implementing the CRA. The revised federal CRA regulations tailor CRA evaluations to bank size and type, with many of the changes applying only to banks with more than $2 billion in assets, such as the Bank. The final rule introduced major changes in four key areas: (1) the delineation of assessment areas, (2) the overall evaluation framework and performance standards and metrics, (3) the definition of community development activities and (4) data collection and reporting. The final rule will be effective on April 1, 2024, but most provisions of the rule, including the new tests, the need to define retail lending assessment areas and the data collection requirements, will become applicable on January 1, 2026. Reporting of the collected data will not be required until April 1, 2027.

Transactions with Affiliates and Insiders

The Bank is subject to certain federal laws that restrict and control our ability to extend credit and provide to or receive services from its affiliates under Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. These restrictions include quantitative and qualitative limits on the amounts and types of transactions that may take place, including the transfer of funds by the Bank to certain of its affiliates in the form of loans, extensions of credit, investments, or purchases of assets. These restrictions also require that credit transactions with affiliates be collateralized and that its transactions with affiliates be on terms no less favorable to the Bank than comparable transactions with unrelated third parties. Generally, the Bank's covered transactions with any affiliate are limited to 10% of our capital stock and surplus, and covered transactions with all affiliates are limited to 20% of our capital stock and surplus.

The Bank is also subject to limits under federal law on its ability to extend credit to its directors, executive officers and principal shareholders (persons that beneficially own or control more than 10% of any class of our voting stock), as well as to entities owned or controlled by such persons. Among other things, extensions of credit to such insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than those prevailing for comparable transactions with non-insiders. Also, the terms of such extensions of credit may not involve more than the normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate. Certain extensions of credit also require the approval of the Bank's board of directors.

Financial Privacy and Cybersecurity

Federal and state law contains extensive consumer privacy protection provisions. The Gramm-Leach-Bliley Act requires financial institutions to periodically disclose their privacy policies and practices relating to their collection, sharing and protection of nonpublic personal information and enables retail customers to opt out of their information being shared by financial institutions with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The Gramm-Leach-Bliley Act also requires financial institutions to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information. Federal law also makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

State regulators have been increasingly active in enacting or promulgating privacy and cybersecurity standards and regulations. In recent years, several states have adopted regulations requiring certain financial institutions to implement and maintain cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also implemented or modified their data breach notification and data privacy requirements.

In addition, pursuant to requirements applicable to FDIC-supervised banking organizations, such as us, we are required to notify the FDIC within 36 hours of incidents that have materially disrupted, degraded, or are reasonably likely to materially disrupt or degrade the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or pose a threat to the financial stability of the United States. No such incidents occurred during 2023.

Anti-Money Laundering and the USA PATRIOT Act

The Bank is subject to the anti-money laundering (AML) provisions of the Bank Secrecy Act, or the BSA, as amended by the USA PATRIOT Act, or the PATRIOT Act, and implementing regulations issued by the FDIC and the U.S. Treasury. The PATRIOT Act, which includes the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, is intended to facilitate the detection and prosecution of terrorism and international money laundering. The PATRIOT Act establishes standards for verifying customer identification incidental to the opening of new accounts. Other provisions of the PATRIOT Act provide for special information sharing procedures governing communications with the government and other financial institutions with respect to suspected terrorists and money laundering activity, and enhancements to suspicious activity reporting, including electronic filing of suspicious activity reports over a secure filing network. The BSA requires all financial institutions, including banks, to, among other things, establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The BSA includes a variety of record-keeping and reporting requirements (such as cash and suspicious activity reporting), as well as due diligence/know-your-customer documentation requirements. The U.S. Treasury's Office of the Financial Crimes Enforcement Network, or FinCEN, issued a final rule, applicable as of May 2018, to clarify and enhance customer due diligence requirements for financial institutions. The rule (among other things) imposes certain obligations on covered financial institutions with respect to their "legal entity customers," including corporations, limited liability companies and other similar entities. For each such customer that opens an account (including an existing customer opening a new account), the covered financial institution must identify and verify the customer's "beneficial owners," who are specifically defined in the rule. Bank regulators routinely examine institutions for compliance with customer due diligence obligations. The Anti-Money Laundering Act of 2020, or AMLA, which amends the BSA, is intended to comprehensively reform and modernize U.S. anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to AML compliance for financial institutions; requires the U.S. Department of the Treasury to periodically promulgate priorities for anti-money laundering and countering the financing of terrorism policy; requires the development of standards by the Treasury Department for testing technology and internal processes for BSA compliance; expands enforcement- and investigations-related authority, including a significant expansion in the available sanctions for certain BSA violations and expands BSA whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA, including on our compliance costs and compliance risk relating to the BSA, will depend on, among other things, rulemaking and implementation guidance.

In June 2021, FinCEN issued the priorities for anti-money laundering and countering the financing of terrorism policy required under the AMLA. The priorities include corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking and proliferation financing.

Regulation by the SBA

Medallion Funding and Medallion Capital are each licensed by the SBA to operate as SBICs, under the Small Business Investment Act of 1958, as amended, or the SBIA. Freshstart, through 2023, was licensed by the SBA to operate as an SBIC. The SBIA authorizes the licensing of privately held investment vehicles as SBICs in order to provide long term financing to small business concerns. Under the SBIA and the regulations promulgated by the SBA thereunder, a "small business concern" is a business that is independently owned and operated, which is not dominant in its field of operation, and which (i) has a tangible net worth, together with any affiliates, of $24.0 million or less and average annual net income after U.S. federal income taxes for the preceding two fiscal years of $8.0 million or less (average annual net income is computed without the benefit of any carryover loss), or (ii) satisfies alternative criteria under the Federal government's North American Industry Classification System, or the NAICS, that assigns codes to the industry in which a small business is engaged and provides a small business size standard based either on the number of persons employed by the business or its gross revenues. In addition, at the end of each fiscal year, at least 25% of the total amount of investments must be made in "smaller enterprises" that have a net worth of $6.0 million or less, and average net income after federal income taxes for the preceding two years of $2.0 million or less. A business that meets the NAICS size standards also qualifies as a "smaller enterprise" for purposes of meeting SBA's size standard regulations.

Investments by SBICs must generally be in active, domestic businesses. SBIC regulations preclude investment in the following types of businesses: (1) business whose primary business activity is as a relender or reinvestor (that is, directly or indirectly, providing funds to others, purchasing debt obligations, factoring, or long term leasing of equipment with no provision for maintenance or repair); (2) many kinds of real estate projects; (3) single purpose projects that are not continuing businesses; (4) companies located outside the U.S. intending to use the proceeds of the investment outside of the U.S. or companies that are located in the U.S. that have more than 49% of their employees or tangible assets located outside of the US; (5) businesses that are passive and do not carry on an active trade or business; (6) businesses that use 50% or more of the funds to buy goods or services from an associated supplier; and (7) certain "sin businesses" such as gambling and the like.

Under current SBA regulations, the maximum rate of interest that Medallion Funding and Medallion Capital may charge may not exceed the higher of (i) 19% or (ii) the sum of (a) the higher of (i) that company's weighted average cost of qualified borrowings, as determined under SBA regulations, or (ii) the current SBA debenture rate, plus (b) 11%, rounded to the next lower eighth of one percent. As of December 31, 2023, the maximum rate of interest permitted on loans originated by our SBICs was 19%. As of December 31, 2023, our outstanding taxi medallion loans had a weighted average rate of interest of 4.89%, and our outstanding commercial loans had a weighted average rate of interest of 12.87%. Current SBA regulations also require that each loan originated by an SBIC has a term between one and 20 years.

In addition, SBICs are subject to periodic examination by the SBA, for which the SBA charges examination fees. SBICs must maintain certain records and make them available for SBA examination. SBICs also are required to prepare valuations of their portfolio investments in accordance with prescribed valuation guidelines, maintain certain minimum levels of capital, file annual reports containing financial, management and other information and file notices of certain material changes in their ownership and operations. We are typically examined by the SBA for compliance with applicable SBA regulations.

SBICs are precluded from making investments in a small business if it would give rise to certain conflicts of interest. Generally, a conflict of interest may arise if an associate of the SBIC has or makes an investment in the small business that the SBIC is financing or serves as one of its officers or would otherwise benefit from the financing. A conflict of interest would also occur if an SBIC were to lend money to any of its officers, directors, and employees, or invest in any affiliates thereof. Joint investing with an associate (such as another fund controlled by affiliates of the general partner of the fund) may be made on identical terms or on terms that are fair to the SBIC. The SBA also prohibits, without prior SBA approval, a "change of control" or transfers which would result in any person (or group of persons acting in concert) owning 10% or more of any class of capital stock of an SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements, or otherwise.

Under SBA regulations, without prior SBA approval, loans and other investments by licensees with outstanding SBA leverage to any single small business concern may not exceed 30% of an SBIC's "regulatory capital."

SBICs may invest idle funds that are not being used to make loans or other long-term investments in certain short-term investments permitted under SBA regulations. These permitted investments include direct obligations of, or obligations guaranteed as to principal and interest by, the government of the U.S. with a term of 15 months or less and deposits maturing in one year or less issued by an institution insured by the FDIC. These permitted investments must be maintained in (i) direct obligations of, or obligations guaranteed as to principal and interest by, the US, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less if the securities underlying the repurchase agreements are direct obligations of, or obligations guaranteed as to principal and interest by the US, and such securities must be maintained in a custodial account in a federally insured institution; (iii) mutual funds, securities, or other instruments that exclusively consist of, or represent pooled assets of, investments described in (i) or (ii) above; (iv) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (v) a deposit account in a federally insured institution, subject to withdrawal restriction of one year or less; (vi) a checking account in a federally insured institution; or (vii) a reasonable petty cash fund.

SBICs may purchase voting securities of small business concerns in accordance with SBA regulations. Although prior regulations prohibited an SBIC from controlling a small business concern except in limited circumstances, SBA regulations allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

If an SBIC defaults in its payment obligations to SBA under its outstanding debentures, fails to comply with any terms of its securities, or violates any law or certain regulations applicable to it, the SBA has the right to accelerate the maturity of all amounts due under its debentures. Additionally, the SBA may appoint a receiver for the SBIC and for its liquidation in the event of a default on payment of a SBIC's debentures or for serious regulatory violations.

Other

Change in Control

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

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

Examination and Supervision

Federal and state banking agencies require the Bank to prepare annual reports on financial condition and to conduct an annual audit of financial affairs in compliance with minimum standards and procedures. We must undergo regular on-site examinations by the FDIC and the Utah DFI, which examine for adherence to a range of legal and regulatory compliance responsibilities. A bank regulator conducting an examination has complete access to the books and records of the examined institution. The results of the examination are confidential, with the exception of the CRA examination discussed above. The cost of examinations may be assessed against the examined institution as the agency deems necessary or appropriate.

Incentive Compensation

The FDIC has issued comprehensive guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk, (ii) be compatible with effective internal controls and risk management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The Dodd-Frank Act requires the federal banking regulators and the Securities and Exchange Commission, or the SEC, to establish joint regulations or guidelines at specified regulated entities having at least $1 billion in total assets, such as us, prohibiting incentive-based payment arrangements that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. The federal banking regulators and the SEC proposed revised rules in 2016, which have not been finalized.

Valid When Made and True Lender

The FDIC has adopted a rule clarifying that a loan made by a state-chartered bank is considered "valid when made" pursuant to the preemptive authority in Section 27 of the FDIA, and therefore the loan's original terms, including, among others, its interest rate, are valid and enforceable by any subsequent assignee, transferee, or buyer, regardless of the usury laws of other states, or the "Valid-When-Made Rule". Under the Valid-When-Made Rule, the interest rate on a bank-made loan remains valid and enforceable even after the bank sells or transfers it to a party that could not have originated the loan on the same terms as the bank. The Valid-When-Made Rule does not address when a state-chartered bank is the "true lender" of a loan, and the ultimate effect of the FDIC rule remains uncertain in light of the overturning of the OCC's analogous rule pursuant to a Congressional Review Act resolution signed by President Biden, and other pending legal challenges to bank-fintech partnerships on the ground that the bank is not the "true lender." In 2020, the state attorneys general of seven states and the District of Columbia filed suit against the FDIC, alleging that the Valid-When-Made Rule conflicts with the FDIA, exceeds the FDIC's statutory authority, and violates the Administrative Procedure Act. In February 2022, the United States District Court for the Northern District of California granted the FDIC's motion for summary judgement, holding that the FDIC had the power to issue the Valid-When-Made Rule and that its interpretation of the federal banking laws is entitled to judicial deference. We believe the impact to the Bank of the Valid-When-Made Rule will be minimal.

Future Legislation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, and limit our ability to pursue business opportunities in an efficient manner.

AVAILABLE INFORMATION

Our corporate website is located at www.medallion.com. We make copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act available on or through our website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. Our SEC filings can be found in the Investors Relations section of our website, the address of which is www.medallion.com/investors.html, or on the SEC website at www.sec.gov. Our Code of Ethical Conduct and Insider Trading Policy can be located in the Corporate Governance section of our website at www.medallion.com/investors_corporate_governance.html. These documents, as well as our SEC filings, are available in print free of charge to any stockholder who requests a copy from our Secretary.

ITEM 1A. RISK FACTORS

Risks Related to Our Loan Portfolios and Business

Our business is heavily concentrated in consumer lending, which carries a high risk of loss that is different from and typically higher than the risk of loss associated with commercial lending, and which could be adversely affected by an economic downturn.

Our business is heavily concentrated in consumer lending. As a result, we are more susceptible to fluctuations and risks particular to consumer credit than a more diversified company would be. Our business is particularly sensitive to macroeconomic conditions that affect the U.S. economy, consumer spending and consumer credit, including for example, the impacts of inflation, which has had and could continue to have an adverse effect on consumer spending, a rising interest rate environment, as well as the impact that geopolitical responses to international and regional wars have had on gasoline prices and the economic environment generally in the United States. We are also more susceptible to the risks of increased regulations and legal and other regulatory actions that are targeted at consumer credit or the specific consumer credit products that we offer (including promotional financing). Our business concentration could have a material adverse effect on our results of operations.

By its nature, lending to consumers carries with it different risks and typically a higher risk of loss than commercial lending. Although the net interest margins are intended to be higher to compensate us for this increased risk, an economic downturn could result in higher loss rates and lower returns than expected and could affect the profitability of our consumer loan portfolios. For example, in 2023 our net interest margin on gross loans decreased to 8.38% from 8.73%. During periods of economic slowdown, delinquencies, defaults, repossessions, and losses generally increase, and consumers may reduce their discretionary spending in areas such as recreation and home improvement, which constitute the significant majority of our business. These periods have been, and may continue to be, accompanied by increasing unemployment rates and declining values of consumer products securing outstanding accounts, which weaken collateral coverage and increase the amount of a loss in the event of default.

Additionally, higher gasoline prices, volatile real estate values and market conditions, resets of adjustable rate mortgages to higher interest rates, increases in inflation, general availability of consumer credit, or other factors that impact consumer confidence or disposable income, could increase loss frequency and decrease consumer demand for RVs, boats, trailers and other consumer products (including in connection with home improvement projects), as well as weaken collateral values on certain types of consumer products. Any decrease in consumer demand for those products could have a material adverse effect on our ability to originate new loans and, accordingly, on our business, financial condition, and results of operations.

Although declines in commodity prices, and more particularly gasoline prices, generally are financially beneficial to the individual consumer, these declines may also have a negative impact on unemployment rates in geographic areas that are highly dependent upon the oil and natural gas industry, which could adversely affect the credit quality of consumers in those areas.

Our balance sheet consists of a significant percentage of non-prime consumer loans, which are associated with higher-than-average delinquency rates. The actual rates of delinquencies, defaults, repossessions, and losses on these loans could be more dramatically affected by a general economic downturn. In addition, during an economic slow-down or recession, our servicing costs may increase without a corresponding increase in our net interest income.

Furthermore, our business is significantly affected by monetary and regulatory policies of the U.S. Federal Government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and could have a material adverse effect on us, through interest rate changes, costs of compliance with increased regulation, and other factors. For example, the Federal Reserve raised the Federal Funds Rate several times in 2022 and 2023. If inflationary pressures persist, our interest expense could increase faster than our interest income, reducing our net interest income and net interest margin, and continuing adverse impacts on consumer spending could reduce demand for our consumer loan products. These developments, along with United States government credit, debt ceiling and deficit concerns, global economic uncertainties and market volatility, have caused and could continue to cause interest rates to be volatile.

The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how those economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the quality of our assets.

Our financial condition, liquidity and results of operations depend on the credit performance of our loans.

As of December 31, 2023, 38% of our recreation loans were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit history. While our underwriting guidelines are designed to confirm that, notwithstanding such factors, the obligor would be a reasonable credit risk, the receivables nonetheless are expected to experience higher default rates than a portfolio of obligations of prime obligors. The weakening of our underwriting guidelines for any reason, such as in response to the competitive environment, in an effort to originate higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans or our inability to adequately adapt policies and procedures to changes in economic or other conditions, may result in loan defaults and charge-offs that may necessitate increases to our allowance for credit losses, each of which could adversely affect our net income and financial condition. In the event of a default on a recreation loan, generally the most practical recovery method is repossession of the financed vehicle, although the collateral value of the vehicle usually does not fully cover the outstanding account balance and costs of recovery. Repossession sales that do not yield sufficient proceeds to repay the receivables in full typically result in losses on those receivables.

In addition, our prime portfolio has grown in proportion to our overall portfolio over the past several years. While prime portfolios typically have lower default rates than non-prime portfolios, we have less ability to make risk adjustments to the pricing of prime loans compared to non-prime loans. As a result, to the extent our prime portfolio continues to grow, a larger proportion of our business will consist of loans with respect to which we will have less flexibility to adjust pricing to absorb losses. As a result of these factors, we may sustain higher losses than anticipated in our prime portfolio. Additionally, if our prime credit losses are higher than expected then we may also be at risk with regard to our forecasted losses, which could impact our loss reserves and results of operations.

Our allowance for credit losses may prove to be insufficient to cover losses on our loans.

We maintain an allowance for credit losses (a reserve established through a provision for losses that decreases our earnings and that, accordingly, affects our financial condition) that we believe is appropriate to provide for current expected losses in our loan portfolio.

The process for establishing an allowance for credit losses is critical to our results of operations and financial condition, and requires complex models and judgments, including forecasts of economic conditions and other assumptions. Changes in economic conditions affecting borrowers, growth in our loan portfolio, changes in the credit characteristics of our loan portfolio, new information regarding our loans and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. In cases where we modify loans, if the modified loans do not perform as anticipated, we may be required to establish additional allowances on these loans. As of December 31, 2023, the overall allowance for credit losses increased from December 31, 2022, due in part to the adoption of ASU 2016-13 (referred to as the current expected credit loss model, or CECL) methodology on January 1, 2023.

We periodically review and update our methodology, models and the underlying assumptions, estimates and assessments we use to establish our allowance for credit losses to reflect our view of current conditions. Moreover, our regulators, as part of their supervisory function, periodically review the methodology, models and the underlying assumptions, estimates and assessments we use for calculating, and the adequacy of, our allowance for credit losses. Our regulators, based on their judgment, may conclude that we should modify our methodology, models or the underlying assumptions, estimates and assessments, increase our allowance for credit losses, and/or recognize further losses. We continue to review and evaluate our methodology, models and the underlying assumptions, estimates and assessments we use and we will implement further enhancements or changes to them, as needed. We cannot provide assurance that our credit loss reserves will be sufficient to cover actual losses. Future increases in the allowance for credit losses or recognized losses (as a result of any review, update, regulatory guidance, changes in accounting standards or otherwise) will result in a decrease in net earnings and capital and could have a material adverse effect on our business, results of operations, and financial condition.

Our business, financial condition and results of operations could be negatively impacted if we are unsuccessful in developing and maintaining relationships with dealerships, contractors, and FSPs.

We originate loans by working with third-party sellers of consumer products and not by working directly with consumers. As a result, our ability to originate consumer loans depends on relationships with a limited number of dealerships, contractors, and FSPs. Although we have relationships with various dealerships, contractors, and FSPs, none of relationships are exclusive and each may be terminated at any time. In addition, a large proportion of our new loan originations are concentrated in our top ten relationships (57% in our home improvement portfolio and 43% in our recreation portfolio), and the loss of a significant relationship could have a negative effect on demand for our products and our new loan originations. There is also significant competition for the contractor and FSP relationships we depend on in connection with our home improvement lending segment. The loss of any of these relationships, our failure to develop additional relationships, and circumstances in which our existing dealership, contractor, and FSP relationships generate decreased sales and loan volume all may have a material adverse effect on a substantial part of our business, financial condition and results of operations.

A reduction in demand for our products and failure by us to adapt to such reduction could adversely affect our business, financial condition and results of operations.

The demand for the products we offer may be reduced due to a variety of factors, such as demographic patterns, changes in

customer preferences or financial conditions, regulatory restrictions that decrease customer access to particular products or the availability of competing products. If we fail to adapt to significant changes in our customers' demand for, or access to, our products, our revenues could decrease, and our operations could be adversely affected. Even if we do make changes to our product offerings to fulfill customer demand, customers may resist such changes or may reject such products. Moreover, the effect of any product change on the results of our business may not be fully ascertainable until the change has been in effect for some time, and, by that time, it may be too late to make further modifications to such product without causing further adverse effects to our business, results of operations, and financial condition.

Decreases or increases in prevailing interest rates could adversely affect our business, our cost of capital and our net interest income.

Our commercial borrowers have the right to prepay their loans in full or in part at any time. Commercial borrowers are subject to a prepayment penalty of up to 5% during the first year, declining by one percentage point through the fifth year. A borrower is likely to exercise prepayment rights at a time when the interest rate payable on the borrower's loan is high relative to prevailing interest rates. In a lower interest rate environment, we will have difficulty re-lending prepaid funds at comparable rates, which may reduce the net interest income that we receive. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid, and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if a substantial number of our portfolio companies elect to prepay amounts owed to us and we are not able to reinvest the proceeds for comparable yields in a timely fashion.

Our profitability has and may further be directly affected by interest rate levels and fluctuations in interest rates. As interest rates change, our gross interest rate spread on originations either increases or decreases because the rates charged on the loans originated are limited by market and competitive conditions, restricting our ability to pass on increased interest costs to the consumer. For example, in 2023, as interest rates increased, our net interest margin decreased by 64 basis points. Additionally, although a significant percentage of our borrowers are non-prime and are not highly sensitive to interest rate movement, increases in interest rates may reduce the volume of loans we originate. While we monitor the interest rate environment and seek to mitigate the impact of increased interest rates, we cannot provide assurance that the impact of changes in interest rates can be successfully mitigated.

In addition, the majority of our loan portfolio is comprised of fixed-rate loans. To the extent our funding costs increase in response to an increase in market rates of interest, an abrupt increase in market rates of interest may have an adverse impact on our earnings until we are able to originate new loans at higher prevailing interest rates. During 2023, we saw an increase in the cost of certificates of deposit, our largest funding source, and we expect this increase to continue in 2024.

Additionally, because we borrow to fund our loans and investments, a portion of our income is dependent upon the difference between the interest rate at which we borrow funds and the interest rate at which we invest these funds. For example, in 2023 our net interest margin on gross loans decreased to 8.38% from 8.73%. A portion of our investments, such as taxi medallion loans, will have fixed interest rates, while a portion of our borrowings may have floating interest rates. As a result, a significant change in market interest rates could have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds could increase, which would reduce our net investment income. We may hedge against interest rate fluctuations by using standard hedging instruments, subject to applicable legal requirements. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition, and results of operations. Also, we will have to rely on our counterparties to perform their obligations under such hedges.

Decreases in the value of our taxi medallion loan collateral, including the impact on loans in process of foreclosure, had and may continue to have, a material adverse effect on our business.

Other than in connection with dispositions of existing taxi medallion assets, or refinancings of maturing loans, we stopped originating new taxi medallion loans in July 2015, and the Bank has not originated new taxi medallion loans since 2014. Our net taxi medallion loans and related assets represent less than 1% of our total assets at December 31, 2023. In recent years, increased competition has reduced the overall market for taxi services, income generated from operating taxi medallions, and the value of taxi medallions. If these trends continue, there will be further negative impacts to our taxi medallion loans and related assets. We continue to utilize a market value for a New York City taxi medallion of $85,000, $79,500 net of liquidation costs, as of December 31, 2023. As of December 31, 2023, our entire net exposure to taxi medallion assets was concentrated in the New York City metropolitan area and had a net value of $12.1 million on our consolidated balance sheet.

Government entities may take other actions in the future, which could have adverse effects on the market for taxi medallions and which could affect our financial condition and results of operations. Every city in which we have originated taxi medallion loans, and most other major cities in the United States, limits the supply of taxi medallions, which results in supply restrictions that support the value of taxi medallions. Loosening restrictions that result in the issuance of additional taxi medallions could decrease the value of taxi medallions in that market and in turn, adversely affect the value of the collateral securing our then outstanding taxi medallion loans in that market.

We estimate that the weighted average loan-to-value ratio of our taxi medallion loans was approximately 183% as of December 31, 2023. If taxi medallion values continue to decline, there is likely to be an increase in taxi medallion loan delinquencies, foreclosures and borrower bankruptcies. Our ability to recover on defaulted taxi medallion loans by foreclosing on and selling the taxi medallion collateral would be diminished, which would result in future losses on defaulted taxi medallion loans that could have an effect on our business. If we are required to liquidate all or a portion of our taxi medallion loans quickly, we would realize less than the value at which we had previously recorded such taxi medallions.

Uncertainty relating to the reporting of collateral values for our taxi medallion loans may adversely affect the value of our portfolio.

We stopped originating taxi medallion loans in July 2015, though we have continued to refinance loans as they mature, and our taxi medallion loan portfolio represented less than 1% of our total assets at December 31, 2023. Although our taxi medallion loan portfolio now represents a small percentage of our operations, further material losses in the portfolio could have a material and adverse impact on our net income for one or more future periods.

During the third quarter of 2020, we placed all taxi medallion loans on nonaccrual and adjusted them down to collateral value, net of liquidation costs. Collateral values for taxi medallion loans reflect recent sales prices and are typically obtained from the regulatory agency in a particular local market. We rely on the integrity of the collateral value benchmarks obtained by the applicable regulatory agencies and other third parties in determining the fair value of our portfolio. Any changes or volatility in these benchmarks could cause us to suffer losses, and if the benchmarks that we currently use are deemed to be unreliable, we will need to use other intrinsic factors in determining the collateral values for our loans. We have experienced a significant downward movement in taxi medallion collateral values, which caused and may again cause a negative impact on our valuation analysis and could further significantly lower the fair market value measurements of our portfolio.

Decreases in the value of our taxi medallion loan collateral have resulted in an increase in the loan-to-value ratios of our taxi medallion loans. If taxi medallion values decline further, there is likely to be an increase in taxi medallion loan delinquencies, foreclosures and borrower bankruptcies. Our ability to recover on defaulted taxi medallion loans by foreclosing on and selling the taxi medallion collateral would be diminished, which would result in material losses on defaulted taxi medallion loans which would have a material adverse effect on our taxi medallion loan portfolio and other taxi medallion-related assets. If we are required to liquidate all or a portion of our taxi medallion loans and repossessed collateral quickly, we would realize less than the value at which we had previously recorded such taxi medallions.

Financing and Related Risks

We are subject to certain financial covenants and other restrictions under debt arrangements, which could affect our ability to finance future operations or capital needs or to engage in other business activities.

Certain privately placed notes contain financial covenants and other restrictions relating to financial ratios and minimum tangible net worth. Our ability to meet these financial covenants and restrictions could be affected by events beyond our control. A breach of these covenants could result in an event of default under the applicable debt instrument. Such a default, if not cured or waived, may allow the holders to accelerate the related debt and may result in the acceleration of any other debt that is subject to an applicable cross-acceleration or cross-default provision. Our privately placed debt is subject to cross default provisions. Certain other events can constitute an event of default. In the event our holders of the related notes accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Based on the foregoing factors, the operating and financial restrictions and covenants in our current debt agreements and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

Failure to raise additional capital in the future could have a material adverse effect on our results of operations and financial position.

Our privately placed notes contain certain provisions that require us to meet certain tests in order to raise additional debt. We cannot guarantee that we will continue to meet such tests in the future. Additionally, our ability to obtain additional sources of funds including through credit facilities or other alternative sources of financing may be difficult, and we cannot guarantee that we will be able to do so on terms favorable to us or at all. The availability of credit facilities depends, in part, on factors outside of our control, including regulatory capital treatment for unfunded bank lines of credit, the financial strength and strategic objectives of the banks that participate in credit facilities and the availability of bank liquidity in general.

In addition, we may need to raise additional capital in the future to have sufficient capital resources and liquidity to meet our commitments, including the terms of the 2003 Capital Maintenance Agreement, and fund our business needs and future growth, particularly if the quality of our assets or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. We may not be able to obtain capital on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of capital markets investors or other disruptions in capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, if we need to raise capital in the future, we may have to do so when other financial institutions are seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition, or results of operations.

Medallion Bank's use of brokered deposits for its deposit-gathering activities may not be available when needed. The inability to accept and renew brokered deposits would have a material adverse effect on our business, financial condition, liquidity, and results of operations.

Medallion Bank relies on the established brokered deposit market to originate deposits to fund its operations. Additionally, Medallion Bank's business, strategy and prospects are dependent on its ability to accept and renew brokered deposits without limitation and, therefore, dependent on its ability to be "well-capitalized" under the FDIC's regulatory framework.

Medallion Bank's brokered deposits consist of deposits raised through the brokered deposit market rather than through retail branches. Although Medallion Bank has developed contractual relationships with a diversified group of investment brokers, and the brokered deposit market is well developed and utilized by many banking institutions, conditions could change that might affect the availability of brokered deposits. In addition, Medallion Bank's ability to rely on brokered deposits as a source of funding is subject to capitalization requirements set forth in the FDIC's prompt corrective action framework. Medallion Bank may not accept or renew brokered deposits unless it is "well-capitalized", or it is "adequately capitalized" and it receives a waiver from the FDIC. A bank that is "adequately capitalized" and that accepts or renews brokered deposits under a waiver from the FDIC is subject to additional restrictions on the interest rates it may offer. See "Our Business - Supervision and Regulation" for additional information.

If the capital levels at Medallion Bank fall below the "well-capitalized" level as defined by the FDIC, or we otherwise fail to maintain "well capitalized" status, Medallion Bank's ability to raise brokered deposits would be materially impaired. If Medallion Bank's capital levels fall below the "adequately-capitalized" level as defined by the FDIC, it would be unable to raise brokered deposits. Any impairment or inability to raise brokered deposits would have a material adverse effect on our business, financial condition, liquidity and results of operations. Brokered deposits may also not be as stable as other types of deposits, and if Medallion Bank experiences a period of sustained operating losses, the cost of attracting deposits from the brokered deposit market could increase significantly. Medallion Bank's ability to manage its growth to stay within the "well-capitalized" level is critical to our ability to retain open access to this funding source.

Investors in our securities, may be adversely affected and may face significant losses (including the possibility of losing their entire investment) if Medallion Bank is unable to accept or renew brokered deposits or if its access to the brokered deposit market were impaired.

We depend on cash flow from our subsidiaries to make payments on our indebtedness and fund operations.

We are primarily a holding company, and we derive most of our operating income and cash flow from our subsidiaries. As a result, we rely heavily upon distributions from our subsidiaries to generate the funds necessary to make payments on our indebtedness and fund operations. Funds are provided to us by our subsidiaries through dividends and payments on intercompany indebtedness, but we cannot assure you that our subsidiaries will be in a position to continue to make these dividend or debt payments. The Utah Department of Financial Institutions and FDIC have the authority to prohibit or to limit the payment of dividends by Medallion Bank. In addition, as a condition to receipt of FDIC insurance, Medallion Bank entered into a capital maintenance agreement with the FDIC requiring it to maintain a 15% Tier 1 leverage ratio (Tier 1 capital to average assets). As of December 31, 2023, Medallion Bank's Tier 1 leverage ratio was 16.2%. We received dividends from Medallion Bank of $20.0 million for each of the years ended December 31, 2023 and 2022 and received dividends from Medallion Capital of $4.8 million and $5.1 million for the years ended December 31, 2023 and 2022, all of which was reinvested in Medallion Capital.

Legal and Regulatory Risks

We are subject to pending litigation with the SEC for certain violations of the federal securities laws, which could result in material fines and/or other sanctions and accordingly have a material adverse effect on our business, reputation, financial condition, results of operations and/or stock price, as well as a bar against our President and Chief Operating Officer.

As described in Note 10 "Commitments and Contingencies" to the consolidated financial statements included in this Annual Report on Form 10-K, on December 29, 2021, the SEC filed a civil complaint in the U.S. District Court for the Southern District of New York against the Company and its President and Chief Operating Officer alleging certain violations of the antifraud, books and records, internal controls and anti-touting provisions of the federal securities laws. The litigation relates to certain issues that occurred during the period 2015 to 2017, including (i) the Company's retention of third parties in 2015 and 2016 concerning posting information about the Company on certain financial websites and (ii) the Company's financial reporting and disclosures concerning certain assets, including Medallion Bank, in 2016 and 2017, a period when the Company had previously reported as a business development company (BDC) under the Investment Company Act of 1940. Since April 2018, the Company does not report as a BDC, and has not worked with such third parties since 2016. The Company does not expect to change previously reported financial results. The Company filed a motion to dismiss the complaint on March 22, 2022, the SEC filed an amended complaint on April 26, 2022 and the Company filed a motion to dismiss the amended complaint on August 5, 2022.

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

We operate in a highly regulated environment, and if we are found to be in violation of any of the federal, state, or local laws or regulations applicable to us, our business could suffer.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted in 2010. The Dodd-Frank Act significantly changed federal financial services regulation and affects, among other things, the lending, deposit, investment, trading, and operating activities of financial institutions and their holding companies. In addition to the statutory requirements under the Dodd-Frank Act, the legislation also delegated authority to U.S. banking, securities, and derivatives regulators to impose additional restrictions through required rulemaking. The Dodd-Frank Act requires a company that owns an industrial bank to serve as a "source of strength" to the institution and is also subject to the "Volcker Rule." Although these requirements have not materially impacted us, we cannot assure you that they will not in the future.

Other changes in the laws or regulations applicable to us more generally, may negatively impact the profitability of our business activities, require us to change certain of our business practices, materially affect our business model, limit the activities in which we may engage, affect retention of key personnel, require us to raise additional regulatory capital, increase the amount of liquid assets that we hold, or otherwise affect our funding profile or expose us to additional costs (including increased compliance costs). Any such changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect our ability to conduct our business as previously conducted or our results of operations or financial condition.

We are also subject to a wide range of federal, state, and local laws and regulations, such as local licensing requirements, and retail financing, debt collection, consumer protection, environmental, health and safety, creditor, wage-hour, anti-discrimination, whistleblower and other employment practices laws and regulations and we expect these costs to increase going forward. The violation of these or future requirements or laws and regulations could result in administrative, civil, or criminal sanctions against us, which may include fines, a cease and desist order against the subject operations or even revocation or suspension of our license to operate the subject business. As a result, we have incurred and will continue to incur capital and operating expenditures and other costs to comply with these requirements and laws and regulations.

The banking industry is highly regulated, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our operations.

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily for the protection of depositors, customers, federal deposit insurance funds, and the banking system as a whole, and not for the protection of security holders. We are subject to regulation and supervision by the FDIC and the Utah DFI. The laws and regulations applicable to us govern a variety of matters, including permissible types, amounts, and terms of loans and investments we may make, the maximum interest rate that may be charged, the amount of reserves we must hold against deposits we take, the types of deposits we may accept, maintenance of adequate capital and liquidity, changes in the control of Medallion Bank and us, restrictions on dividends, and establishment of new offices. We must obtain approval from our regulators before engaging in certain activities or acquisitions, and there is the risk that such approvals may not be obtained, either in a timely manner or at all. Our regulators also have the ability to compel us to take, or restrict us from taking, certain actions entirely, such as actions that our regulators deem to constitute an unsafe or unsound banking practice. Our failure to comply with any applicable laws or regulations, or regulatory policies and interpretations of such laws and regulations, could result in sanctions by regulatory agencies, civil money penalties, or damage to our reputation, all of which could have a material adverse effect on our business, financial condition or results of operations.

Federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, are continually undergoing substantial review and change. Financial institutions generally have also been subjected to increased scrutiny from regulatory authorities. Changes in the Presidential Administration or control of Congress also increase the likelihood of further changes to laws, regulations and supervisory practices affecting financial institutions, which could include more stringent requirements and greater scrutiny from regulatory authorities. These changes and increased scrutiny have resulted and may continue to result in increased costs of doing business and may in the future result in decreased revenues and net income, reduce our ability to effectively compete to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal and state law and regulations, as well as the interpretations and implementations, or modifications or repeals, of such laws and regulations, could affect us in substantial and unpredictable ways, including those listed above or other ways that could have a material adverse effect on our business, financial condition or results of operations.

Our inability to remain in compliance with regulatory requirements could have a material adverse effect on our operations in a given market and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently or that new laws and regulations will not be adopted, either of which could materially adversely affect our business, financial condition, or results of operations.

The Patriot Act and the BSA require financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with FinCEN. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers and beneficial owners of certain legal entity customers seeking to open new financial accounts. Federal and state bank regulators also have focused on compliance with BSA and anti-money laundering regulations. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or expanding activities. Although we have policies and procedures designed to assist in compliance with the BSA and other anti-money laundering laws and regulations, there can be no assurance that such policies or procedures will work effectively all of the time or protect us against liability for actions taken by our employees, agents, and intermediaries with respect to our business or any businesses that we may acquire. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition or results of operations.

Increases in FDIC insurance premiums may adversely affect our earnings.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance. In connection with financial institution failures or losses that the deposit insurance fund suffers, we may be required to pay higher FDIC premiums, or the FDIC may charge special assessments or require future prepayments. For example, in October 2022 the FDIC increased the initial base deposit insurance assessment rates by 2 basis points beginning with the first quarterly assessment period of 2023 and in November 2023 the FDIC adopted a rule to recover, by special assessment, losses to the deposit insurance fund in connection with the closures of Silicon Valley Bank and Signature Bank. See “Supervision and Regulation—Deposit Insurance.” Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security, and data protection laws, including requirements concerning cybersecurity and security breach notification, and we could be negatively affected by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to "opt out" of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing physical, technical, and administrative safeguards appropriate based on our size and complexity, the nature and scope of our activities, and the sensitivity of the customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and state legislatures have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory and/or law enforcement notification requirements in certain circumstances in the event of a security breach. Moreover, legislators and regulators are increasingly adopting, revising or enforcing privacy, information security, and data protection laws or requirements – including privacy-related regulatory activity at the federal level (e.g., by the Federal Trade Commission) and the state level – that potentially could have a significant impact on our current and planned privacy, data protection, and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities.

Compliance with current or future privacy, data protection, and information security laws (including those regarding security breach notification) could result in higher compliance technology, and other operational costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection, and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions, and damage to our reputation, which could have a material adverse effect on our business, financial condition, or results of operations.

Our use of third-party vendors and our other ongoing third-party business relationships are subject to regulatory requirements and scrutiny.

We regularly use third-party vendors as part of our business. We also have substantial ongoing business relationships with other third parties. These types of third-party relationships are subject to demanding regulatory requirements and attention by our federal and state bank regulators. Regulation requires us to adopt enhanced due diligence, ongoing monitoring and control over our third-party vendors and other ongoing third-party business relationships. In certain cases, we may in the future be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs and potentially limit our competitiveness. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third-party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third-party vendors or other ongoing third-party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect our business, financial condition or results of operations.

If any of the various dealerships, contractors or FSPs through which we originate loans fails to fulfill their obligations to consumers or comply with applicable law, we may incur remediation costs. Although the dealerships, contractors and FSPs that we contract with are required to fulfill their contractual commitments to consumers and to comply with applicable law, from time to time they might not, or a consumer might allege that they did not. This, in turn, can result in claims against us or in loans being uncollectible. In those cases, we may decide that it is beneficial to remediate the situation, either by assisting the consumers to get a refund, working with the dealerships, contractors or FSPs to modify the terms of the loans or reducing the amount due by making a concession to the consumer or otherwise. Historically, the cost of remediation has not been material to our business, but it could be in the future.

Our SBIC subsidiaries are licensed by the SBA and are therefore subject to SBA regulations.

Our SBIC subsidiaries are licensed to operate as SBICs and are regulated by the SBA. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause the SBIC subsidiaries to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of an SBIC. If the SBIC subsidiaries fail to comply with applicable SBIC regulations, the SBA could, depending on the severity of the violation, limit or prohibit their use of debentures, declare outstanding debentures immediately due and payable, and/or limit them from making new investments. In addition, the SBA could revoke or suspend an SBIC license or may appoint a receiver for the SBIC and for its liquidation for willful or repeated violation of, or willful or repeated failure to observe, any provision of the SBIA or any rule or regulation promulgated thereunder. Such actions by the SBA would, in turn, negatively affect us.

Our ability to enter into transactions with our affiliates is restricted.

The SBA restricts the ability of SBICs to lend money to any of their officers, directors, and employees, or invest in any affiliates thereof.

Medallion Bank is subject to certain federal laws that restrict and control its ability to engage in transactions with its affiliates. Sections 23A and 23B of the Federal Reserve Act and applicable regulations restrict the transfer of funds by Medallion Bank to certain of its affiliates, including us, in the form of loans, extensions of credit, investments, or purchases of assets and restrict its ability to provide services to, or receive services from, its affiliates. Sections 23A and 23B also require generally that Medallion Bank's transactions with its affiliates be on terms no less favorable to Medallion Bank than comparable transactions with unrelated third parties.

Federal and state law may discourage certain acquisitions of our common stock which could have a material adverse effect on our stockholders.

Because Medallion Bank is an "insured depository institution" within the meaning of the Federal Deposit Insurance Act and the Change in Bank Control Act and Medallion Financial Corp. is a "financial institution holding company" within the meaning of the Utah Financial Institutions Act, federal and Utah law and regulations prohibit any person or company from acquiring control Medallion Bank or Medallion Financial Corp., without, in most cases, prior written approval of the FDIC or the Commissioner of the Utah Department of Financial Institutions, as applicable. Under the Change in Bank Control Act, control is conclusively presumed if, among other things, a person or company acquires 25% or more of any class of the Bank's voting stock. A rebuttable presumption of control arises if a person or company acquires 10% or more of any class of voting stock and is subject to several specified "control factors" as set forth in the applicable regulations. **Although Medallion Bank is an "insured depository institution" within the meaning of the Federal Deposit Insurance Act and the Change in Bank Control Act, your investment in the Company is not insured or guaranteed by the FDIC, or any other agency, and is subject to loss.** Under the Utah Financial Institutions Act, control is defined as the power, directly or indirectly, or through or in concert with one or more persons to: (a) direct or exercise a controlling influence over (i) management or policies of a financial institution or (ii) the election of a majority of the directors or trustees of an institution or (b) vote 25% or more of any class of voting securities of a financial institution. In addition, under Utah law, there is a rebuttable presumption that a person has control of a Utah financial institution if the person has the power, directly or indirectly, or through concern with one or more persons, to vote more than 10% but not less than 25% of any class of voting securities of a financial institution. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our common stock in excess of the amount which can be acquired without regulatory approval. These provisions could delay or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the market price of our common stock.

Risk Relating to Our Growth and Operations

Competition with other lenders could adversely affect us.

The consumer lending market is very competitive and is served by a variety of entities, including banks, savings and loan associations, credit unions, independent finance companies, and financial technology companies. The recreation lending and home improvement lending markets are also highly fragmented, with a small number of lenders capturing large shares of each market and many smaller lenders competing for the remaining market share. Our competitors often seek to provide financing on terms more favorable to consumers or dealers, contractors, and FSPs than we offer. Many of these competitors also have long-standing relationships with dealers, contractors, and FSPs and may offer other forms of financing that we do not offer, e.g., credit card lending. We anticipate that we will encounter greater competition as we expand our operations, and competition may also increase in more stable or favorable economic conditions. Certain of our competitors are not subject to the same regulatory requirements that we are and, as a result, these competitors may have advantages in conducting certain business and providing certain services and may be more aggressive in their loan origination activities. Increasing competition could also require us to lower the rates we charge on loans in order to maintain our desired loan origination volume, which could also have a material adverse effect on our business, financial condition and results of operations.

We have in the past and may in the future pursue new strategies and lines of business, and we may face enhanced risks as a result of these changes in strategy, including from transacting with a broader array of customers and exposure to new assets, activities and markets.

In July 2019, we launched our Strategic Partnership Program, through which we partner with third parties to offer consumer loans and other financial services. Potential legal and regulatory risks associated with this line of business remain uncertain and may develop in ways that could affect us adversely, including as a result of legal proceedings brought against us on the basis that we are the "true lender" of the loans facilitated, held and serviced by our Strategic Partners, or on the basis of a determination by the FDIC or other financial regulators that our Strategic Partnership Program represents an unsafe and unsound practice.

We may continue to change our strategy and enter new lines of business, including through the acquisition of another company, acquisitions of new types of loan portfolios or other asset classes, or otherwise, in the future. Any new business initiatives, including our Strategic Partnership Program, have in the past and may in the future expose us to new and enhanced risks, including new credit-related, compliance, fraud, market and operational risks, increased compliance and operating costs, different and potentially greater regulatory scrutiny of such new activities and assets, and may expose us to new types of customers as well as asset classes, activities and markets.

Any new business initiatives and strategies we may pursue in the future may be less successful than anticipated and may not advance our intended business strategy. We may not realize a satisfactory return on investments or acquisitions, we may experience difficulty in managing new portfolios or integrating operations, and management's attention from our other businesses could be diverted. Any of these results could ultimately have an adverse effect on our business, financial condition or results of operations.

Our financial condition and results of operations will depend on our ability to manage growth effectively.

Our ability to achieve our loan and investment objective will depend on our ability to grow, which will depend, in turn, on our management team's ability to identify, evaluate, and monitor, and our ability to finance and invest in, companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis will be largely a function of our management team's handling of the investment process, its ability to provide competent, attentive, and efficient services, and our access to financing on acceptable terms. In addition to monitoring the performance of our existing investments, members of our management team and our investment professionals may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment. In order to grow, we will need to hire, train, supervise, and manage new employees. However, we cannot assure you that any such employees will contribute to the success of our business. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition, and results of operations.

Our business depends on our ability to adapt to rapid technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to serve customers better. Our future success depends, in part, upon our ability to address the needs of customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we do. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Failure to successfully keep pace with technological change affecting the financial services industry and failure to avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition or results of operations.

We expect that new technologies and business processes applicable to the banking industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition or results of operations.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers and the personal information of our customers and employees, on our systems, in third-party data centers, or on the systems of service providers or other third parties on which we rely. The secure processing, maintenance, and transmission of this information is critical to our operations. Despite our security and business continuity measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, or malfeasance, or other disruptions as a result of systems failures, operational events, employee error, or incidents affecting our third-party service providers (or providers to those third-party service providers). Any such breach or disruption could compromise our networks and the information stored there could be accessed, publicly disclosed, destroyed, lost, or stolen. Any such access, disclosure, destruction or other impact to the confidentiality, integrity or availability of such information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information and regulatory penalties, disrupt our operations and damage our reputation, which could adversely affect our business. In addition, we may also be required to incur significant costs in connection with any regulatory investigation or civil litigation resulting from a security breach or other information technology disruption that affects us.

We have been, and likely will continue to be, the target of attempted cyber-attacks, computer viruses, malicious code, phishing attacks, denial of service attacks and other information security threats. To date, cyber-attacks have not had a material impact on our financial condition, results or business; however, we could suffer material financial or other losses in the future and we are not able to predict the severity of these attacks. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the current global economic and political environment, our work-from home arrangements, the outsourcing of some of our business operations, the ongoing shortage of qualified cybersecurity professionals, and the interdependence of third parties to our systems. In addition, our increasing interconnectivity with service providers, dealerships, contractors and FSPs, including through application programming interfaces, increases the risk that a security breach or other disruption affecting a third party materially affects our ability to conduct business. Regulatory agencies have also become increasingly focused on cybersecurity, including as a result of the increasing number of cybersecurity incidents; given this regulatory and cyber threat environment, we may incur additional expenses in order to comply with new obligations.

We are dependent upon our senior management team for our future success.

We depend on the diligence, skill, and network of business contacts of the investment professionals we employ for sourcing, evaluating, negotiating, structuring, and monitoring our investments. Our future success also depends on our senior management team and its coordination with the senior management team at Medallion Bank. These members of senior management include Alvin Murstein, our Chairman and Chief Executive Officer, Andrew M. Murstein, our President and Chief Operating Officer, Anthony N. Cutrone, our Executive Vice President and Chief Financial Officer, Donald S. Poulton, President and Chief Executive Officer, Medallion Bank, D. Justin Haley, Executive Vice President and Chief Financial Officer, Medallion Bank, and Steven M. Hannay, Executive Vice President and Chief Lending Officer, Medallion Bank. The departure of any member of our senior management or the senior management team at Medallion Bank could have a material adverse effect on our ability to manage or grow our business and effectively mitigate risk.

The development and use of Artificial Intelligence, or AI, present risks and challenges that may adversely impact our business.

We or our third-party vendors, service providers, dealerships, contractors or FSPs with which we have relationships may develop or incorporate AI technology in certain business processes, services or products. The development and use of AI present a number of risks and challenges to our business. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, both in the U.S. and internationally, and includes regulatory schemes targeted specifically at AI as well as provisions in intellectual property, privacy, consumer protection, employment and other laws applicable to the use of AI. These evolving laws and regulations could increase our compliance costs and the risk of non-compliance. AI models, particularly generative AI models, may produce output or take action that is incorrect, that result in the release of private, confidential or proprietary information, that reflect biases included in the data on which they are trained, infringe on the intellectual property rights of others, or that is otherwise harmful or which produce outcomes contrary to the expectations of consumers. In addition, the complexity of many AI models makes it challenging to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous output, eliminating bias and complying with regulations that require documentation or explanation of the basis on which decisions are made. Further, we may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models, including risks arising from the inclusion of any unauthorized material in the training data for their models, and the effectiveness of the steps these third parties have taken to limit the risks associated with the output of their models, matters over which we may have limited visibility. Any of these risks could expose us to liability or adverse legal or regulatory consequences and harm our reputation and the public perception of our business or the effectiveness of our security measures or other controls.

In addition to our use of AI technologies, we are exposed to risks arising from the use of AI technologies by bad actors to commit fraud and misappropriate funds and to facilitate cyberattacks. Generative AI, if used to perpetrate fraud or launch cyberattacks, could create panic at a particular financial institution or exchange, which could pose a threat to financial stability.

Terrorist attacks, other acts of violence or war, and natural disasters may affect any market for our securities, impact the businesses in which we invest, and harm our operations and profitability.

Terrorist attacks and natural disasters may harm our results of operations and your investment. We cannot assure you that there will not be further terrorist attacks against the U.S. or U.S. businesses or major natural disasters hitting the United States. Such attacks or natural disasters in the U.S. or elsewhere may impact the businesses in which we directly or indirectly invest by undermining economic conditions in the United States. In addition, a portion of our business is focused on the New York City metropolitan area, which suffered a terrorist attack in 2001 and has faced continued threats. Another terrorist attack in New York City or elsewhere could severely impact our results of operations. Losses resulting from terrorist attacks are generally uninsurable.

Our operations could be interrupted if certain external vendors on which we rely experience difficulty, terminate their services or fail to comply with banking laws and regulations.

We depend to a significant extent on relationships with third parties that provide services, primarily information technology services critical to our operations. Currently, we obtain services from third parties that include information technology infrastructure and support, plus loan origination, loan servicing, and accounting systems and support. If any of our third-party service providers experience difficulties or terminate their services and we are unable to replace our service providers with other service providers, our operations could be interrupted. It may be difficult for us to replace some of our third-party vendors, particularly vendors providing our loan origination, loan servicing and accounting services, in a timely manner if they are unwilling or unable to provide us with these services in the future for any reason. If an interruption were to continue for a significant period of time, it could have a material adverse effect on our business, financial condition or results of operations. Even if we are able to replace these third parties, it may be at higher cost to us, which could have a material adverse effect on our business, financial condition, or results of operations. In addition, if a third-party provider fails to provide the services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyber-attack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business, financial condition or results of operations.

Misconduct by current or former employees could expose us to significant legal liability and reputational harm.

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of the dealerships, contractors, and FSPs that sell our consumer products are of critical importance. Our current and former directors, and employees could engage or could have engaged in misconduct that adversely affects our business. For example, if such a person were to engage, or previously engaged, in fraudulent, illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, third-party relationships and ability to forge new relationships with third-party dealers, contractors or FSPs. Our business often requires that we deal with confidential information. If our current and former directors, and employees were to improperly use or disclose this information or previously improperly used or disclosed this information, even if inadvertently, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct by our current and former employees or directors, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our business, financial condition or results of operations.

We borrow money, which magnifies the potential for gain or loss on amounts invested, and increases the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested, and therefore increase the risk associated with investing in us. We borrow from the brokered CD market, private and public note placements and issue senior debt securities to banks and other lenders, and through long-term subordinated SBA debentures. These creditors have fixed dollar claims on our assets that are superior to the claims of our stockholders. If the value of our assets increases, then leveraging would cause stockholders' equity to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause stockholders' equity to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could reduce the amount available for distribution payments.

As of December 31, 2023, we had $2.1 billion of outstanding indebtedness with a weighted average borrowing cost of 3.50%.

Approximately $0.7 billion of our borrowing relationships have maturity dates during 2024, a vast majority of which are brokered certificates of deposit. We currently have $33.0 million of indebtedness of which the interest rate is SOFR-based. See Note 5 of our consolidated financial statements for a discussion of the current and new lending arrangements to date.

Additional Risks Relating to Our Loan Portfolios and Investments

Lending to small businesses involves a high degree of risk and is highly speculative.

Lending to small businesses involves a high degree of business and financial risk, which can result in substantial losses and should be considered speculative. Historically, our borrower base consists primarily of small business owners that may have limited resources and that are generally unable to obtain financing from traditional sources. There is generally no publicly available information about these small business owners, and we must rely on the diligence of our employees and agents to obtain information in connection with our credit decisions. In addition, these small businesses often do not have audited financial statements. Some smaller businesses have narrower product lines and market shares than their competition. Therefore, they may be more vulnerable to customer preferences, market conditions, or economic downturns, which may adversely affect the return on, or the recovery of, our investment in these businesses.

Our portfolio is and may continue to be concentrated in a limited number of portfolio companies, industries and sectors, which will subject us to a risk of significant loss if any of these companies default on its obligations to us or by a downturn in the particular industry or sector.

Our portfolio is and may continue to be concentrated in a limited number of portfolio companies, industries and sectors. In addition, taxi companies that constitute separate issuers may have related management or guarantors and constitute larger business relationships to us. We do not have fixed guidelines for diversification, and while we are not targeting any specific industries, our investments are, and could continue to be, concentrated in relatively few industries. As a result, the aggregate returns we realize may be adversely affected if a small number of loans perform poorly or if we need to write down the value of any one loan. If our larger borrowers were to significantly reduce their relationships with us and seek financing elsewhere, the size of our loan portfolio and operating results could decrease. In addition, larger business relationships may also impede our ability to immediately foreclose on a particular defaulted portfolio company as we may not want to impair an overall business relationship with either the portfolio company management or any related funding source. Additionally, a downturn in any particular industry or sector in which we are invested could also negatively impact the aggregate returns we realize.

The lack of liquidity in our investments may adversely affect our business.

We generally make investments in private companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded our investments. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

In addition, the illiquidity of our loan portfolio and investments may adversely affect our ability to dispose of loans at times when it may be advantageous for us to liquidate such portfolio or investments. In addition, if we were required to liquidate some or all of the investments in the portfolio, the proceeds of such liquidation may be significantly less than the current value of such investments. Because we borrow money to make loans and investments, our net operating income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our interest income. In periods of rising interest rates, our cost of funds would increase, which would reduce our net operating income before net realized and unrealized gains. We use a combination of long-term and short-term borrowings and equity capital to finance our investing activities. Our long-term fixed-rate investments are financed primarily with short-term floating-rate debt, and to a lesser extent by term fixed-rate debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities.

We have analyzed the potential impact of changes in interest rates on net interest income. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity a hypothetical immediate 1% increase in interest rates would result in an increase to net income as of December 31, 2023 by $1.6 million on an annualized basis, and the impact of such an immediate increase of 1% over a one year period would have been a reduction in net income by $1.9 million at December 31, 2023. Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size, and composition of the assets on the balance sheet, and other business developments that could affect net increase in net assets resulting from operations in a particular quarter or for the year taken as a whole. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by these estimates.

Sales of loans could have an adverse effect on the credit or other characteristics of the loans and portfolios we retain.

From time to time, we have sold portfolios of loans, and those transactions have generally included loans with stronger credit characteristics than the overall composition of our loan portfolio. Accordingly, following those transactions, the overall credit characteristics of our loan portfolio declined due to the transfer of the loans with stronger credit characteristics. In the future, the credit characteristics of our loan portfolio could change as a result of loan sales, and other characteristics could change as well. For example, if we sell loans with less favorable credit characteristics, the net interest income and net interest margin for our loan portfolio could be adversely affected because loans with less favorable credit characteristics typically generate more net interest income and higher net interest margin.

We depend on the accuracy and completeness of information about customers.

In deciding whether to extend credit or enter into other transactions, and in evaluating and monitoring our loan portfolio on an ongoing basis, we may rely on information furnished by or on behalf of customers, including financial statements, credit reports and other financial information. We may also rely on representations of those customers or of other third parties, such as independent auditors, as to the accuracy and completeness of that information. The failure to receive financial statements, credit reports or other financial or business information related to our customers on a timely basis, or the inadvertent reliance by us on inaccurate, incomplete, fraudulent or misleading forms of any of the foregoing information, could result in credit losses, reputational damage or other effects that could have a material adverse effect on our business, financial condition or results of operations.

Laws and regulations implemented in response to climate change could result in increased operating costs for our portfolio companies.

Climate change may cause extreme weather events that may disrupt our operations, the operations of the FSPs, dealerships or contractors with which we have relationships, or the businesses and employers of our borrowers. Any such disruptions could adversely affect our business, results of operations and ability to originate new loans. Climate change and the transition to a less carbon-dependent economy could also have a negative impact on origination volumes in our Recreation Lending segment if demand for recreational vehicles decreases due to climate-related concerns. In addition, our credit risks could increase and demand for our products could decrease if and to the extent our borrowers work in industries that are negatively affected by climate change and climate transition efforts.

New regulations or guidance relating to climate change, as well as the perspectives of regulators, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions we engage in certain activities or offer certain products. Federal and state banking regulators and supervisory authorities and other stakeholders have increasingly viewed financial institutions as playing an important role in helping to address risks related to climate change, both directly and with respect to their customers, which may result in financial institutions coming under increased requirements and expectations regarding the disclosure and management of their climate risks and related lending activities. For example, in October 2023, the federal bank regulatory agencies jointly issued principles for climate-related financial risk management for large financial institutions, which apply to regulated financial institutions with more than $100 billion in total consolidated assets. While these principles do not apply to us, we may also become subject to new or heightened regulatory requirements relating to climate change, such as requirements relating to operational resiliency or analyses for various climate stress scenarios. Any such new or heightened requirements could result in increased regulatory, compliance or other costs or higher capital requirements. The risk associated with, and the perspective of regulators, employees and other stakeholders regarding, climate change is evolving rapidly, which makes it difficult to assess the ultimate impact on us of climate change-related risks and uncertainties, and we expect that climate change-related risk will increase over time.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest in our portfolio companies primarily through senior secured loans, junior secured loans, and subordinated debt issued by small-to mid-sized companies. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization, or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured most of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

If our underwriting processes do not adequately assess risk, contain errors or are otherwise ineffective, whether due to automation or otherwise, our reputation and relationships with dealerships, contractors and FSPs could be harmed, our market share could decline and our financial condition, liquidity and result of operations could be adversely affected.

Our ability to maintain relationships with dealerships, contractors and FSPs is significantly dependent on our ability to effectively evaluate a borrower's credit profile and likelihood of default in a timely fashion. To conduct this evaluation, we utilize credit, pricing, loss forecasting and scoring models that allow us to automate elements of our underwriting processes. Our models are based on algorithms that evaluate several factors, including behavioral data, transactional data, bank data and employment information, which may not effectively predict future credit loss. We have also been increasing the role of technology and automation in our credit underwriting processes. If we are unable to effectively segment borrowers into relative risk profiles, we may be unable to offer attractive interest rates. Additionally, if these models fail to adequately assess the creditworthiness of our borrowers, whether due to flaws in model design, inaccurate or insufficient data or otherwise, we may experience higher than forecasted losses and our financial condition, liquidity and results of operations could be adversely affected.

We regularly refine these algorithms based on new data and changing macro-economic conditions. However, the models that we use may not accurately assess the creditworthiness of our borrowers and may not be effective in assessing creditworthiness in the future. In addition, allegations, whether or not accurate, that underwriting decisions do not treat borrowers fairly, or comply with applicable laws or regulations, can result in negative publicity, reputational harm and regulatory scrutiny.

We may not control many of Medallion Capital's portfolio companies.

We do not control Medallion Capital's portfolio companies, even though we may have board representation or board observation rights. As a result, we are subject to the risk that a Medallion Capital portfolio company in which we invest may make business decisions with which we disagree, and the management of such company may take risks or otherwise act in ways that do not serve our interests as debt investors.

We may not realize gains from our equity investments.

Certain investments that we have made in the past and may make in the future include warrants or other equity securities. In addition, we may from time to time make non-control, equity co-investments in companies in conjunction with private equity sponsors. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization, or public offering, which would allow us to sell the underlying equity interests.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

Identifying, assessing, and managing material cybersecurity risks is an important function of our enterprise risk management program. Material cybersecurity risks from cybersecurity threats are managed across Medallion Financial Corp., the Bank, Medallion Capital, and third-party vendors and monitoring such risks and threats involves coordination between us as the parent company and our two main operating subsidiaries. We continue to integrate our cybersecurity programs into our enterprise risk management program, which is led by various senior representatives of the Company and overseen by the Audit Committee of the Company's Board of Directors.

Medallion Financial Corp., the Bank and Medallion Capital are each responsible for developing cybersecurity programs appropriate for their respective entities, including as may be required by applicable law or regulation. These programs have been guided by the National Institute of Standards and Technology Cybersecurity Framework, other industry-recognized standards, and contractual requirements, as applicable, and seek to protect each entity against cybersecurity risks and provide a foundation to respond promptly to cybersecurity events. Each entity maintains technical and organizational safeguards, including, among other things, employee testing and training, incident response programs and tabletop exercises, evaluations and assessments by third parties, vulnerability scanning, vendor management, cybersecurity insurance, and business continuity mechanisms for the protection of Company assets. Our programs also assess and manage third party risks, and we perform third-party risk management to identify and mitigate risks from third parties such as vendors and other business partners associated with our use of third-party service providers.

Our business strategy, results of operations and financial condition have not been materially affected by risks from cybersecurity threats, and we currently do not expect that risks from cybersecurity threats are reasonably likely to materially affect us, but we cannot provide assurance that we will not be materially affected in the future by such risks or any future material incidents. For more information on our cybersecurity related risks, see Item 1A Risk Factors of this Annual Report on Form 10-K.

Governance

The Audit Committee of our Board of Directors is responsible for overseeing the Company's enterprise risk management program, including overseeing the adequacy of protection of the Company's technology, including physical security, patent and trademark program, proprietary information, and information security. The Audit Committee receives quarterly reports from our Information Security Director and third parties on cybersecurity matters. In addition, the Audit Committee receives quarterly reports addressing cybersecurity as part of our enterprise risk management program and to the extent cybersecurity matters are addressed in regular business updates. These reports include, among other things, existing and new cybersecurity risks, status on how management is addressing and/or mitigating those risks, cybersecurity and data privacy incidents, if any, and the status of key information security initiatives. Our Audit Committee members also engage in ad hoc conversations with management on cybersecurity-related news and events, and discuss any updates, as needed, to our cybersecurity risk management and strategy programs.

Medallion Financial Corp. employs a Director of Information Security, and our main operating subsidiaries have similar functions and/or roles conducted by various individuals. Such information security leadership are responsible for developing cybersecurity programs appropriate for their respective entities, including as may be required by applicable law or regulation. These individuals' expertise in information security and cybersecurity generally has been gained from a combination of education, including relevant degrees and/or certifications, and prior work experience. They are informed by their respective cybersecurity teams and third-party vendors about, and monitor, the prevention, detection, mitigation and remediation efforts relating to any cybersecurity incidents as part of the cybersecurity programs described above.

Information regarding cybersecurity risks may be elevated from information security leadership through a variety of different channels, including discussions between or among subsidiary and parent company management, reports to subsidiary and parent company risk committees and reports to subsidiary and parent company boards and board committees. As noted above, the Audit Committee regularly receives reports on cybersecurity matters from our Information Security Director and third parties as well as part of our enterprise risk management program.

ITEM 2. PROPERTIES

We lease office space in New York City for our corporate headquarters under a lease expiring in April 2027. We also lease office space for loan origination offices and subsidiary operations in Newark, New Jersey, which, along with our New York City office, handles our taxi medallion loan segment, and in Excelsior, Minnesota, which handles our commercial lending segment. Medallion Bank leases office space in Salt Lake City, Utah under a lease expiring in November 2030, which handles the recreation and home improvement lending segments. We do not own any real property, other than foreclosed properties obtained as a result of lending relationships. We believe that our leased properties, taken as a whole, are in good operating condition and are suitable for our current business operations.

ITEM 3. LEGAL PROCEEDINGS

See Note 10 “Commitments and Contingencies” subsections (c) and (d) to the consolidated financial statements included in Item 15 of this Annual Report on Form 10-K for details of the Company’s legal proceedings, including the pending SEC litigation.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

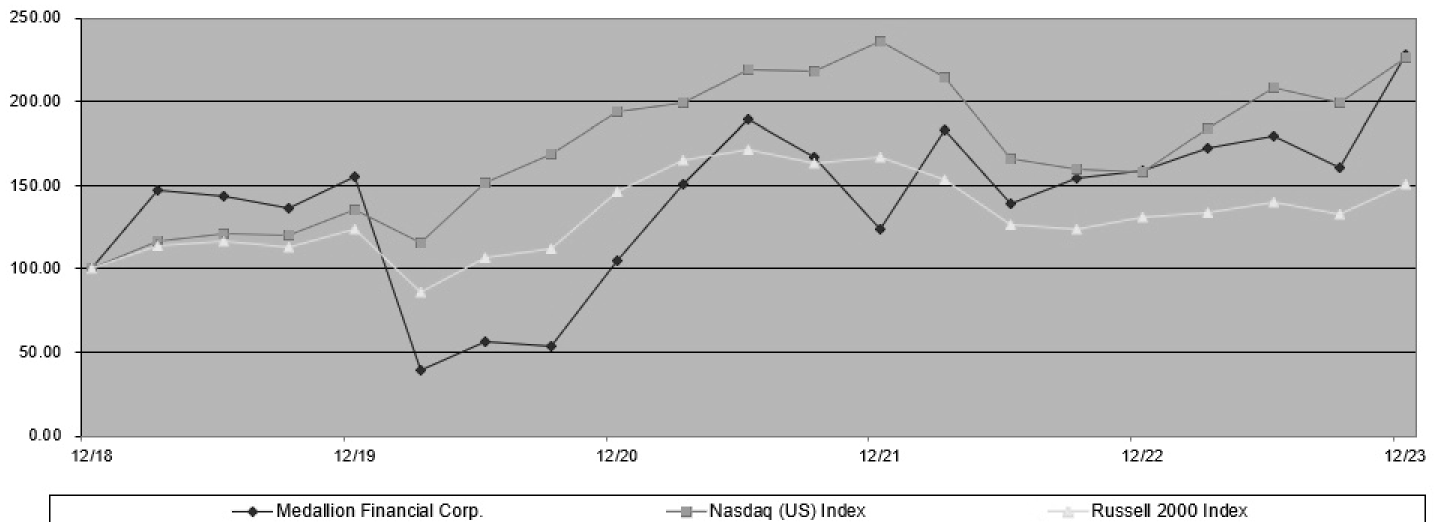
PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

STOCK PERFORMANCE GRAPH

The following graph commences as of December 31, 2018 and compares the Company's common stock with the cumulative total return for the NASDAQ Composite Index and the Russell 2000 Index. Furthermore, the following graph assumes the investment of $100 on December 31, 2018 in each of the Company's common stock, the stocks comprising the NASDAQ Composite Index and the Russell 2000 Index and assumes dividends are reinvested.

Cumulative Total Return
Based on Initial Investment of $100 on December 31, 2018, with dividends reinvested



Our common stock is quoted on NASDAQ under the symbol "MFIN." Our common stock commenced trading on May 23, 1996. As of March 6, 2024, there were approximately 172 holders of record of our common stock. On March 6, 2024, the last reported sale price of our common stock was $8.37 per share.

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

We have adopted a dividend reinvestment plan pursuant to which stockholders may elect to have distributions reinvested in additional shares of common stock. When we declare a distribution, all participants will have credited to their plan accounts the number of full and fractional shares (computed to three decimal places) that could be obtained with the cash, net of any applicable withholding taxes that would have been paid to them if they were not participants. The number of full and fractional shares is computed at the weighted average price of all shares of common stock purchased for plan participants within the 30 days after the distribution is declared plus brokerage commissions. The automatic reinvestment of distributions will not release plan participants of any income tax that may be payable on the distribution. Stockholders may terminate their participation in the dividend reinvestment plan by providing written notice to the Plan Agent at least 10 days before any given distribution payment date. Upon termination, we will issue to a stockholder both a certificate for the number of full shares of common stock owned and a check for any fractional shares, valued at the then current market price, less any applicable brokerage commissions and any other costs of sale. There are no additional fees or expenses for participation in the dividend reinvestment plan. Stockholders may obtain additional information about the dividend reinvestment plan by contacting Equiniti Trust Company, LLC at PO Box 10027, Newark, NJ, 07101.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On April 29, 2022, our board of directors authorized a new stock repurchase program with no expiration date, pursuant to which we were authorized to repurchase up to $35 million of our shares, which was increased to $40 million on August 10, 2022, also with no expiration date. Such new repurchase program replaced the previous one, which was terminated. As of December 31, 2023, up to $19,998,012 of shares remain authorized for repurchase under our stock repurchase program.

The Company did not repurchase shares of common stock during the quarter ended December 31, 2023.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OBJECTIVE

The information contained in this section should be read in conjunction with the consolidated financial statements and the accompanying notes thereto for the years ended December 31, 2023, 2022, and 2021. This section is intended to provide management's perspective of our financial condition and results of operations. In addition, this section contains forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results and conditions to differ materially from those projected in these forward-looking statements are described in the Risk Factors section on page 19. Additionally, more information about our business activities can be found in "Business."

COMPANY BACKGROUND

We are a specialty finance company whose focus and growth has been our consumer finance and commercial lending businesses operated by Medallion Bank, or the Bank, and Medallion Capital, Inc., or Medallion Capital. The Bank is a wholly-owned subsidiary that originates consumer loans for the purchase of recreational vehicles, boats, and home improvements, and provides loan origination and other services to fintech partners. Medallion Capital is a wholly-owned subsidiary that originates commercial loans through its mezzanine financing business. As of December 31, 2023, our consumer loans represented 95% of our gross loan portfolio and commercial loans represented 5%. Total assets were $2.6 billion as of December 31, 2023 and $2.3 billion as of December 31, 2022.

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We follow financial accounting and reporting policies that are in accordance with GAAP. Some of these significant accounting policies require management to make difficult, subjective or complex judgments. The policies noted below, however, are deemed to be our "critical accounting policies" under the definition given to this term by the SEC. According to the SEC, "critical accounting policies" mean those policies that are most important to the presentation of a company's financial condition and results of operations, and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

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

Provision and Allowance for Credit Losses

The allowance for credit losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume 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. In analyzing the adequacy of the allowance for credit losses, the Company uses historical delinquency and actual loss rates with a three-year look-back period for taxi medallion loans and a one-year look-back period for recreation and home improvement loans and uses historical loss experience and other projections for commercial loans. The allowance is evaluated on a regular basis by management and 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 that are susceptible to significant revision as more information becomes available.

Our methodology to calculate the general reserve portion of the allowance includes the use of quantitative and qualitative factors. We initially determine an allowance based on quantitative loss factors for loans evaluated collectively for impairment. The quantitative loss factors are based primarily on historical loss rates, after considering loan type, historical loss and delinquency experience. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels or other risks. Qualitative loss factors are used to modify the reserve determined by the quantitative factors and are designed to account for losses that may not be included in the quantitative calculation according to management's best judgment. If our qualitative loss factor rates were to increase 50 basis points, our recreation and home improvement general reserve would increase by $6.7 million and $3.8 million, respectively. Likewise, if our qualitative loss factor rates were to decrease 50 basis points, our recreation and home improvement general reserve would decrease by $6.7 million and $3.8 million, respectively.

The allowance is maintained at a level estimated by management to absorb probable credit losses inherent in the loan portfolios based on management's evaluation of the portfolios, the related credit characteristics, and macroeconomic factors affecting the portfolios. As of December 31, 2023 and 2022, the allowance totaled $84.2 million and $63.8 million, which represented 3.80% and 3.33% of total loans, respectively. The increase in the allowance for credit losses as of December 31, 2023 was primarily driven by the adoption of the CECL accounting standard, which resulted in a $13.7 million increase in our allowance for credit losses, and due to growth in our recreation and home improvement loan portfolios, as well as growth in the commercial loan portfolio, offset by a reduction in allowance specific to the taxi medallion portfolio as the taxi medallion loan portfolio continued to shrink through collections.

All taxi medallion loans are deemed impaired and have a specific allowance for each loan, such that the underlying net loan has a value no greater than collateral value. The determination of taxi medallion collateral fair value is derived quarterly for each jurisdiction. For taxi medallion loans, delinquent nonperforming loans are valued at collateral value for the most recent quarter. Collateral value for the taxi medallion loans is generally determined utilizing factors deemed relevant under the circumstances of the market including but not limited to: actual transfers, pending transfers, median and average sales prices, discounted cash flows, market direction and sentiment, and general economic trends for the industry and economy. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. We deem a loan impaired when, based on current information and events, it is probable that we will be unable to collect the amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. We charge-off loans in the period that such loans are deemed uncollectible or when they reach 120 days delinquent regardless of whether the loan is a recreation, home improvement, or taxi medallion loan.

The methodology used in the periodic review of reserve adequacy, which is performed at least quarterly, is designed to be responsive to changes in portfolio credit quality and inherent credit losses. The changes are reflected in both the pooled formula reserve and in specific reserves as the collectability of larger classified loans is regularly recalculated with new information as it becomes available. Management is primarily responsible for the overall adequacy of the allowance.

Goodwill and Intangible Assets

Goodwill and intangible assets arose as a result of the excess of the fair value that was determined by an independent third party expert over the book value of several of our previously unconsolidated portfolio investment companies as of April 2, 2018. Goodwill is not amortized, but is subject to quarterly review by management to determine whether additional impairment testing is needed, and such testing is performed at least on an annual basis. The annual goodwill assessment is focused on the Bank goodwill of $150.8 million and intangible assets of $20.6 million, both of which utilized a step zero qualitative impairment analysis based on historical and projected financial data. The Bank-related intangible assets are amortized over their approximate useful life.

Deferred Taxes

Deferred taxes reflect the impact of temporary differences between the carrying amount of assets and liabilities and their tax basis and are stated at tax rates expected to be in effect when taxes are actually paid or recovered. Deferred tax assets are recognized subject to management's judgment that it is more like than not that it will be recognized. In addition, a valuation allowance is recorded when it is deemed that some or all of the deferred tax assets will not be realized due to the temporary differences.

AVERAGE BALANCES AND RATES

The following table shows our consolidated average balance sheets, interest income and expense, and the average interest earning/bearing assets and liabilities, and which reflect the average yield on assets and average costs on liabilities as of and for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,								
	2023			2022			2021		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-earning assets									
Interest earning cash equivalents	$ 23,773	$ 881	3.71%	$ 4,288	$ 153	3.57%	$ 3,149	$ 56	1.78%
Federal funds sold	70,021	3,130	4.47	71,847	956	1.33	45,096	23	0.05
Investment securities	52,065	1,728	3.32	46,832	1,176	2.51	45,195	769	1.70
Loans									
Recreation	1,283,434	167,765	13.07	1,085,211	139,145	12.82	879,625	118,305	13.45
Home improvement	708,031	62,703	8.86	526,377	44,703	8.49	374,083	34,204	9.14
Commercial	99,394	12,903	12.98	87,936	9,705	11.04	66,874	7,070	10.57
Taxi medallion	5,924	1,550	26.16	13,803	627	4.54	21,266	(1,483)	(6.97)
Strategic partnerships	1,387	380	27.40	537	156	29.05	70	22	31.43
Total loans	2,098,170	245,301	11.69	1,713,864	194,336	11.34	1,341,918	158,118	11.78
Total interest-earning assets, before allowance	2,244,029		11.19	1,836,831		10.70	1,435,358		11.08
Allowance for credit losses	(76,596)			(56,866)			(50,592)		
Total interest-earning assets, net of allowance	2,167,433	251,040	11.58%	1,779,965	196,621	11.06	1,384,766	158,966	11.51
Non-interest-earning assets									
Cash	16,704			39,535			47,050		
Equity investments	11,036			10,570			9,830		
Loan collateral in process of foreclosure [(1)]	18,230			28,823			47,764		
Goodwill and intangible assets	172,118			173,563			199,160		
Other assets	52,680			46,794			44,129		
Total non-interest-earning assets	270,768			299,285			347,933		
Total assets	$ 2,438,201			$ 2,079,250			$ 1,732,699		
Interest-bearing liabilities									
Deposits	$ 1,764,262	$ 47,784	2.71%	$ 1,440,328	$ 22,666	1.57%	$ 1,134,531	$ 17,543	1.55%
Retail and privately placed notes	123,808	10,286	8.31	121,000	10,008	8.27	120,704	10,226	8.47
SBA debentures and borrowings	68,519	2,387	3.48	69,188	2,228	3.22	64,733	2,116	3.27
Trust preferred securities	33,000	2,489	7.54	33,000	1,283	3.89	33,000	981	2.97
Notes payable to banks	—	—	—	—	—	—	10,960	134	1.22
Other borrowings	—	—	—	—	—	—	6,782	140	2.06
Total interest-bearing liabilities	1,989,589	62,946	3.16	1,663,516	36,185	2.17	1,370,710	31,140	2.28
Non-interest-bearing liabilities									
Deferred tax liability	23,747			22,187			7,444		
Other liabilities [(2)]	37,749			30,574			27,634		
Total non-interest-bearing liabilities	61,496			52,761			35,078		
Total liabilities	2,051,085			1,716,277			1,405,788		
Non-controlling interest	69,253			69,253			72,162		
Total stockholders' equity	317,863			293,720			254,749		
Total liabilities and stockholders' equity	$ 2,438,201			$ 2,079,250			$ 1,732,699		
Net interest income		$ 188,094			$ 160,436			$ 127,826	
Net interest margin, gross			8.38			8.73			8.91
Net interest margin, net of allowance			8.68%			9.05%			9.25%

(1) Includes financed sales of this collateral to third parties reported separately from the loan portfolio, and that are conducted by the Bank of $6.2 million, $7.5 million, and $7.4 million as of December 31, 2023, 2022, and 2021.

(2) Excludes deferred financing costs of $8.5 million, $7.0 million, and $7.1 million as of December 31, 2023, 2022, and 2021.

For the year ended December 31, 2023, our net loans receivable yielded 11.69% as compared to 11.34% for the year ended December 31, 2022. The 35 basis point increase reflects a higher yield on our loan portfolios, as we have increased the rates charged on new consumer originations over the past year as prevailing market interest rates have increased. We have used the higher interest rate environment as an opportunity to increase the rates on both newly issued recreation and home improvement loans, which is expected to continue to increase the yield on these portfolios over time, as well as increase the credit quality of our new issuances, particularly in our recreation segment, with the average FICO scores, measured at origination, of our recreation loans outstanding being 683 as of December 31, 2023 compared to 671 as of December 31, 2022. We use weighted average FICO scores as an indicator of portfolio risk.

Our debt, with certificates of deposits being our largest source, funds our growing lending business. Our average interest cost for the year ended December 31, 2023 of 3.16% increased 99 basis points from 2.17% for the year ended December 31, 2022, attributable to the current higher interest rate environment, particularly the higher cost associated with our deposits. To the extent that prevailing market interest rates remain at current levels, we expect our cost of funds to continue to increase as we issue new certificates of deposit to replace maturing certificates of deposit and fund our growth. We have taken, and continue to take, steps to pass along a portion of the interest rate increases on newly originated loans, the process for which is slower than the pace of funding cost increases, thereby compressing our net interest margins.

RATE/VOLUME ANALYSIS

The following table presents the change in interest income and expense due to changes in the average balances (volume) and average rates, calculated for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,								
	2023			2022			2021		
(Dollars in thousands)	Increase (Decrease) In Volume	Increase (Decrease) In Rate	Net Change	Increase (Decrease) In Volume	Increase (Decrease) In Rate	Net Change	Increase (Decrease) In Volume	Increase (Decrease) In Rate	Net Change
Interest-earning assets									
Interest earning cash and cash equivalents	**$ 755**	**$ 2,147**	**$ 2,902**	$ 174	$ 223	$ 397	$ (31)	$ (55)	$ (86)
Investment securities	**174**	**378**	**552**	41	366	407	(24)	(205)	(229)
Loans									
Recreation	**25,911**	**2,709**	**28,620**	26,435	(5,595)	20,840	14,749	(7,150)	7,599
Home improvement	**16,087**	**1,913**	**18,000**	12,912	(2,413)	10,499	7,961	(1,030)	6,931
Commercial	**1,487**	**1,711**	**3,198**	2,382	818	3,200	(287)	23	(264)
Taxi medallion	**(2,062)**	**2,985**	**923**	(526)	2,704	2,178	11,994	(11,959)	35
Strategic partnerships	**233**	**(9)**	**224**	136	(2)	134	19	(1)	18
Total loans	**$ 41,656**	**$ 9,309**	**$ 50,965**	$ 41,339	$ (4,488)	$ 36,851	$ 34,436	$ (20,117)	$ 14,319
Total interest-earning assets	**$ 42,585**	**$ 11,834**	**$ 54,419**	$ 41,554	$ (3,899)	$ 37,655	$ 34,381	$ (20,377)	$ 14,004
Interest-bearing liabilities									
Deposits	**$ 8,774**	**$ 16,344**	**$ 25,118**	$ 4,812	$ 311	$ 5,123	$ 1,302	$ (6,089)	$ (4,787)
Retail and privately placed notes	**233**	**45**	**278**	24	(242)	(218)	4,263	(850)	3,413
SBA debentures and borrowings	**(23)**	**182**	**159**	143	(31)	112	(223)	(294)	(517)
Trust preferred securities	**—**	**1,206**	**1,206**	—	302	302	—	14	14
Notes payable to banks	**—**	**—**	**—**	(134)	0	(134)	(261)	(850)	(1,111)
Other borrowings	**—**	**—**	**—**	(140)	0	(140)	(31)	8	(23)
Total interest-bearing liabilities	**$ 8,984**	**$ 17,777**	**$ 26,761**	$ 4,705	$ 340	$ 5,045	$ 5,050	$ (8,061)	$ (3,011)
Net	**$ 33,601**	**$ (5,943)**	**$ 27,658**	$ 36,849	$ (4,239)	$ 32,610	$ 29,331	$ (12,316)	$ 17,015

For the year ended December 31, 2023, the increase in interest income was mainly driven by the increase in volume of consumer loans, with a large portion of that increase occurring in the first half of the year, as well as an increase in overall yield on interest-earning assets as we issue new loans at interest rates higher than the weighted average rates of our then current portfolio. The increase in interest expense was driven by an increase in borrowing costs, primarily the increases in deposits as older deposits mature and are replaced at current market rates, as well as an overall increase in borrowings.

Our interest expense is driven by the interest rates payable on our bank certificates of deposit, privately placed notes, fixed-rate, long-term debentures issued to the SBA, and trust preferred securities, and has historically included credit facilities with banks and other short-term notes payable. The Bank issues brokered time certificates of deposit, which are, on average, our lowest borrowing costs. The Bank is able to bid on these deposits at a variety of maturity options, which allows for more flexible interest rate management strategies. In September 2023, we issued and sold $39.0 million aggregate principal amount of 9.25% senior notes due in September 2028, and repurchased $33.0 million aggregate principal amount of our 8.25% senior notes due in March 2024. In December 2023, we issued and sold $12.5 million aggregate principal amount of 9.00% senior notes due in December 2033. The proceeds of both offerings were used for general corporate purposes and repayment of the senior notes maturing in March 2024.

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

We measure our borrowing costs as our aggregate interest expense for all of our interest-bearing liabilities divided by the average amount of such liabilities outstanding during the period. The above table shows the average borrowings and related borrowing costs for the years ended December 31, 2023, 2022, and 2021. We expect our borrowing costs to further increase as prevailing interest rates continue at, or rise from, these levels.

We continue to seek SBA funding through Medallion Capital, to the extent it offers attractive rates. SBA financing subjects its recipients to limits on the amount of secured bank debt they may incur. We use SBA funding to fund loans that qualify under the SBIA, and SBA regulations. In July 2023, we obtained a $20.0 million commitment from the SBA, $9.8 million of which has been utilized as of December 31, 2023, with $5.2 million currently drawable, and the balance of $5.5 million drawable upon the infusion of $2.4 million of capital. At December 31, 2023 and 2022, adjustable rate debt constituted less than 2% of total debt, and was comprised solely of our trust preferred securities borrowings.

LOANS

Loans are reported at the principal amount outstanding, inclusive of deferred loan acquisition costs, which primarily includes deferred fees paid to loan originators, which are amortized to interest income over the life of the loan. For the years ended December 31, 2023 and 2022, there was continued growth in the recreation and home improvement segments.

Year Ended December 31, 2023 *(Dollars in thousands)*	**Recreation**	**Home Improvement**	**Commercial**	**Taxi Medallion**	**Strategic Partnership**	**Total**
Gross loans – December 31, 2022	**$ 1,183,512**	**$ 626,399**	**$ 92,899**	**$ 13,571**	**$ 572**	**$ 1,916,953**
Loan originations	**447,039**	**357,394**	**34,850**	**2,426**	**118,338**	**960,047**
Principal payments, sales, maturities, and recoveries	**(231,158)**	**(209,894)**	**(13,389)**	**(6,859)**	**(118,357)**	**(579,657)**
Charge-offs	**(50,512)**	**(12,308)**	**(1,019)**	**(3,829)**	**—**	**(67,668)**
Transfer to loan collateral in process of foreclosure, net	**(18,875)**	**—**	**—**	**(2,306)**	**—**	**(21,181)**
Amortization of origination costs	**(12,270)**	**2,668**	**14**	**—**	**—**	**(9,588)**
FASB origination costs, net	**18,490**	**(3,642)**	**(164)**	**660**	**—**	**15,344**
Paid-in-kind interest	**—**	**—**	**1,636**	**—**	**—**	**1,636**
Gross loans – December 31, 2023	**$ 1,336,226**	**$ 760,617**	**$ 114,827**	**$ 3,663**	**$ 553**	**$ 2,215,886**

Year Ended December 31, 2022 *(Dollars in thousands)*	**Recreation**	**Home Improvement**	**Commercial**	**Taxi Medallion**	**Strategic Partnership**	**Total**
Gross loans – December 31, 2021	$ 961,320	$ 436,772	$ 76,696	$ 14,046	$ 90	$ 1,488,924
Loan originations	513,062	392,543	28,172	605	49,526	983,908
Principal payments, sales, maturities, and recoveries	(259,326)	(196,203)	(6,610)	(419)	(49,044)	(511,602)
Charge-offs	(27,055)	(6,393)	(6,083)	(314)	—	(39,845)
Transfer to loan collateral in process of foreclosure, net	(12,444)	—	—	(347)	—	(12,791)
Amortization of origination costs	(10,470)	1,763	—	—	—	(8,707)
Amortization of loan premium	(213)	(322)	—	—	—	(535)
FASB origination costs, net	18,638	(1,761)	—	—	—	16,877
Paid-in-kind interest	—	—	724	—	—	724
Gross loans – December 31, 2022	$ 1,183,512	$ 626,399	$ 92,899	$ 13,571	$ 572	$ 1,916,953

The following table presents the approximate maturities and sensitivity to change in interest rates for our loans as of December 31, 2023.

(Dollars in thousands)	Loan Maturity Within 1 year	After 1 to 5 years	After 5 to 15 years	After 15 years	Total
Fixed-rate	**$ 21,076**	**$ 252,085**	**$ 1,753,773**	**$ 147,289**	**$ 2,174,223**
Recreation	1,874	128,397	1,131,052	29,632	1,290,955
Home improvement	8,940	33,024	604,448	117,657	764,069
Commercial	7,636	89,074	18,273	—	114,983
Strategic partnerships	553	—	—	—	553
Taxi medallion	2,073	1,590	—	—	3,663
Adjustable-rate	**$ 500**	**$ 1,136**	**$ —**	**$ —**	**$ 1,636**
Recreation	500	1,136	—	—	1,636
Commercial	—	—	—	—	—
Taxi medallion	—	—	—	—	—
Total loans[(1)(2)(3)]	**$ 21,576**	**$ 253,221**	**$ 1,753,773**	**$ 147,289**	**$ 2,175,859**

(1) Excludes strategic partnership loans.
(2) Excludes deferred costs.
(3) As of December 31, 2023, there were no floating-rate loans.

PROVISION AND ALLOWANCE FOR CREDIT LOSSES

The allowance is maintained at a level estimated by management to absorb probable credit losses inherent in the loan portfolios based on management's quarterly evaluation of the portfolios, the related credit characteristics, and macroeconomic factors affecting the portfolios. As of December 31, 2023 and 2022, the allowance totaled $84.2 million and $63.8 million, which represented 3.80% and 3.33% of total loans, respectively. The increase in the allowance for credit losses as of December 31, 2023 was primarily driven by the adoption of the CECL accounting standard, which resulted in a $13.7 million increase in our allowance for credit losses, and due to growth in our recreation and home improvement loan portfolios, as well as growth in the commercial loan portfolio, offset by a reduction in allowance specific to the taxi medallion portfolio as the taxi medallion loan portfolio continued to shrink through collections.

The following table sets forth the activity in the allowance for credit losses for December 31, 2023 and 2022.

(Dollars in thousands)	December 31, 2023	2022
Allowance for credit losses – beginning balance [(1)]	**$ 63,845**	$ 50,166
CECL transition amount upon ASU 2016-13 adoption	**13,712**	—
Charge-offs		
Recreation	**(50,512)**	(27,055)
Home improvement	**(12,308)**	(6,393)
Commercial	**(1,019)**	(6,083)
Taxi medallion	**(3,829)**	(314)
Total charge-offs	**(67,668)**	(39,845)
Recoveries		
Recreation	**11,449**	13,785
Home improvement	**2,886**	2,761
Commercial	**10**	47
Taxi medallion	**22,191**	6,872
Total recoveries	**36,536**	23,465
Net charge-offs [(2)]	**(31,132)**	(16,380)
Provision for credit losses	**37,810**	30,059
Allowance for credit losses – ending balance [(3)]	**$ 84,235**	$ 63,845

(1) Represents allowance prior to the adoption of ASU 2016-13.
(2) As of December 31, 2023, cumulative net charge-offs of loans and loan collateral in process of foreclosure in the taxi medallion portfolio were $176.8 million, including $107.9 million related to loans secured by New York taxi medallions, some of which may represent collection opportunities for us.
(3) As of December 31, 2023, there was no allowance for credit loss and net charge-offs related to the strategic partnership loans.

With the adoption of ASC 326, we also adopted ASU 2022-02, Financial Instruments – Credit Losses, or Topic 326: Troubled Debt Restructurings and Vintage Disclosures. Under this standard, we are required to disclose current period gross write-offs, by year of origination, for financing receivables.

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Total
Recreation	**$ 3,136**	**$ 18,836**	**$ 10,857**	**$ 5,115**	**$ 5,001**	**$ 7,567**	**$ 50,512**
Home improvement	**2,196**	**5,686**	**2,662**	**702**	**435**	**627**	**12,308**
Commercial	—	—	**119**	—	**900**	—	**1,019**
Taxi medallion	—	—	—	—	—	**3,829**	**3,829**
Total	**$ 5,332**	**$ 24,522**	**$ 13,638**	**$ 5,817**	**$ 6,336**	**$ 12,023**	**$ 67,668**

The following tables set forth the allowance for credit losses, by type, as of December 31, 2023 and 2022 follows:

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

December 31, 2022 *(Dollars in thousands)*	**Amount**	**Percentage of Allowance**	**Allowance as a Percent of Loan Category**	**Allowance as a Percent of Nonaccrual**
Recreation	$ 41,966	66%	3.55%	130.60%
Home improvement	11,340	18	1.81	35.29
Commercial	1,049	1	1.13	3.26
Taxi medallion	9,490	15	69.93	29.53
Total	$ 63,845	100%	3.33%	198.69%

As of December 31, 2023, the total allowance rate for credit losses increased 47 basis points from December 31, 2022, due to the adoption of CECL and rising loss rates which resulted in higher allowances for recreation, home improvement, and commercial loans, offset by a reduction in the allowance for taxi medallion loans due to recoveries and structured settlements entered into during the year.

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

	Year Ended December 31,					
	2023		**2022**		**2021**	
(Dollars in thousands)	**Amount**	**% (1)**	**Amount**	**% (1)**	**Amount**	**% (1)**
Recreation	**$ 9,095**	**0.4%**	$ 7,365	0.4%	$ 3,818	0.3%
Home improvement	**1,502**	**0.1%**	579	*	132	*
Commercial	**6,240**	**0.3%**	74	*	74	*
Taxi medallion	**—**	*	885	*	—	*
Total loans 90 days or more past due	**$ 16,837**	**0.8%**	$ 8,903	0.5%	$ 6,878	0.6%

(1) Percentages are calculated against the total or managed loan portfolio, as appropriate.
(*) Less than 0.1%.

Recreation and taxi medallion loans that reach 120 days past due are charged down to collateral value and reclassified to loan collateral in process of foreclosure. The following tables show the activity of loan collateral in process of foreclosure for the December 31, 2023 and 2022.

Year Ended December 31, 2023 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion (1)**	**Total**
Loan collateral in process of foreclosure – December 31, 2022	**$ 1,376**	**$ 20,443**	**$ 21,819**
Transfer from loans, net	**18,875**	**2,306**	**21,181**
Sales	**(7,890)**	**(700)**	**(8,590)**
Cash payments received	**(730)**	**(11,311)**	**(12,041)**
Collateral valuation adjustments	**(9,852)**	**(745)**	**(10,597)**
Loan collateral in process of foreclosure – December 31, 2023	**$ 1,779**	**$ 9,993**	**$ 11,772**

(1) As of December 31, 2023, taxi medallion loans in the process of foreclosure included 333 taxi medallions in the New York market, 206 taxi medallions in the Chicago market, 31 taxi medallions in the Newark market, and 31 taxi medallions in various other markets.

Year Ended December 31, 2022 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion (1)**	**Total**
Loan collateral in process of foreclosure – December 31, 2021	$ 1,720	$ 35,710	$ 37,430
Transfer from loans, net	12,444	347	12,791
Sales	(7,707)	(2,668)	(10,375)
Cash payments received	—	(12,289)	(12,289)
Collateral valuation adjustments	(5,081)	(657)	(5,738)
Loan collateral in process of foreclosure – December 31, 2022	$ 1,376	$ 20,443	$ 21,819

(1) As of December 31, 2022, taxi medallion loans in the process of foreclosure included 452 taxi medallions in the New York market, 335 taxi medallions in the Chicago market, 54 taxi medallions in the Newark market, and 39 taxi medallions in various other markets.

SEGMENT RESULTS

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

Recreation Lending

Recreation lending is a growth oriented business focused on originating prime and non-prime recreation loans which is a significant source of income for us, accounting for 67%, 71%, and 74% of our interest income for the years ended December 31, 2023, 2022, and 2021.

We maintain relationships with approximately 3,200 dealers and financial service providers, or FSPs, not all of which are active at any one time. FSPs are entities that provide finance and insurance, or F&I, services to small dealers that do not have the desire or ability to provide F&I services themselves. The ability of FSPs to aggregate the financing and relationship management for many small dealers makes them valuable. We receive approximately half of our loan volume from dealers and the other half from FSPs. Our top ten dealer and FSP relationships were responsible for 43% of recreation lending's new loan originations for the year ended December 31, 2023. The percentage of new loan originations by the top ten dealer and FSP relationships is a measure of concentration, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

The recreation loan portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $20,000 as of December 31, 2023. The loans are fixed rate with an average term at origination of 12.9 years. The weighted average maturity of our loans outstanding as of December 31, 2023 is 10.0 years.

The loans are secured primarily by RVs, boats, and trailers, with RV loans making up 54% of the portfolio and boat loans making up 19% of the portfolio as of December 31, 2023, compared to 58% and 19% as of December 31, 2022. Recreation loans are made to borrowers residing nationwide, with the highest concentrations in Texas and Florida, at 15% and 10% of loans outstanding with no other states at or above 10%. As of December 31, 2023, 2022, and 2021, the weighted average FICO, measured at origination, scores of our recreation loans outstanding were 683, 671, and 668. The weighted average FICO scores at the time of origination for the loans funded in the years ended December 31, 2023, 2022, and 2021 were 686, 676, and 684.

During the year ended December 31, 2023, the recreation portfolio grew 13% from $1.2 billion to $1.3 billion, with the average interest rate increasing 51 basis points to 14.79% from a year ago. Additionally, during the year ended December 31, 2023, allowance for credit losses increased 76 basis points from December 31, 2022, reflecting an increase in reserves due to the adoption of CECL, rising loss rates and various economic factors.

During the year ended December 31, 2023, we originated $447.0 million recreation loans, a decrease of $66.0 million compared to $513.1 million from a year ago. The decrease was driven by more restrictive underwriting standards in 2023 compared to 2022 and management's efforts to mitigate concentration risk by moderating portfolio growth, as well as lower demand than what was experienced in the years following the COVID-19 pandemic. The following table presents quarterly originations for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
First Quarter	**$ 101,681**	$ 114,406	$ 93,850
Second Quarter	**190,007**	170,207	134,467
Third Quarter	**92,603**	149,151	118,407
Fourth Quarter	**62,748**	79,298	95,197
Year Ended	**$ 447,039**	$ 513,062	$ 441,921

As of December 31, 2023, 38% of the recreation loan portfolio were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit history. The following table presents non-prime originations in comparison to total originations for the years ended December 31, 2023, 2022, and 2021.

(Dollars in thousands)	Total Originations	Non-prime Originations	Non-prime Originations (%)
2023	**$ 447,039**	**$ 152,045**	**34%**
2022	$ 513,062	$ 180,697	35%
2021	$ 441,921	$ 130,296	29%

The following table presents selected financial data and ratios as of and for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,		
(Dollars in thousands)	2023	2022	2021
Selected Earnings Data			
Total interest income	**$ 167,765**	$ 139,145	$ 118,305
Total interest expense	**31,436**	17,932	9,993
Net interest income	**136,329**	121,213	108,312
Provision for credit losses	**44,592**	22,802	7,671
Net interest income after loss provision	**91,737**	98,411	100,641
Other income	**376**	—	—
Other expenses	**(32,601)**	(30,463)	(30,156)
Net income before taxes	**59,512**	67,948	70,485
Income tax provision	**(17,231)**	(17,989)	(18,699)
Net income after taxes	**$ 42,281**	$ 49,959	$ 51,786
Balance Sheet Data			
Total loans, gross	**$ 1,336,222**	$ 1,183,512	$ 961,320
Total credit allowance	**57,532**	41,966	32,435
Total loans, net	**1,278,690**	1,141,546	928,885
Total assets	**1,297,870**	1,154,680	943,753
Total borrowings	**1,062,584**	936,789	744,701
Selected Financial Ratios			
Return on average assets	**3.36%**	4.38%	5.93%
Return on average equity	**21.24**	26.66	29.66
Interest yield	**13.07**	12.82	13.45
Net interest margin, gross	**10.62**	11.17	12.31
Net interest margin, net of allowance	**11.09**	11.57	12.76
Reserve coverage	**4.31**	3.55	3.37
Delinquency status [1]	**0.70**	0.64	0.41
Charge-off ratio	**3.04**	1.22	0.29

(1) Loans 90 days or more past due.

Home Improvement Lending

The home improvement lending segment works with contractors and financial service providers to finance home improvements and is concentrated in roofs, swimming pools, and windows at 41%, 20%, and 13% of total loans outstanding as of December 31, 2023, as compared to 37%, 23%, and 12% as of December 31, 2022, with no other collateral types at or above 10%. Home improvement loans are made to borrowers residing nationwide, with the highest concentrations in Texas and Florida each at 10% of loans outstanding December 31, 2023, with no other states at or above 10%. As of December 31, 2023, 2022, and 2021, the weighted average FICO scores, measured at origination, of our home improvement loans outstanding were 764, 753, and 754. The weighted average FICO scores at the time of origination for the loans funded in the years ended December 31, 2023, 2022, and 2021 were 771, 758, and 759.

A large proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing backgrounds rather than by contractor employees who provide F&I services. The result is contractor demand for financing services that facilitate an in-home transaction (e.g., digital tools, including mobile applications for phone or tablet, support for E-SIGN compliant electronic signatures, and extended operating hours), and additional resources for the salesperson throughout the financing process. We currently maintain relationships with approximately 800 contractors and FSPs. Our top ten contractors and FSP relationships were responsible for over 50% of home improvement lending's new loan originations for the years ended December 31, 2023 and 2022. The percentage of new loan originations by the top ten contractor and FSP relationships is a measure of concentration, which management uses to determine whether to undertake diversification efforts, and which provides investors with information about origination concentration.

The home improvement loan portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $20,000 as of December 31, 2023. The loans are fixed rate with an average term at origination of 13.6 years. The weighted average maturity of our loans outstanding as of December 31, 2023 is 12.3 years.

During the year ended December 31, 2023, the home improvement portfolio grew 21% from $626.4 million to $760.6 million, with allowance for credit losses increasing 95 basis points from a year ago reflecting an increase in reserves due to the adoption of CECL and rising loss rates. The average interest rate increased 86 basis points to 9.51% from the prior year.

During the year ended December 31, 2023, we originated $357.4 million home improvement loans, compared to $392.5 million in the prior year. The decrease was driven by more restrictive underwriting standards in 2023 compared to 2022 and management's efforts to mitigate concentration risks. The following table presents quarterly originations for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
First Quarter	**$ 94,981**	$ 89,820	$ 48,059
Second Quarter	**117,035**	105,172	62,992
Third Quarter	**79,333**	100,451	68,692
Fourth Quarter	**66,045**	97,100	78,295
Year Ended	**$ 357,394**	$ 392,543	$ 258,038

As of December 31, 2023, 1% of the home improvement loan portfolio were non-prime receivables with obligors who do not qualify for conventional consumer finance products as a result of, among other things, adverse credit history. The following table presents non-prime originations in comparison to total originations for the years ended December 31, 2023, 2022, and 2021.

(Dollars in thousands)	Total Originations	Non-prime Originations	Non-prime Originations (%)
2023	**$ 357,394**	**$ 3,094**	**1%**
2022	$ 392,543	$ 5,068	1%
2021	$ 258,038	$ 4,034	2%

The following table presents selected financial data and ratios as of and for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,		
(Dollars in thousands)	2023	2022	2021
Selected Earnings Data			
Total interest income	**$ 62,703**	$ 44,703	$ 34,204
Total interest expense	**18,137**	7,697	4,153
Net interest income	**44,566**	37,006	30,051
Provision for credit losses	**17,583**	7,616	2,750
Net interest income after loss provision	**26,983**	29,390	27,301
Other income	**6**	14	63
Other expenses	**(16,752)**	(13,514)	(11,703)
Net income before taxes	**10,237**	15,890	15,661
Income tax provision	**(2,964)**	(4,207)	(4,155)
Net income after taxes	**$ 7,273**	$ 11,683	$ 11,506
Balance Sheet Data			
Total loans, gross	**$ 760,621**	$ 626,399	$ 436,772
Total credit allowance	**21,019**	11,340	7,356
Total loans, net	**739,602**	615,059	429,416
Total assets	**744,904**	618,923	442,503
Total borrowings	**609,863**	502,131	349,172
Selected Financial Ratios			
Return on average assets	**1.04%**	1.95%	2.90%
Return on average equity	**6.60**	12.08	14.49
Interest yield	**8.86**	8.49	9.14
Net interest margin, gross	**6.29**	7.03	8.03
Net interest margin, net of allowance	**6.45**	7.16	8.17
Reserve coverage	**2.76**	1.81	1.68
Delinquency status [1]	**0.20**	0.09	0.03
Charge-off ratio	**1.33**	0.69	0.15

(1) Loans 90 days or more past due.

Commercial Lending

We originate both senior and subordinated loans nationwide to businesses in a variety of industries, with California, Minnesota, and Wisconsin having 27%, 12%, and 10% of the segment portfolio, and no other states having a concentration at or above 10%. These mezzanine loans are primarily secured by a second position on all assets of the businesses and generally range in amount from $2.5 million to $6.0 million at origination, and typically include an equity component as part of the financing. The commercial lending business has concentrations in manufacturing, construction, and wholesale trade that make up 53%, 13%, and 11% of total loans outstanding as of December 31, 2023, as compared to 50%, 11%, and 14% as of December 31, 2022. During the year ended December 31, 2023, we originated $34.9 million of loans, compared to $28.2 million in originations in 2022. As of December 31, 2023, commercial loans totaled $114.8 million.

The following table presents selected financial data and ratios as of and for the years ended December 31, 2023, 2022, and 2021. The commercial segment encompasses the mezzanine lending business, and the other legacy commercial loans (immaterial to total) have been allocated to corporate and other investments.

(Dollars in thousands)	**Year Ended December 31, 2023**	**2022**	**2021**
Selected Earnings Data			
Total interest income	**$ 12,719**	$ 9,348	$ 6,592
Total interest expense	**3,597**	3,040	2,720
Net interest income	**9,122**	6,308	3,872
Provision for credit losses	**1,988**	5,963	—
Net interest income after loss provision	**7,134**	345	3,872
Other income	**5,971**	3,306	6,542
Other expenses	**(3,547)**	(4,910)	(3,441)
Net income (loss) before taxes	**9,558**	(1,259)	6,973
Income tax (provision) benefit	**(2,767)**	333	(1,850)
Net income (loss) after taxes	**$ 6,791**	$ (926)	$ 5,123
Balance Sheet Data			
Total loans, gross	**$ 114,827**	$ 92,899	$ 76,696
Total credit allowance	**4,148**	1,049	1,141
Total loans, net	**110,679**	91,850	75,555
Total assets	**110,850**	101,447	102,711
Total borrowings	**90,754**	82,304	81,048
Selected Financial Ratios			
Return on average assets	**6.65%**	(0.91)%	6.12%
Return on average equity	**41.51**	(5.50)	30.61
Interest yield	**12.80**	10.63	9.86
Net interest margin, gross	**9.18**	7.17	5.79
Net interest margin, net of allowance	**9.45**	7.28	5.81
Reserve coverage	**3.61**	1.13	1.49
Delinquency status [(1)]	**5.40**	0.08	0.10
Charge-off ratio	**1.02**	6.86	0.00

(1) Loans 90 days or more past due.

	As of December 31, 2023		**2022**	
Geographic Concentrations *(Dollars in thousands)*	**Total Gross Loans**	**% of Market**	**Total Gross Loans**	**% of Market**
California	**$ 31,225**	**27%**	$ 21,585	23%
Minnesota	**13,879**	**12**	12,048	13
Wisconsin	**11,393**	**10**	5,054	5
Texas	**10,725**	**9**	9,853	11
Illinois	**8,474**	**7**	12,873	14
Other [(1)]	**39,131**	**35**	30,690	34
Total	**$ 114,827**	**100%**	$ 92,103	100%

(1) Includes 13 other states, which were all under 10% as of December 31, 2023 and 9 other states, which were all under 10% as of December 31, 2022.

Taxi Medallion Lending

The taxi medallion lending segment operates in the New York City metropolitan area. During the year ended December 31, 2023, taxi medallion values remained consistent in the New York City and Newark markets with all other markets being valued at $0 at the end of the year. We continued to not recognize interest income with all loans being placed on nonaccrual as of the third quarter 2020 (except for settled loans with interest being paid in excess of the loan balance), and by transferring underperforming loans from the portfolio to loan collateral in process of foreclosure with charge-offs to collateral value, once loans become more than 120 days past due. All the loans are secured by taxi medallions and enhanced by personal guarantees of the shareholders and owners.

During the year ended December 31, 2023, we collected $45.2 million related to taxi medallion and related assets, which resulted in net recoveries and gains of $29.6 million. The amount of cash collected as well as recoveries recorded vary greatly from period to period due to a wide variety of circumstances surrounding each of the underlying assets, and while we continue to focus on collection and recovery efforts, it is unlikely that there will be future collections at the levels experienced in the current year.

The following table presents selected financial data and ratios as of and for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
Selected Earnings Data			
Total interest income (loss)	**$ 1,596**	$ 632	$ (1,483)
Total interest expense	**72**	508	5,914
Net interest income	**1,524**	124	(7,397)
Benefit for credit losses	**(26,318)**	(6,474)	(7,752)
Net interest income after loss provision	**27,842**	6,598	355
Other income (loss)	**3,358**	4,341	(641)
Other expenses	**(7,256)**	(10,520)	(1,350)
Net income (loss) before taxes	**23,944**	419	(1,636)
Income tax (provision) benefit	**(6,933)**	(111)	433
Net income (loss) after taxes	**$ 17,011**	$ 308	$ (1,203)
Balance Sheet Data			
Total loans, gross	**$ 3,663**	$ 13,571	$ 14,046
Total credit allowance	**1,536**	9,490	9,234
Total loans, net	**2,127**	4,081	4,812
Total assets	**12,247**	25,496	86,526
Total borrowings	**10,027**	20,685	68,276
Selected Financial Ratios			
Return on average assets	**91.25%**	1.18%	(0.13)%
Return on average equity	**574.86**	6.97	(0.64)
Interest yield	**26.94**	4.58	(6.97)
Net interest margin, gross	**25.73**	0.90	(34.78)
Net interest margin, net of allowance	**61.60**	2.76	(93.60)
Reserve coverage	**41.93**	69.93	65.74
Delinquency status [(1)]	**—**	6.52	0.00
Charge-off ratio	**(309.96)**	(47.51)	41.72

(1) Loans 90 days or more past due.

	As of December 31,			
	2023		2022	
Geographic Concentration *(Dollars in thousands)*	**Total Gross Loans**	**% of Market**	**Total Gross Loans**	**% of Market**
New York City	**$ 3,436**	**94%**	$ 12,626	93%
Newark	**227**	**6**	916	7
All Other	**—**	**—**	29	*
Total	**$ 3,663**	**100%**	$ 13,571	100%

(*) Less than 1%.

	As of December 31,			
	2023		2022	
Geographic Concentration *(Dollars in thousands)*	**Total Loan Collateral in Process of Foreclosure**	**% of Market**	**Total Loan Collateral in Process of Foreclosure**	**% of Market**
New York City	**$ 8,863**	**89%**	$ 16,720	82%
Newark	**1,130**	**11**	2,965	14
Chicago	**—**	**—**	732	4
All Other	**—**	**—**	26	*
Total	**$ 9,993**	**100%**	$ 20,443	100%

(*) Less than 1%.

Corporate and Other Investments

This non-operating segment relates to our equity and investment securities as well as our legacy commercial business, and other assets, liabilities, revenues, and expenses, which are not specifically allocated to the operating segments. Commencing with the 2020 second quarter, the Bank began issuing loans related to the new strategic partnership business, which is included within this segment. The associated activities of the strategic partnership business are currently limited to originating loans or other receivables facilitated by our strategic partners and selling those loans or receivables to our strategic partners or other third parties, without recourse, within a specified time after origination, such as three business days. Strategic partnerships represent $0.6 million in net loans as of both December 31, 2023 and December 31, 2022, with originations of $118.3 million during the year ended December 31, 2023. This segment also reflects the gains (losses) on the dispositions of certain non-core assets.

The following table presents selected financial data and ratios as of and for the years ended December 31, 2023, 2022, and 2021.

(Dollars in thousands)	**Year Ended December 31,**		
	2023	**2022**	**2021**
Selected Earnings Data			
Total interest income	**$ 6,257**	$ 2,793	$ 1,348
Total interest expense	**9,704**	7,008	7,814
Net interest expense	**(3,447)**	(4,215)	(6,466)
Provision (benefit) for credit losses	**(35)**	152	1,953
Net interest expense after loss provision	**(3,412)**	(4,367)	(8,419)
Other income	**1,609**	1,865	12,319
Other expenses	**(15,412)**	(12,646)	(10,866)
Net loss before taxes	**(17,215)**	(15,148)	(6,966)
Income tax benefit	**4,985**	4,011	1,552
Net loss after taxes	**$ (12,230)**	$ (11,137)	$ (5,414)
Balance Sheet Data			
Total loans, gross	**$ 553**	$ 572	$ 90
Total credit allowance	**—**	—	—
Total loans, net	**553**	572	90
Total assets	**421,956**	359,333	297,564
Total borrowings	**345,462**	291,526	234,804
Selected Financial Ratios			
Return on average assets	**(3.13)%**	(3.02)%	(2.01)%
Return on average equity	**(19.78)**	(18.40)	(14.49)

Summary Consolidated Financial Ratios

The following table presents selected financial data and ratios as of and for the years ended December 31, 2023, 2022, and 2021.

	Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
Return on average assets	**2.51%**	2.40%	3.33%
Return on average stockholder's equity	**17.33**	14.92	21.24
Return on average equity	**15.79**	13.74	17.64
Net interest margin, gross	**8.38**	8.73	8.91
Equity to assets [(1)]	**15.91**	16.40	19.00
Debt to equity [(2)]	**5.1x**	4.9x	4.2x
Net loans receivable to assets	**82%**	82%	77%
Net charge-offs	**31,132**	16,380	12,004
Net charge-offs as a % of average loans receivable	**1.48%**	0.99%	0.93%
Reserve coverage	**3.80**	3.33	3.37

(1) Includes $68.8 million, related to non-controlling interests in consolidated subsidiaries as of December 31, 2023, 2022, and 2021.

(2) Excludes deferred financing costs of $8.5 million, $7.0 million, and $7.1 million as of December 31, 2023, 2022, and 2021.

CONSOLIDATED RESULTS OF OPERATIONS

For the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Net income attributable to shareholders was $55.1 million, or $2.37 per share, for the year ended December 31, 2023, compared to $43.8 million, or $1.83 per share, for the year ended December 31, 2022.

Total interest income was $251.0 million for the year ended December 31, 2023, compared to $196.6 million for the year ended December 31, 2022. The increase in interest income reflects continued growth in the recreation and home improvement lending segments, and to a lesser extent, growth in our commercial lending segment, as well as higher interest rates. The yield on interest earning assets was 11.19% for the year ended December 31, 2023, compared to 10.70% for the year ended December 31, 2022, reflecting new originations being priced at higher rates given the current interest rate environment. Average interest earning assets were $2.2 billion for the year ended December 31, 2023, an increase from $1.8 billion for the year ended December 31, 2022, due to continued growth of both recreation and home improvement loans, largely in the first half of 2023. In 2023, loan originations were $960.1 million, down from $983.9 million in 2022, with $447.0 million and $357.4 million of the 2023 originations attributable to the recreation and home improvement loans. In 2023, we raised credit standards and increased rates charged on new originations for both of our consumer loan products. This, along with lower demand than what was experienced in the years following the COVID-19 pandemic, resulted in somewhat lower originations.

Loans before allowance for credit losses were $2.2 billion as of December 31, 2023, comprised of recreation ($1.3 billion), home improvement ($0.8 billion), commercial ($114.8 million), taxi medallion ($3.7 million), and strategic partnership (less than $0.6 million) loans. We had an allowance for credit losses as of December 31, 2023 of $84.2 million, which was attributable to the recreation (68%), home improvement (25%), commercial (5%), and taxi medallion (2%) loan portfolios. As of December 31, 2022, loans before allowance for credit losses were $1.9 billion, comprised of recreation ($1.2 billion), home improvement ($0.6 billion), commercial ($92.9 million), taxi medallion ($13.6 million), and strategic partnership ($0.6 million) loans. We had an allowance for credit losses as of December 31, 2022 of $63.8 million, which was attributable to recreation (66%), home improvement (18%), and taxi medallion (15%) loans. The allowance for credit losses increased during the year, as a result of the adoption of CECL on January 1, 2023, which required provision for lifetime losses in our portfolio, as well as a result of the loan portfolio growth during the year.

Loans increased $0.3 billion, or 16%, to $2.2 billion as of December 31, 2023 from $1.9 billion as of December 31, 2022. The growth resulted primarily due to nearly $1.0 billion of loan originations outpacing the rate of repayments on existing loans, offset, to a lesser extent, by charge-offs and transfers to loan collateral in process of foreclosure. The provision for credit losses was $37.8 million for the year ended December 31, 2023, compared to $30.1 million for the year ended December 31, 2022. The current year provision included a net benefit of $26.3 million associated with taxi medallion loan recoveries, compared to a net benefit of $6.2 million associated with these loans in the prior year. While we continue to focus on collection and recovery efforts on our taxi medallion loans, it is unlikely that there will be future collections at the levels in the current period. The increase in the provision, in large part, related to higher charge-offs in both the recreation and home improvement loan portfolios from the prior year, as charge-offs continued to trend higher to levels more comparable with our pre-pandemic historical norms. Additionally, the increased charge-off experience resulted in the need for a higher allowance for credit losses, as we are now required to reserve for lifetime expected losses under CECL. As of December 31, 2023 the allowance for credit loss was 4.31% and 2.76% for recreation and home improvement loans, compared to 3.55% and 1.81% a year ago and 4.39% and 2.05% at January 1, 2023 after the adoption of CECL. See Note 4 of the accompanying consolidated financial statements for additional information on loans and allowance for credit losses.

Interest expense was $62.9 million for the year ended December 31, 2023, compared to $36.2 million for the year ended December 31, 2022. The increase from the prior year is attributable to both an increase in cost of borrowings, with our average cost up 99 basis points from a year ago, as well as an overall increase in our borrowings, primarily certificates of deposit. The average cost of borrowed funds was 3.16% for the year ended December 31, 2023, compared to 2.17% for the year ended December 31, 2022. The average cost of the certificates of deposit was 2.71% during the current year, 114 basis points higher than the 1.57% average cost in the prior year, reflecting a higher rate on newly issued deposits when compared to the maturing deposits which were issued at lower rates in previous years. We expect our average cost of funds to increase from these levels in this current inflationary environment as we continue to rely upon the issuance of new certificates of deposit to fund our growing lending business. Average debt outstanding was $2.0 billion for the year ended December 31, 2023, up from $1.7 billion for the year ended December 31, 2022, as we issued additional certificates of deposit to fund our loan growth. See page 40 for tables that show average balances and cost of funds for our funding sources.

Net interest income was $188.1 million for the year ended December 31, 2023, compared to $160.4 million for the year ended December 31, 2022. Net interest margin, excluding the impact of allowance for credit loss, was 8.38% for the year ended December 31, 2023, compared to 8.73%, for the year ended December 31, 2022, reflecting the above. We expect our net interest margin to continue to tighten in 2024, as we expect our cost of funds to increase at a rate somewhat lower than the rate of increase on the average coupon on our loan portfolios.

Net other income, which is comprised primarily of net gains related to equity investments, net gains associated with the disposition of taxi medallion assets, prepayment fees, servicing fee income, late charges, and write-downs of loan collateral, was $11.3 million for the year ended December 31, 2023, compared to $9.5 million for the year ended December 31, 2022. The increase was mainly attributable to $2.4 million of higher gains on the exit of equity investments.

Operating expenses were $75.6 million for the year ended December 31, 2023, up from $72.1 million for the year ended December 31, 2022. Salaries and benefits were $37.6 million for the year ended December 31, 2023, up from $31.1 million for the year ended December 31, 2022, with the increase attributable to a higher head count, annual cost of living increases, and higher performance based compensation. Professional fees were $5.9 million for the year ended December 31, 2023, down from $13.1 million for the year ended December 31, 2022, reflecting lower legal and professional costs during the current year for a variety of corporate matters, with costs in the prior year being elevated due to the SEC litigation. These elevated costs incurred in 2022 gave rise to an approximate $6.5 million liability as a result of the collection of insurance coverage with respect to those costs. The Company anticipates recognizing the benefit of this liability, offsetting future costs, through the remainder of this SEC matter. Other operating costs increased over the prior year consistent with the growth that we have experienced in our businesses and lending segments.

Total income tax expense was $24.9 million for the year ended December 31, 2023, compared to $18.0 million for the year ended December 31, 2022. Income tax expense for 2023 included $1.6 million tax expense related to a valuation allowance with respect to certain tax assets which we believe will not be realized.

Loan collateral in process of foreclosure was $11.8 million at December 31, 2023, a decline from $21.8 million at December 31, 2022 with the decrease largely related to a drop in taxi medallion assets, due to the higher levels of cash payments and structured settlements received during the year.

For the Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

For a comparison of the Company's results of operations for the year ended December 31, 2022 to the year ended December 31, 2021, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the Securities and Exchange Commission on March 10, 2023.

ASSET/LIABILITY MANAGEMENT

Interest Rate Sensitivity

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

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

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

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

The following table presents our interest rate sensitivity gap at December 31, 2023. The principal amounts of interest earning assets are assigned to the time frames in which such principal amounts are contractually obligated to be repriced. We do not reflect any prepayment assumptions in preparing the analysis, despite historical average life experience being significantly shorter than contractual terms.

	December 31, 2023 Cumulative Rate Gap [(1)]							
(Dollars in thousands)	**Less Than 1 Year**	**More Than 1 and Less Than 2 Years**	**More Than 2 and Less Than 3 Years**	**More Than 3 and Less Than 4 Years**	**More Than 4 and Less Than 5 Years**	**More Than 5 and Less Than 6 Years**	**Thereafter**	**Total**
Earning assets								
Fixed-rate	**$ 20,524**	**$ 26,244**	**$ 47,623**	**$ 96,001**	**$ 82,217**	**$ 78,902**	**$ 1,822,160**	**$2,173,671**
Adjustable rate	**500**	**846**	**263**	**—**	**28**	**—**	**—**	**1,637**
Investment securities	**18,455**	**3,444**	**1,954**	**4,750**	**1,833**	**4,849**	**38,722**	**74,007**
Cash	**148,595**	**500**	**750**	**—**	**—**	**—**	**—**	**149,845**
Total earning assets	**$ 188,074**	**$ 31,034**	**$ 50,590**	**$ 100,751**	**$ 84,078**	**$ 83,751**	**$ 1,860,882**	**$2,399,160**
Interest bearing liabilities								
Deposits	**$ 678,846**	**$ 533,405**	**$ 325,498**	**$ 184,458**	**$ 147,232**	**$ —**	**$ —**	**$1,869,439**
Retail and privately placed notes	**3,000**	**—**	**31,250**	**53,750**	**39,000**	**—**	**12,500**	**139,500**
SBA debentures and borrowings	**5,000**	**14,000**	**14,000**	**2,000**	**1,250**	**—**	**39,000**	**75,250**
Trust preferred securities	**—**	**—**	**—**	**—**	**—**	**—**	**33,000**	**33,000**
Total liabilities	**$ 686,846**	**$ 547,405**	**$ 370,748**	**$ 240,208**	**$ 187,482**	**$ —**	**$ 84,500**	**$2,117,189**
Interest rate gap	**$ (498,772)**	**$ (516,371)**	**$ (320,158)**	**$ (139,457)**	**$ (103,404)**	**$ 83,751**	**$ 1,776,382**	**$ 281,971**
Cumulative interest rate gap	**$ (498,772)**	**$(1,015,143)**	**$(1,335,301)**	**$(1,474,758)**	**$(1,578,162)**	**$(1,494,411)**	**$ 281,971**	**$ —**
December 31, 2022 [(2)]	$ (367,803)	$ (807,687)	$(1,158,706)	$(1,283,654)	$(1,372,105)	$(1,314,604)	$ 222,536	$ —
December 31, 2021 [(2)]	$ (230,601)	$ (455,807)	$ (770,239)	$ (891,489)	$(1,007,810)	$ (940,350)	$ 153,539	$ —

(1) The ratio of the cumulative one-year gap to total interest rate sensitive assets was (21%), (18%), and (14%) as of December 31, 2023, 2022, and 2021.
(2) Excludes federal funds sold and investment securities.

Our interest rate sensitive assets were $2.4 billion and interest rate sensitive liabilities were $2.1 billion at December 31, 2023. The one-year cumulative interest rate gap was a negative $0.5 billion or 21% of interest rate sensitive assets. We actively monitor the level of exposure with the goal that movements in interest rates 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.

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

Liquidity and Capital Resources

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

In December 2023, we completed a private placement to certain institutional investors of $12.5 million aggregate principal amount of 9.00% unsecured senior notes due December 2033, with interest payable semiannually.

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

In April 2023, the Bank began to originate retail savings deposits through a third-party service provider and, as of December 31, 2023, the Bank had $18.0 million in retail savings deposit balances.

In March 2023, the Bank established a discount window line of credit at the Federal Reserve. As of December 31, 2023, the Bank had approximately $38.0 million in investment securities pledged as collateral to the Federal Reserve. The current advance rate on the pledged securities is 100% of fair value, for a total of approximately $38.0 million in secured borrowing capacity, of which none was utilized as of December 31, 2023.

The Bank has borrowing arrangements with several commercial banks. These agreements are accommodations that can be terminated at any time, for any reason and allow the Bank to borrow up to $75.0 million. As of December 31, 2023, nothing was outstanding on these lines.

In addition, on February 28, 2024, Medallion Capital accepted a commitment from the SBA for $18.5 million in debenture financing with a ten-year term. Medallion Capital can draw funds under the commitment, in whole or in part, until September 30, 2028. In connection with the commitment, Medallion Capital paid the SBA a leverage fee of $0.2 million, with the remaining $0.4 million of the fee to be paid pro rata as Medallion Capital draws under the commitment.

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

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

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

The net proceeds from the December 2020, February 2021, March 2021, April 2021, September 2023, and December 2023 private placements were used for general corporate purposes, including repayment of our 9.00% retail notes at maturity in April 2021 and to pay down other borrowings, including some borrowings at a discount, and to repurchase and cancel $33.0 million of our 8.25% notes due in March 2024.

The table below presents the components of our debt were as of December 31, 2023, exclusive of deferred financing costs of $8.5 million. See Note 5 to the consolidated financial statements for details of the contractual terms of our borrowings.

(Dollars in thousands)	Balance	Percentage	Rate [(1)]
Deposits [(2)]	**$ 1,869,439**	**88%**	**3.07%**
Retail and privately placed notes	**139,500**	**7**	**8.08**
SBA debentures and borrowings	**75,250**	**3**	**3.69**
Trust preferred securities	**33,000**	**2**	**7.75**
Total outstanding debt	**$ 2,117,189**	**100%**	**3.50%**

(1) Weighted average contractual rate as of December 31, 2023.
(2) Balance includes $1.5 million of strategic partner reserve deposits as of December 31, 2023.

Our contractual obligations expire on or mature at various dates through September 2037. The following table shows our contractual obligations at December 31, 2023.

	Payments due by period						
(Dollars in thousands)	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total [(1)]
Borrowings							
Deposits [(2)]	**$ 678,846**	**$ 533,405**	**$ 325,498**	**$ 184,458**	**$ 147,232**	**$ —**	**$ 1,869,439**
Retail and privately placed notes	**3,000**	**—**	**31,250**	**53,750**	**39,000**	**12,500**	**139,500**
SBA debentures and borrowings	**5,000**	**14,000**	**14,000**	**2,000**	**1,250**	**39,000**	**75,250**
Trust preferred securities	**—**	**—**	**—**	**—**	**—**	**33,000**	**33,000**
Total outstanding borrowings	**686,846**	**547,405**	**370,748**	**240,208**	**187,482**	**84,500**	**2,117,189**
Operating lease obligations	**2,536**	**2,546**	**2,567**	**1,342**	**573**	**1,139**	**10,703**
Total contractual obligations	**$ 689,382**	**$ 549,951**	**$ 373,315**	**$ 241,550**	**$ 188,055**	**$ 85,639**	**$ 2,127,892**

(1) Total debt is exclusive of deferred financing costs of $8.5 million.
(2) Balance excludes $1.5 million of strategic partner reserve deposits as of December 31, 2023.

Approximately $1.2 billion of our borrowings have maturity dates during the next two years, a vast majority of which are brokered certificates of deposit that have no right of voluntary withdrawal.

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

We use a combination of long-term and short-term borrowings and equity capital to finance our lending and investing activities. Our long-term fixed-rate loans and investments are financed primarily with fixed-rate debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. We have analyzed the potential impact of changes in interest rates on net interest income. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity a hypothetical immediate 1% increase in interest rates would result in an increase to net income as of December 31, 2023 by $1.6 million on an annualized basis, and the impact of such an immediate increase of 1% over a one year period would have been a reduction in net income by $1.9 million at December 31, 2023. Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size, and composition of the assets on the balance sheet, and other business developments that could affect net income from operations in a particular quarter or for the year taken as a whole. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by these estimates.

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

The following table illustrates sources of available funds for us and each of our subsidiaries, and amounts outstanding under credit facilities and their respective end of period weighted average interest rates at December 31, 2023. See Note 5 to the consolidated financial statements for additional information about each credit facility.

(Dollars in thousands)	**Medallion Financial Corp.**	**MFC**	**MCI**	**FSVC**	**MB**	**December 31, 2023**	December 31, 2022
Cash, cash equivalents and federal funds sold	**$ 30,946**	**$ 242**	**$ 6,057** [2]	**$ 2,557** [2]	**$ 110,043**	**$ 149,845**	$ 105,598
Trust preferred securities	**33,000**					**33,000**	33,000
Average interest rate	**7.75%**					**7.75%**	6.86%
Maturity	**9/37**					**9/37**	9/37
Retail notes and privately placed borrowings	**139,500**					**139,500**	121,000
Average interest rate	**8.08%**					**8.08%**	7.66%
Maturity	**3/24 - 12/33**					**3/24 - 12/33**	3/24-12/27
SBA debentures & borrowings							
Amounts available			**10,250**			**10,250**	4,750
Amounts outstanding			**75,250**			**75,250**	68,512
Average interest rate			**3.69%**			**3.69%**	3.08%
Maturity			**3/24 - 3/34**			**3/24 - 3/34**	3/23 - 3/33
Brokered CDs					**1,870,939** [3]	**1,870,939**	1,610,922
Average interest rate					**3.07%**	**3.07%**	1.91%
Maturity					**1/24 - 12/28**	**1/24 - 12/28**	1/23-12/27
Total cash	**$ 30,946**	**$ 242**	**$ 6,057**	**$ 2,557**	**$ 110,043**	**$ 149,845**	$ 105,598
Total debt outstanding [1]	**$ 172,500**	**$ —**	**$ 75,250**	**$ —**	**$ 1,870,939**	**$ 2,118,689**	$ 1,833,434

(1) Excludes deferred financing costs of $8.5 million and $7.0 million as of December 31, 2023 and 2022.
(2) Cash resides in the applicable SBIC and is generally not available for corporate use.
(3) Balance includes $1.5 million of strategic partner reserve deposits and $8.7 million related to listing services.

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

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

Recently Issued Accounting Standards

On January 1, 2023, we adopted Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", or ASC 326, which replaced the incurred loss methodology that delayed recognition until it was probable a loss had been incurred with a lifetime expected loss methodology using "reasonable and supportable" expectations about the future, referred to as the current expected credit loss, or CECL, methodology. For consumer loans, we use historical delinquency and actual loss rates modified by quantitative adjustments based on macroeconomic factors over a twelve-month reasonable and supportable forecast period. For commercial loans, we assess the historical impact that macroeconomic indicators have had on the loan portfolio, to determine an approximate allowance for credit loss. Unlike consumer loans, where loans may have similar performing characteristics, each commercial loan is unique. We evaluate each commercial loan for specific impairment with additional allowance for credit losses recognized as necessary. For taxi medallion loans, we maintain specific reserves adjusting the carrying amount of loans down to net collateral value. The allowance is evaluated on a quarterly basis by management based on the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions, and excess concentration risks. This evaluation is inherently subjective, as it requires estimates, including those based on changes in economic conditions, that are susceptible to significant revision as more information becomes available. Credit losses are deducted from the allowance, and subsequent recoveries are added back to the allowance.

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

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

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

In March 2023, the FASB issued ASU 2023-02, Investments - Equity Method and Joint Ventures, or Topic 323: Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. The main objective of this new standard is to allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. The amendments in this update are effective for fiscal years beginning after December 15, 2023. We are assessing the impact of the update on the accompanying financial statements.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements. The amendments in this update seek to clarify or improve disclosure and presentation requirements. We are assessing the impact of the update on the accompanying financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting, or Topic 280: Improvements to Reportable Segment Disclosures. The main objective of this update is to provide transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this update are effective for fiscal years beginning after December 15, 2023. We are assessing the impact of the update on the accompanying financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes, or Topic 740: Improvements to Income Tax Disclosures. The main objective of this update is to improve financial reporting disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this update are effective for the annual periods beginning after December 15, 2024. We are assessing the impact of the update on the accompanying financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business activities contain elements of risk. We consider the principal types of risk to be fluctuations in interest rates and portfolio valuations. We consider the management of risk essential to conducting our businesses. Accordingly, our risk management systems and procedures are designed to identify and analyze our risks, to set appropriate policies and limits, and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

In addition, the illiquidity of portions of our loan portfolio and investments may adversely affect our ability to dispose of them at times when it may be advantageous for us to liquidate such portfolio or investments. In addition, if we were required to liquidate some or all of our portfolio, the proceeds of such liquidation may be significantly less than the current value of such investments. Because we borrow money to make loans and investments, our net operating income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our interest income. In periods of sharply rising interest rates, our cost of funds would increase, which would reduce our net interest income. We use a combination of long-term and short-term borrowings and equity capital to finance our investing activities. Our long-term fixed-rate investments are financed primarily with long-term fixed-rate debt, and to a lesser extent by floating-rate debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. We have analyzed the potential impact of changes in interest rates on net interest income. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity a hypothetical immediate 1% increase in interest rates would result in an increase to net income as of December 31, 2023 by $1.6 million on an annualized basis, and the impact of such an immediate increase of 1% over a one year period would have been a reduction in net income by $1.9 million at December 31, 2023. Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size, and composition of the assets on the balance sheet, and other business developments that could affect net income from operations in a particular quarter or for the year taken as a whole. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by these estimates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements set forth under Item 15 (A) (1) in this Annual Report on Form 10-K, which financial statements are incorporated herein by reference in response to this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 December 31, 2023 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management, and other personnel, 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, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control-Integrated Framework (2013). Based on its assessment and those criteria, management believes that we maintained effective internal control over financial reporting as of December 31, 2023.

We believe that the consolidated financial statements included in this report fairly represent our consolidated financial position and consolidated results of operations for all periods presented.

Our Independent Registered Public Accounting Firm, Mazars USA LLP, has audited and issued a report on management's assessment of our internal control over financial reporting. The report of Mazars USA LLP appears below.

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated our internal control over financial reporting to determine whether any changes occurred during the 2023 fourth quarter 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 2023 fourth quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Medallion Financial Corp.

Opinion on Internal Control over Financial Reporting

We have audited Medallion Financial Corp. and subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2023,based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

We also have audited,in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of Medallion Financial Corp. and subsidiaries (the "Company") as of December 31, 2023 and 2022 and the related consolidated statements of operations, other comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2023, and our report dated March 7, 2024 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting,included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

/s/ Mazars USA LLP

New York, New York

March 7, 2024

ITEM 9B. OTHER INFORMATION

None of our directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during our fiscal quarter ended December 31, 2023, as such terms are defined under Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from our Definitive Proxy Statement expected to be filed by April 29, 2024 for our 2024 Annual Meeting of Shareholders under the captions “Proposal No. 1 Election of Class I Directors", “Our Directors and Executive Officers", “Corporate Governance”, and "Executive Compensation".

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from our Definitive Proxy Statement expected to be filed by April 29, 2024 for our 2024 Annual Meeting of Shareholders under the captions “Corporate Governance”, “Executive Compensation”, "Director Compensation", and “Compensation Committee Interlocks and Insider Participation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from our Definitive Proxy Statement expected to be filed by April 29, 2024 for our 2024 Annual Meeting of Shareholders under the captions “Stock Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from our Definitive Proxy Statement expected to be filed by April 29, 2024 for our 2024 Annual Meeting of Shareholders under the captions “Certain Relationships and Related Party Transactions”, “Our Directors and Executive Officers,” and “Corporate Governance.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from our Definitive Proxy Statement expected to be filed by April 29, 2024 for our 2024 Annual Meeting of Shareholders under the caption “Principal Accountant Fees and Services.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) 1. FINANCIAL STATEMENTS

The consolidated financial statements of Medallion Financial Corp. and the Report of Independent Public Accountants thereon are included as set forth on the Index to Financial Statements on F-1.

2. FINANCIAL STATEMENT SCHEDULES

See Index to Financial Statements on F-1.

3. EXHIBITS

3.1(a)	Restated Medallion Financial Corp. Certificate of Incorporation. Filed as Exhibit 3.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 000-27812) and incorporated by reference herein.
3.1(b)	Amendment to Restated Certificate of Incorporation. Filed as Exhibit 3.1.1 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (File No. 000-27812) and incorporated by reference herein.
3.2	Second Amended and Restated By-Laws of Medallion Financial Corp., as amended and restated as of May 1, 2022. Filed as Exhibit 3.1 to the Current Report on Form 8-K filed on May 2, 2022 (File No. 001-37747) and incorporated by reference herein.
4.1	Description of Registered Securities of Medallion Financial Corp. Filed as Exhibit 4.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (File No. 001-37747) and incorporated by reference herein.
4.2	Fixed/Floating Rate Junior Subordinated Note, dated June 7, 2007, by Medallion Financial Corp., in favor of Medallion Financing Trust I. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on June 11, 2007 (File No. 814-00188) and incorporated by reference herein.
4.3	Form of Note Purchase Agreement, including the form of Note attached thereto. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on March 26, 2019 (File No. 001-37747) and incorporated by reference herein.
4.4	Form of Note Purchase Agreement, including the form of Note attached thereto. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on December 23, 2020 (File No. 001-37747) and incorporated by reference herein.
4.5	Form of Note Purchase Agreement, including the form of Note attached thereto. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on March 1, 2021 (File No. 001-37747) and incorporated by reference herein.
4.6	Form of Note Purchase Agreement, including the form of Note attached thereto. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on October 2, 2023 (File No. 001-37747) and incorporated by reference herein.
4.7	Form of Note Purchase Agreement, including the form of Note attached thereto. Filed as Exhibit 4.1 to the Current Report on Form 8-K filed on December 28, 2023 (File No. 001-37747) and incorporated by reference herein.
10.1	First Amended and Restated Employment Agreement, between Medallion Financial Corp. and Alvin Murstein dated May 29, 1998. Filed as Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 814-00188) and incorporated by reference herein.*
10.2	Amendment No. 1 to First Amended and Restated Employment Agreement, dated and effective as of April 27, 2017, by and between Medallion Financial Corp. and Alvin Murstein. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on May 3, 2017 (File No. 814-00188) and incorporated by reference herein.*
10.3	Amendment No. 2 to First Amended and Restated Employment Agreement, dated and effective as of December 22, 2017, by and between Medallion Financial Corp. and Alvin Murstein. Filed as Exhibit 10.3 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (File No. 814-00188) and incorporated by reference herein.*

10.4	First Amended and Restated Employment Agreement, between Medallion Financial Corp. and Andrew Murstein dated May 29, 1998. Filed as Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 814-00188) and incorporated by reference herein.*
10.5	Amendment No. 1 to First Amended and Restated Employment Agreement, dated and effective as of April 27, 2017, by and between Medallion Financial Corp. and Andrew Murstein. Filed as Exhibit 10.2 to the Current Report on Form 8-K filed on May 3, 2017 (File No. 814-00188) and incorporated by reference herein.*
10.6	Amendment No. 2 to First Amended and Restated Employment Agreement, dated and effective as of December 22, 2017, by and between Medallion Financial Corp. and Andrew Murstein. Filed as Exhibit 10.6 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (File No. 814-00188) and incorporated by reference herein.*
10.7	Amendment No. 3 to First Amended and Restated Employment Agreement, dated April 27, 2023, by and between Medallion Financial Corp. and Andrew Murstein. Filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (File No. 001-37747) and incorporated by reference herein.*
10.8	Employment Agreement, dated June 27, 2016, between Donald Poulton, Medallion Financial Corp. and Medallion Bank. Filed as Exhibit 10.2 to the Current Report on Form 8-K filed on June 30, 2016 (File No. 814-00188) and incorporated by reference herein.*
10.9	Amended and Restated Employment Agreement, dated June 13, 2022, by and between Anthony N. Cutrone and Medallion Financial Corp. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on June 15, 2022 (File No. 001-37747) and incorporated by reference herein.*
10.10	Amended and Restated Employment Agreement, dated August 10, 2021, by and between David Justin Haley and Medallion Financial Corp. and Medallion Bank. Filed as Exhibit 10.9 to the Annual report on Form 10-K for the fiscal year ended December 31, 2022 (File No. 001-37747) and incorporated by reference herein.*
10.11	First Amended and Restated 2006 Non-Employee Director Stock Option Plan. Filed as Exhibit B to Amendment No. 3 to Form 40-APP filed on June 18, 2012 (File No. 812-13666) and incorporated by reference herein.*
10.12	2015 Non-Employee Director Stock Option Plan. Filed as Exhibit B to Amendment No. 2 to Form 40-APP filed on January 14, 2016 (File No. 812-14458) and incorporated by reference herein.*
10.13	2018 Equity Incentive Plan. Filed as Annex A to our definitive proxy statement for our 2018 Annual Meeting of Shareholders filed on April 30, 2018 (File No. 001-37747) and incorporated by reference herein.*
10.14	Amendment to Medallion Financial Corp. 2018 Equity Incentive Plan. Filed as Annex A to our definitive proxy statement for our 2020 Annual Meeting of Shareholders filed on April 28, 2020 (File No. 001-37747) and incorporated by reference herein.*
10.15	Amendment No. 2 to Medallion Financial Corp. 2018 Equity Incentive Plan. Filed as Annex A to our definitive proxy statement for our 2022 Annual Meeting of Shareholders filed on May 2, 2022 (File No. 001-37747) and incorporated by reference herein.*
10.16	Medallion Financial Corp. Annual Short Term Incentive Plan, adopted by the Board of Directors on June 1, 2022. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on June 7, 2022 (File No. 001-37747) and incorporated by reference herein.*
10.17	Form of Performance Stock Unit Notice and Agreement. Filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (File No. 001-37747) and incorporated by reference herein.*
10.18	Indenture of Lease, dated October 31, 1997, by and between Sage Realty Corporation, as Agent and Landlord, and Medallion Financial Corp., as Tenant. Filed as Exhibit 10.64 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 812-09744) and incorporated by reference herein.
10.19	First Amendment of Lease, dated September 6, 2005, by and between Medallion Financial Corp. and Sage Realty Corporation. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on September 12, 2005 (File No. 814-00188) and incorporated by reference herein.

10.20 Second Amendment of Lease, dated August 5, 2015, by and between Sage Realty Corporation and Medallion Financial Corp. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 7, 2015 (File No. 814-00188) and incorporated by reference herein.

10.21 Agreement of Lease, dated July 3, 2002, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.17 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.22 Amendment of Lease Agreement, dated October 29, 2004, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.23 Assignment of Lease, dated July 6, 2006, by and between Medallion Bank and Zerop Medical, LLC, and consented and agreed to by B-LINE Holdings, L.C. Filed as Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.24 Second Amendment of Lease Agreement, dated January 9, 2007, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.25 Third Amendment of Lease Agreement, dated October 31, 2007, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.21 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.26 Third Amendment of Lease Agreement, dated November 15, 2011, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.22 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.27 Fourth Amendment of Lease Agreement, dated November 21, 2011, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.23 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.28 Fifth Amendment of Lease Agreement, dated November 26, 2012, by and between B-LINE Holdings, L.C. and Medallion Bank. Filed as Exhibit 10.24 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.29 Sixth Amendment of Lease Agreement, dated January 26, 2017, by and between Investment Property Group, LLC, as successor-in-interest to B-LINE Holdings, L.C., and Medallion Bank. Filed as Exhibit 10.25 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.30 Seventh Amendment of Lease Agreement, dated May 10, 2017, by and between Investment Property Group, LLC and Medallion Bank. Filed as Exhibit 10.26 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.31 Eighth Amendment of Lease Agreement, dated March 28, 2018, by and between Investment Property Group, LLC and Medallion Bank. Filed as Exhibit 10.27 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.32 Letter from Mountain High Real Estate Advisors, Inc. to Medallion Bank, dated July 23, 2018, regarding 8th Amendment Lease Commencement. Filed as Exhibit 10.28 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (File No. 001-37747) and incorporated by reference herein.

10.33 Ninth Amendment to Agreement of Lease, dated August 19, 2019, by and between Investment Property Group, LLC and Medallion Bank. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 21, 2019 (File No. 001-37747) and incorporated by reference herein.

10.34	Tenth Amendment to Agreement of Lease, dated April 5, 2022, by and between Investment Property Group, LLC and Medallion Bank. Filed as Exhibit 10.34 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (File No. 001-37747) and incorporated by reference herein.
10.35	Eleventh Amendment to Agreement of Lease, dated February 22, 2024, by and between Investment Property Group, LLC and Medallion Bank. Filed herewith.
10.36	Commitment Letter, dated February 28, 2024, by the Small Business Administration to Medallion Capital, Inc., accepted and agreed to by Medallion Capital, Inc. on February 28, 2024. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on February 29, 2024 (File No. 001-33747) and incorporated by reference herein.
10.37	Junior Subordinated Indenture, dated as of June 7, 2007, between Medallion Financing Trust I and Wilmington Trust Company as trustee. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on June 11, 2007 (File No. 814-00188) and incorporated by reference herein.
10.38	Purchase Agreement, dated as of June 7, 2007, among Medallion Financial Corp., Medallion Financing Trust I, and Merrill Lynch International. Filed as Exhibit 10.3 to the Current Report on Form 8-K filed on June 11, 2007 (File No. 814-00188) and incorporated by reference herein.
10.39	Cooperation Agreement, dated as of May 1, 2022, by and among Medallion Financial Corp., KORR Value L.P., KORR Acquisitions Group, Inc., Kenneth Orr, David Orr, and Jonathan Orr. Filed as Exhibit 10.1 to the Current Report on Form 8-K filed on May 2, 2022 (File No. 001-37747) and incorporated by reference herein.
10.40	Amendment to Cooperation Agreement, dated as of August 10, 2022, by and among Medallion Financial Corp., KORR Value L.P., KORR Acquisitions Group, Inc., Kenneth Orr, David Orr, and Jonathan Orr. Filed as Exhibit 10.2 to the Current Report on Form 8-K/A filed on August 11, 2022 (File No. 001-37747) and incorporated by reference herein.
21.1	List of Subsidiaries of Medallion Financial Corp. Filed herewith.
23.1	Consent of Mazars USA LLP, independent registered public accounting firm, related to reports on financial statements of Medallion Financial Corp. Filed herewith.
31.1	Certification of Alvin Murstein pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Anthony N. Cutrone pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification of Alvin Murstein pursuant to 18 USC. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.2	Certification of Anthony N. Cutrone pursuant to 18 USC. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.
97.1	Medallion Financial Corp. Amended and Restated Compensation Recoupment Policy. Filed herewith.
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Compensatory plan or arrangement required to be identified pursuant to Item 15(a)(3) of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange of Act of 1934, registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDALLION FINANCIAL CORP.

Date: March 7, 2024

By: /s/ Alvin Murstein

Alvin Murstein

Chairman and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Alvin Murstein Alvin Murstein	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 7, 2024
/s/ Anthony N. Cutrone Anthony N. Cutrone	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 7, 2024
/s/ Andrew M. Murstein Andrew M. Murstein	President and Director	March 7, 2024
/s/ John Everets John Everets	Director	March 7, 2024
/s/ Cynthia Hallenbeck Cynthia Hallenbeck	Director	March 7, 2024
/s/ Brent O. Hatch Brent O. Hatch	Director	March 7, 2024
/s/ Robert M. Meyer Robert M. Meyer	Director	March 7, 2024
/s/ David L. Rudnick David L. Rudnick	Director	March 7, 2024
/s/ Allan J. Tanenbaum Allan J. Tanenbaum	Director	March 7, 2024

MEDALLION FINANCIAL CORP.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Medallion Financial Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Medallion Financial Corp. and subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, other comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2023 and the related notes to the financial statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations, changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 7, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses

Critical Audit Matter Description

As discussed in Notes 2 and 4 to the consolidated financial statements, the allowance for credit losses ("ACL") is assessed on a regular basis on loans segregated into homogenous pools based on similarities. For consumer loans, the Company uses historical delinquency and actual loss rates modified by quantitative adjustments based on macroeconomic factors over a twelve month reasonable and supportable forecast period. For commercial loans, the Company assesses the historical impact that macroeconomic indicators have had on the loan portfolio, to determine an approximate allowance for credit loss.

We identified the valuation of the ACL as a critical audit matter. The principal considerations for that determination included the high degree of judgment and subjectivity involved in evaluating management's estimates, particularly as it related to evaluating management's assessment of the qualitative factors. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's significant estimates and assumptions.

How the Critical Matter Was Addressed in the Audit

Our audit procedures related to the allowance for credit losses included the following, among others:

- Obtained an understanding of the Company's process for establishing the ACL, including the qualitative and forecast factor adjustments of the ACL.
- Evaluated the design and tested the operating effectiveness of internal controls over the Company's ACL including controls over:
    - Management's process for identification, basis for development and related adjustments; including reasonableness, of the qualitative factor components of the ACL.
    - Management's review of reliability and accuracy of data used to calculate and estimate the various components for the ACL, including accuracy of the calculation.
- Evaluated the reasonableness of management's application of qualitative adjustments to historical loss rates in the ACL, including:
    - Evaluated completeness and accuracy of the information utilized as a basis for the qualitative factors to third party or internal sources.
    - Evaluated the relevance of inputs in the calculation utilized as a basis for qualitative factors.
- Evaluated analytics and trends of the overall allowance for credit loss analysis to assess for reasonableness.
- Evaluated the mathematical accuracy of formulas used in setting qualitative factors and applications of the factors to loan segments.
- Utilized professionals with specialized skills and knowledge to assist in evaluating the appropriateness of the quantitative models and the reasonableness of judgments used by management in determining certain qualitative adjustments.

/s/ Mazars USA LLP

We have served as the Company's auditor since 2005.

New York, New York
March 7, 2024

MEDALLION FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)	December 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	**$ 52,591**	$ 33,172
Federal funds sold	**97,254**	72,426
Investment securities	**54,282**	48,492
Equity investments	**11,430**	10,293
Loans	**2,215,886**	1,916,953
Allowance for credit losses	**(84,235)**	(63,845)
Net loans receivable	**2,131,651**	1,853,108
Goodwill	**150,803**	150,803
Intangible assets, net	**20,591**	22,035
Property, equipment, and right-of-use lease asset, net	**14,076**	13,168
Accrued interest receivable	**13,538**	12,613
Loan collateral in process of foreclosure [(1)]	**11,772**	21,819
Income tax receivable	**671**	2,095
Other assets	**29,168**	19,855
Total assets	**$ 2,587,827**	$ 2,259,879
Liabilities		
Deposits [(2)]	**$ 1,866,657**	$ 1,607,110
Long-term debt [(3)]	**235,544**	214,320
Deferred tax liabilities, net	**21,207**	26,753
Short-term debt	**8,000**	5,000
Operating lease liabilities	**7,019**	8,408
Accrued interest payable	**6,822**	4,790
Accounts payable and accrued expenses [(4)]	**30,804**	22,974
Total liabilities	**2,176,053**	1,889,355
Commitments and contingencies [(5)]		
Stockholders' equity		
Preferred stock (1,000,000 shares of $0.01 par value stock authorized-none outstanding)	**—**	—
Common stock (50,000,000 shares of $0.01 par value stock authorized - **29,051,800 shares at December 31, 2023** and 28,663,827 shares at December 31, 2022 issued)	**291**	287
Additional paid in capital	**288,046**	283,663
Treasury stock (**5,602,154 shares at December 31, 2023** and December 31, 2021)	**(45,538)**	(45,538)
Accumulated other comprehensive income (loss)	**(3,696)**	(3,349)
Retained earnings	**103,883**	66,673
Total stockholders' equity	**342,986**	301,736
Non-controlling interest in consolidated subsidiaries	**68,788**	68,788
Total equity	**411,774**	370,524
Total liabilities and equity	**$ 2,587,827**	$ 2,259,879
Number of shares outstanding	**23,449,646**	23,061,673
Book value per share	**$ 14.63**	$ 13.08

(1) Includes financed sales of this collateral to third parties that are reported separately from the loan portfolio, and that are conducted by the Bank of $6.2 million and $7.5 million as of December 31, 2023 and 2022.
(2) Includes $4.3 million and $3.8 million of deferred financing costs as of December 31, 2023 and 2022. Refer to Note 5 for more details.
(3) Includes $4.2 million and $3.2 million of deferred financing costs as of December 31, 2023 and 2022. Refer to Note 5 for more details.
(4) Includes the short-term portion of lease liabilities of $2.5 million and $2.2 million as of December 31, 2023 and 2022. Refer to Note 6 for more details.
(5) Refer to Note 10 for details.

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

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share and per share data)	Year Ended December 31, 2023	2022	2021
Interest and fees on loans	**$ 244,829**	$ 195,074	$ 157,990
Interest and dividends on investment securities	**6,211**	1,547	976
Total interest income[(1)]	**251,040**	196,621	158,966
Interest on deposits	**47,780**	22,666	17,543
Interest on long-term debt	**12,670**	13,387	12,907
Interest on short-term borrowings	**2,496**	132	690
Total interest expense[(2)]	**62,946**	36,185	31,140
Net interest income	**188,094**	160,436	127,826
Provision for credit losses	**37,810**	30,059	4,622
Net interest income after provision for credit losses	**150,284**	130,377	123,204
Other income			
Gain on equity investments	**5,178**	2,779	17,379
Gain on sale of loans and taxi medallion	**4,992**	5,448	1,788
Write-down of loan collateral in process of foreclosure	**(1,696)**	(657)	(5,592)
Sponsorship and race winnings, net	**—**	—	12,567
Gain on extinguishment of debt	**—**	—	4,626
Other income	**2,846**	1,956	798
Total other income, net	**11,320**	9,526	31,566
Other expenses			
Salaries and employee benefits	**37,562**	31,130	31,591
Loan servicing fees	**9,543**	8,371	7,013
Collection costs	**6,000**	5,314	5,279
Professional fees	**5,886**	13,054	5,311
Regulatory fees	**3,194**	2,418	1,872
Rent expense	**2,472**	2,378	2,454
Amortization of intangible assets	**1,445**	1,445	1,445
Race team related expenses	**—**	—	9,559
Other expenses	**9,466**	7,943	8,375
Total other expenses	**75,568**	72,053	72,899
Income before income taxes	**86,036**	67,850	81,871
Income tax provision	**(24,910)**	(17,963)	(24,217)
Net income after taxes	**61,126**	49,887	57,654
Less: income attributable to the non-controlling interest	**6,047**	6,047	3,546
Total net income attributable to Medallion Financial Corp.	**$ 55,079**	$ 43,840	$ 54,108
Basic net income per share	**$ 2.45**	$ 1.86	$ 2.20
Diluted net income per share	**$ 2.37**	$ 1.83	$ 2.17
Weighted average common shares outstanding			
Basic	**22,510,435**	23,583,049	24,599,804
Diluted	**23,248,323**	23,927,342	24,943,169

(1) Included in interest and investment income is \$1.6 million, \$0.7 million, and \$0.8 million of paid-in-kind interest for the years ended December 31, 2023, 2022, and 2021.

(2) Average borrowings outstanding were \$2.0 billion, \$1.7 billion and \$1.4 billion as of December 31, 2023, 2022, and 2021 and the related average borrowing costs were 3.16%, 2.17%, and 2.28% for the years ended December 31, 2023, 2022, and 2021.

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

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
Net income after taxes	**$ 61,126**	$ 49,887	$ 57,654
Other comprehensive loss, net of tax	**(347)**	(4,383)	(978)
Total comprehensive income	**60,779**	45,504	56,676
Less comprehensive income attributable to the non-controlling interest	**6,047**	6,047	3,546
Total comprehensive income attributable to Medallion Financial Corp.	**$ 54,732**	$ 39,457	$ 53,130

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

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

(Dollars in thousands)	Common Stock Shares	Common Stock	Capital in Excess of Par	Treasury Stock Shares	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2020	27,828,871	$ 278	$ 277,539	(2,951,243)	$ (24,919)	$ (23,502)	$ 2,012	$ 231,408	$ 73,153	$ 304,561
Net income	—	—	—	—	—	54,108	—	54,108	3,546	57,654
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	(6,516)	(6,516)
Disposition of RPAC	—	—	—	—	—	—	—	—	(1,395)	(1,395)
Stock-based compensation	—	3	2,258	—	—	—	—	2,261	—	2,261
Issuance of restricted stock, net	258,120	—	—	—	—	—	—	—	—	—
Forfeiture of restricted stock, net	(21,940)	—	—	—	—	—	—	—	—	—
Issuance in connection with vesting of restricted stock units	15,508	—	—	—	—	—	—	—	—	—
Exercise of stock options	44,070	—	241	—	—	—	—	241	—	241
Other comprehensive loss, net of tax	—	—	—	—	—	—	(978)	(978)	—	(978)
Balance at December 31, 2021	28,124,629	$ 281	$ 280,038	(2,951,243)	$ (24,919)	$ 30,606	$ 1,034	$ 287,040	$ 68,788	$ 355,828
Net income	—	—	—	—	—	43,840	—	43,840	6,047	49,887
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	(6,047)	(6,047)
Stock-based compensation	—	6	3,470	—	—	—	—	3,476	—	3,476
Issuance of restricted stock, net	522,475	—	—	—	—	—	—	—	—	—
Forfeiture of restricted stock, net	(29,359)	—	—	—	—	—	—	—	—	—
Issuance in connection with vesting of restricted stock units	22,337	—	—	—	—	—	—	—	—	—
Exercise of stock options	23,745	—	155	—	—	—	—	155	—	155
Purchase of common stock	—	—	—	(2,650,911)	(20,619)	—	—	(20,619)	—	(20,619)
Dividends paid on common stock	—	—	—	—	—	(7,773)	—	(7,773)	—	(7,773)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(4,383)	(4,383)	—	(4,383)
Balance at December 31, 2022	28,663,827	$ 287	$ 283,663	(5,602,154)	$ (45,538)	$ 66,673	$ (3,349)	$ 301,736	$ 68,788	$ 370,524
Adoption of ASU 2016-13, net of tax	—	—	—	—	—	**(9,935)**	—	**(9,935)**	—	**(9,935)**
Balance at January 1, 2023	**28,663,827**	**287**	**283,663**	**(5,602,154)**	**(45,538)**	**56,738**	**(3,349)**	**291,801**	**68,788**	**360,589**
Net income	—	—	—	—	—	**55,079**	—	**55,079**	**6,047**	**61,126**
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	**(6,047)**	**(6,047)**
Stock-based compensation	—	**3**	**4,710**	—	—	—	—	**4,713**	—	**4,713**
Withheld restricted stock for employees' tax obligation	**(91,169)**	—	**(768)**	—	—	—	—	**(768)**	—	**(768)**
Issuance of restricted stock, net	**399,793**	—	—	—	—	—	—	—	—	—
Forfeiture of restricted stock, net	**(12,807)**	—	—	—	—	—	—	—	—	—
Issuance in connection with vesting of restricted stock units	**23,211**	—	—	—	—	—	—	—	—	—
Exercise of stock options	**68,945**	**1**	**441**	—	—	—	—	**442**	—	**442**
Dividends paid on common stock	—	—	—	—	—	**(7,934)**	—	**(7,934)**	—	**(7,934)**
Other comprehensive loss, net of tax	—	—	—	—	—	—	**(347)**	**(347)**	—	**(347)**
Balance at December 31, 2023	**29,051,800**	**$ 291**	**$ 288,046**	**(5,602,154)**	**$ (45,538)**	**$ 103,883**	**$ (3,696)**	**$ 342,986**	**$ 68,788**	**$ 411,774**

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

MEDALLION FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/net decrease in net assets resulting from operations	**$ 61,126**	$ 49,887	$ 57,654
Adjustments to reconcile net income/net decrease in net assets resulting from operations to net cash provided by operating activities:			
Provision for credit losses	**37,810**	30,059	4,622
Paid-in-kind interest income	**(1,636)**	(724)	(814)
Depreciation and amortization	**5,243**	5,229	6,519
Amortization of origination fees, net	**9,588**	8,707	7,996
(Decrease) increase in deferred and other tax liabilities, net	**(345)**	7,281	18,327
Net change in value of loan collateral in process of foreclosure	**10,597**	5,738	8,966
Net gains on equity investments	**(5,178)**	(2,779)	(17,380)
Stock-based compensation expense	**4,713**	3,476	2,261
Gain on extinguishment of debt	**—**	—	(4,626)
Increase in accrued interest receivable	**(925)**	(1,992)	(283)
Gain on disposition of RPAC	**—**	—	(715)
Increase in other assets	**(15,470)**	(3,919)	(5,354)
Decrease in accounts payable and accrued expenses	**6,209**	6,382	2,694
(Decrease) increase in accrued interest payable	**2,032**	1,395	(1,141)
Net cash provided by operating activities	**113,764**	108,740	78,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans originated	**(975,391)**	(1,000,785)	(760,790)
Proceeds from principal receipts, sales, and maturities of loans	**616,193**	535,067	464,448
Purchases of investments	**(11,573)**	(20,713)	(19,354)
Proceeds from disposition of RPAC, net	**—**	—	17,676
Proceeds from principal receipts, sales, and maturities of investments	**9,444**	14,762	35,647
Proceeds from the sale and principal payments on loan collateral in process of foreclosure	**20,631**	22,664	24,052
Net cash used for investing activities	**(340,696)**	(449,005)	(238,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from time deposits and funds borrowed	**975,175**	839,104	805,577
Repayments of time deposits and funds borrowed	**(689,920)**	(483,671)	(627,263)
Treasury stock repurchased	**—**	(20,619)	—
Cash dividend paid on common stock	**(7,703)**	(7,543)	—
Distributions to non-controlling interests	**(6,047)**	(6,047)	(6,516)
Payment of withholding taxes on net settlement of vested stock	**(768)**	—	—
Proceeds from the exercise of stock options	**442**	155	241
Net cash provided by financing activities	**271,179**	321,379	172,039
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**44,247**	(18,886)	12,444
Cash and cash equivalents, beginning of period	**105,598**	124,484	112,040
Cash and cash equivalents, end of period [(1)]	**$ 149,845**	$ 105,598	$ 124,484
SUPPLEMENTAL INFORMATION			
Cash paid during the period for interest	**$ 57,509**	$ 31,976	$ 29,867
Cash paid during the period for income taxes	**25,102**	8,848	5,479
NON-CASH INVESTING			
Loans transferred to loan collateral in process of foreclosure, net	**$ 21,181**	$ 12,791	$ 15,888

(1) Includes federal funds sold.

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

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

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

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

The Company established a wholly-owned subsidiary, Medallion Financing Trust I, or Fin Trust, for the purpose of issuing unsecured trust preferred securities to investors. Fin Trust is a separate legal and corporate entity with its own creditors who, in any liquidation of Fin Trust, will be entitled to be satisfied out of Fin Trust's assets prior to any value in Fin Trust becoming available to Fin Trust's equity holders. The assets of Fin Trust, aggregating $34.0 million at December 31, 2023, are comprised solely of a subordinated note from the Company and are not available to pay obligations of its affiliates or any other party, and the assets of affiliates or any other party are not available to pay obligations of Fin Trust.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Principles of Consolidation

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

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

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that exceed the federally insured limits. As of December 31, 2023, cash also included $1.3 million of interest-bearing funds deposited in other banks with original terms of 5 to 6 years.

Fair Value of Assets and Liabilities

The Company follows the Financial Accounting Standards Board, or FASB, FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, or FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 defines fair value as an exit price (i.e. a price that would be received to sell, as opposed to acquire, an asset or transfer a liability), and emphasizes that fair value is a market-based measurement. It establishes a fair value hierarchy that distinguishes between assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. Further, it specifies that fair value measurement should consider adjustment for risk, such as the risk inherent in the valuation technique or its inputs. See also Notes 14 and 15 to the consolidated financial statements.

Equity Investments

The Company follows FASB ASC Topic 321, Investments – Equity Securities, or ASC 321, which requires all applicable investments in equity securities with a readily determinable fair value to be valued as such, and those without a readily determinable fair value, are measured at cost, less any impairment plus or minus any observable price changes. Equity investments of $11.4 million and $10.3 million as of December 31, 2023 and 2022, were comprised mainly of nonmarketable stock and stock warrants, are recorded at cost less any impairment plus or minus observable price changes, and a vast majority are held by our SBIC subsidiary in connection with its mezzanine lending business. As of December 31, 2023, cumulative impairment of $3.5 million had been recorded with respect to these investments.

During 2021, the Company purchased $2.0 million of equity securities with a readily determinable fair value. As a result, all unrealized gains and losses are included in gain (loss) on equity investments. As of December 31, 2023 and 2022, the fair value of these securities were $1.7 million and $1.7 million and are included in other assets on the consolidated balance sheet.

The following table presents the unrealized portion related to the equity securities held as of December 31, 2023.

	Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
Net gains (losses) recognized during the period on equity securities	**$ 24**	$ (226)	$ (50)
Less: Net gains (losses) recognized during the period on equity securities sold during the period	**—**	—	—
Unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date	**$ 24**	$ (226)	$ (50)

Investment Securities

The Company follows FASB ASC Topic 320, Investments – Debt Securities, or ASC 320, which requires that all applicable investments in debt securities be classified as trading securities, available-for-sale securities, or held-to-maturity securities. Investment securities are purchased from time-to-time in the open market at prices that are greater or lesser than the par value of the investment. The resulting premium or discount is deferred and recognized on a level yield basis as an adjustment to the yield of the related investment. The net premium on investment securities totaled $0.1 million as of both December 31, 2023 and 2022, and less than $0.1 million, $0.1 million, and $0.1 million was amortized to interest income for the years ended December 31, 2023, 2022, and 2021. ASC 320 further requires that held-to-maturity securities be reported at amortized cost and available-for-sale securities be reported at fair value, with unrealized gains and losses excluded from earnings at the date of the consolidated financial statements, and reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity, net of the effect of income taxes, until they are sold. At the time of sale, any gains or losses, calculated by the specific identification method, will be recognized as a component of operating results and any amounts previously included in stockholders' equity, which were recorded net of the income tax effect, will be reversed. In accordance with ASC 326, we do not maintain an allowance for credit losses for accrued interest receivable.

Loans

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

Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment to the yield of the related loans. As of December 31, 2023 and 2022, net loan origination costs were $40.0 million and $34.9 million. Net amortization to income for the years ended December 31, 2023, 2022, and 2021 were $8.3 million, $8.7 million, and $8.0 million.

Interest income is recorded on the accrual basis. Taxi medallion and commercial loans are placed on nonaccrual status, and all uncollected accrued interest is reversed, when there is doubt as to the collectability of interest or principal, or if loans are 90 days or more past due, unless management has determined that they are both well-secured and in the process of collection. Interest income on nonaccrual loans is generally recognized when cash is received, unless a determination has been made to apply all cash receipts to principal. The consumer loan portfolio has different characteristics, typified by a larger number of smaller dollar loans that have similar characteristics. A loan is considered to be impaired, or nonperforming, when based on current information and events, it is unlikely the Company will be able to collect all amounts due according to the contractual terms of the original loan agreement. Management considers loans that are in bankruptcy status, but have not been charged-off, to be impaired. Consumer loans are placed on nonaccrual when they become 90 days past due, or earlier if they enter bankruptcy, and are charged-off in their entirety when deemed uncollectible, or when they become 120 days past due, whichever occurs first, at which time appropriate recovery efforts against both the borrower and the underlying collateral are initiated. For the recreation loan portfolio, the process to repossess the collateral is started at 60 days past due. If the collateral is not located and the account reaches 120 days delinquent, the account is charged-off. If the collateral is repossessed, a loss is recorded by writing the collateral down to its fair value less selling costs, and the collateral is sent to auction. When the collateral is sold, the net auction proceeds are applied to the account, and any remaining balance is written off. Proceeds collected on charged-off accounts are recorded as recoveries. Total loans 90 days or more past due were $16.8 million or 0.77% of the total loan portfolio as of December 31, 2023, as compared to $8.9 million, or 0.47% as of December 31, 2022. Beginning in the first quarter of 2023, the Company began charging off recreation loans at the point when borrowers filed for bankruptcy. This change resulted in approximately $2.5 million of loans being charged off in the first quarter of 2023.

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

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

The Company accounts for its sales of loans in accordance with FASB Accounting Standards Codification Topic 860, Transfers and Servicing, or FASB ASC 860, which provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. In accordance with FASB ASC 860, the Company had elected the fair value measurement method for its servicing assets and liabilities. The principal portion of loans serviced for others by the Company and its affiliates was $14.0 million at December 31, 2023 and $19.5 million December 31, 2022. The Company has evaluated the servicing aspect of its business in accordance with FASB ASC 860 and determined that no material servicing asset or liability existed as of December 31, 2023 and 2022.

Allowance for Credit Losses

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", or ASC 326, which replaced the incurred loss methodology that delayed recognition until it was probable a loss had been incurred with a lifetime expected loss methodology using "reasonable and supportable" expectations about the future, referred to as the current expected credit loss, or CECL, methodology. For consumer loans, the Company uses historical delinquency and actual loss rates modified by quantitative adjustments based on macroeconomic factors over a twelve-month reasonable and supportable forecast period. For commercial loans, the Company assesses the historical impact that macroeconomic indicators have had on the loan portfolio, to determine an approximate allowance for credit loss. Unlike consumer loans, where loans may have similar performing characteristics, each commercial loan is unique. The Company evaluates each commercial loan for specific impairment with additional allowance for credit losses recognized as necessary. For taxi medallion loans, the Company maintains specific reserves adjusting the carrying amount of loans down to net collateral value. The allowance is evaluated on a quarterly basis by management based on the collectability of the loans in light of historical experience, the nature and size of the loan portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions, and excess concentration risks. This evaluation is inherently subjective, as it requires estimates, including those based on changes in economic conditions, that are susceptible to significant revision as more information becomes available. Credit losses are deducted from the allowance, and subsequent recoveries are added back to the allowance.

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

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

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

Goodwill and Intangible Assets

The Company's goodwill and intangible assets arose as a result of the excess of fair value over book value for several of the Company's previously unconsolidated portfolio investment companies as of April 2, 2018. This fair value was brought forward under the Company's new reporting, and was subject to a purchase price accounting allocation process conducted by an independent third-party expert to arrive at the current categories and amounts. Goodwill is not amortized, but is subject to quarterly review by management to determine whether additional impairment testing is needed, and such testing is performed at least on an annual basis. Intangible assets are amortized over their useful life of approximately 20 years. As of December 31, 2023 and 2022, the Company had intangible assets of $20.6 million and $22.0 million. The Company recognized $1.4 million of amortization expense on the intangible assets for each of the years ended December 31, 2023 and 2022. Additionally, loan portfolio premiums of $12.4 million were determined as of April 2, 2018, of which none were outstanding as of December 31, 2023 and 2022, and of which $0.0 million, $0.5 million, and $2.2 million was amortized to interest income for the years ended December 31, 2023, 2022, and 2021. Management performed a step 0 analysis in assessing the goodwill and intangibles for impairment at December 31, 2023 and 2022, concluding that there was no impairment of these assets.

The following table details of the intangible assets as of December 31, 2023 and 2022:

(Dollars in thousands)	December 31, 2023	December 31, 2022
Brand-related intellectual property	**$ 4,916**	$ 16,775
Home improvement contractor relationships	**15,675**	5,260
Total intangible assets	**$ 20,591**	$ 22,035

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and amortization, and are depreciated on a straight-line basis over their estimated useful lives of 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated economic useful life of the improvement. Depreciation and amortization expense was $0.4 million, $0.4 million, and $0.3 million for the years ended December 31, 2023, 2022, and 2021.

Deferred Costs

Deferred financing costs represent costs associated with obtaining the Company's borrowing facilities, and are amortized on a straight line basis over the lives of the related financing agreements and life of the respective pool. Amortization expense was $3.1 million, $2.6 million, and $2.4 million for the years ended December 31, 2023, 2022, and 2021. In addition, the Company capitalizes certain costs for transactions in the process of completion (other than business combinations), including those for potential investments, and the sourcing of other financing alternatives. Upon completion or termination of the transaction, any accumulated amounts will be amortized against income over an appropriate period, or written off. The amount on the Company's balance sheet for all of these purposes were $8.5 million and $7.0 million as of December 31, 2023 and 2022.

Income Taxes

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

Earnings Per Share (EPS)

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

	Year Ended December 31,		
(Dollars in thousands, except share and per share data)	**2023**	**2022**	**2021**
Net income attributable to common stockholders	**$ 55,079**	$ 43,840	$ 54,108
Weighted average common shares outstanding applicable to basic EPS	**22,510,435**	23,583,049	24,599,804
Effect of restricted stock grants	**461,098**	276,469	250,763
Effect of dilutive stock options	**142,216**	67,825	92,602
Effect of performance stock unit grants	**134,574**	—	—
Adjusted weighted average common shares outstanding applicable to diluted EPS	**23,248,323**	23,927,342	24,943,169
Basic income per share	**$ 2.45**	$ 1.86	$ 2.20
Diluted income per share	**2.37**	1.83	2.17

Potentially dilutive common shares excluded from the above calculations aggregated 92,310 shares, 347,963 shares, and 421,190 shares as of December 31, 2023, 2022, and 2021.

Stock Compensation

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

During the years ended December 31, 2023, 2022, and 2021, the Company issued 399,793, 522,475, and 258,120 restricted shares of stock-based compensation awards, 296,444, 0, and 0 performance stock units, 83,158, 129,638, and 16,803 restricted stock units, and 0, 0, and 317,398 shares of other stock-based compensation awards; and recognized $4.7 million, $3.5 million, and $2.3 million, or $0.20, $0.15, and $0.09 per diluted common share for each respective year, of non-cash stock-based compensation expense related to the grants. As of December 31, 2023, the total remaining unrecognized compensation cost related to unvested stock options and restricted stock was $5.0 million, which is expected to be recognized over the next 9 quarters.

Regulatory Capital

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

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

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

	Regulatory		December 31,	
(Dollars in thousands)	**Minimum**	**Well-Capitalized**	**2023**	**2022**
Common equity tier 1 capital			**$ 293,774**	$ 242,049
Tier 1 capital			**362,561**	310,837
Total capital			**390,153**	334,913
Average assets			**2,232,816**	1,917,904
Risk-weighted assets			**2,155,641**	1,888,530
Leverage ratio (1)	**4.0%**	**5.0%**	**16.2%**	16.2%
Common equity tier 1 capital ratio (2)	**7.0**	**6.5**	**13.6**	12.8
Tier 1 capital ratio (3)	**8.5**	**8.0**	**16.8**	16.5
Total capital ratio (3)	**10.5**	**10.0**	**18.1**	17.7

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

In the table above, the minimum risk-based ratios as of December 31, 2023 and 2022 reflect the capital conservation buffer of 2.5%. The minimum regulatory requirements, inclusive of the capital conservation buffer, were the binding requirements for the risk-based requirements, and the "well-capitalized" requirements were the binding requirements for Tier 1 leverage capital as of both December 31, 2023 and 2022.

Recently Issued Accounting Standards

On January 1, 2023, the Company adopted ASC 326. Please refer to Allowance for Credit Losses, within this footnote, for the impact of adopting this standard.

In March 2023, the FASB issued ASU 2023-02, Investments - Equity Method and Joint Ventures, or Topic 323: Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. The main objective of this new standard is to allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. The amendments in this update are effective for fiscal years beginning after December 15, 2023. The Company is assessing the impact of the update on the accompanying financial statements.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements. The amendments in this update seek to clarify or improve disclosure and presentation requirements. The Company is assessing the impact of the update on the accompanying financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting, or Topic 280: Improvements to Reportable Segment Disclosures. The main objective of this update is to provide transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this update are effective for fiscal years beginning after December 15, 2023. The Company is assessing the impact of the update on the accompanying financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes, or Topic 740: Improvements to Income Tax Disclosures. The main objective of this update is to improve financial reporting disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this update are effective for the annual periods beginning after December 15, 2024. The Company is assessing the impact of the update on the accompanying financial statements.

Reclassifications

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

(3) INVESTMENT SECURITIES

The following tables present details of fixed maturity securities available for sale as of December 31, 2023 and 2022.

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

December 31, 2022 *(Dollars in thousands)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 43,286	$ —	$ (4,933)	$ 38,353
State and municipalities	11,015	13	(889)	10,139
Total	$ 54,301	$ 13	$ (5,822)	$ 48,492

The amortized cost and estimated market value of investment securities as of December 31, 2023 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.

December 31, 2023 *(Dollars in thousands)*	**Amortized Cost**	**Fair Value**
Due in one year or less	**$ 2,395**	**$ 2,336**
Due after one year through five years	**7,313**	**7,049**
Due after five years through ten years	**8,833**	**7,808**
Due after ten years	**42,032**	**37,089**
Total	**$ 60,573**	**$ 54,282**

The following tables show information pertaining to securities with gross unrealized losses as of December 31, 2023 and 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows.

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

	Less than Twelve Months		**Twelve Months and Over**	
December 31, 2022 *(Dollars in thousands)*	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ (731)	$ 12,321	$ (4,202)	$ 26,023
State and municipalities	(286)	4,628	(603)	3,502
Total	$ (1,017)	$ 16,949	$ (4,805)	$ 29,525

As of December 31, 2023 and 2022, the Company had 60 and 57 securities with unrealized losses that have not been recognized in income because the issuers' bonds are of high credit quality, and the Company has the intent and ability to hold the securities for the foreseeable future. The fair value is expected to recover as the bonds approach the maturity date.

(4) LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table shows the major classification of loans, inclusive of capitalized loan origination costs, at December 31, 2023 and 2022.

	As of December 31,			
	2023		2022	
(Dollars in thousands)	Amount	As a Percent of Gross Loans	Amount	As a Percent of Gross Loans
Recreation	**$ 1,336,226**	**60%**	$ 1,183,512	62%
Home improvement	**760,617**	**34**	626,399	33
Commercial	**114,827**	**5**	92,899	5
Taxi medallion	**3,663**	*****	13,571	1
Strategic partnership	**553**	*****	572	*
Total gross loans	**2,215,886**	**100%**	1,916,953	100%
Allowance for credit losses	**(84,235)**		(63,845)	
Total net loans	**$ 2,131,651**		$ 1,853,108	

(*) Less than 1%.

The following tables show the activity of the gross loans for the years ended December 31, 2023 and 2022.

(Dollars in thousands)	Recreation	Home Improvement	Commercial	Taxi Medallion	Strategic Partnership	Total
Gross loans – December 31, 2022	**$ 1,183,512**	**$ 626,399**	**$ 92,899**	**$ 13,571**	**$ 572**	**$ 1,916,953**
Loan originations	**447,039**	**357,394**	**34,850**	**2,426**	**118,338**	**960,047**
Principal payments, sales, maturities, and recoveries	**(231,158)**	**(209,894)**	**(13,389)**	**(6,859)**	**(118,357)**	**(579,657)**
Charge-offs	**(50,512)**	**(12,308)**	**(1,019)**	**(3,829)**	**—**	**(67,668)**
Transfer to loan collateral in process of foreclosure, net	**(18,875)**	**—**	**—**	**(2,306)**	**—**	**(21,181)**
Amortization of origination costs	**(12,270)**	**2,668**	**14**	**—**	**—**	**(9,588)**
FASB origination costs, net	**18,490**	**(3,642)**	**(164)**	**660**	**—**	**15,344**
Paid-in-kind interest	**—**	**—**	**1,636**	**—**	**—**	**1,636**
Gross loans – December 31, 2023	**$ 1,336,226**	**$ 760,617**	**$ 114,827**	**$ 3,663**	**$ 553**	**$ 2,215,886**

(Dollars in thousands)	Recreation	Home Improvement	Commercial	Taxi Medallion	Strategic Partnership	Total
Gross loans – December 31, 2021	$ 961,320	$ 436,772	$ 76,696	$ 14,046	$ 90	$ 1,488,924
Loan originations	513,062	392,543	28,172	605	49,526	983,908
Principal payments, sales, maturities, and recoveries	(259,326)	(196,203)	(6,610)	(419)	(49,044)	(511,602)
Charge-offs	(27,055)	(6,393)	(6,083)	(314)	—	(39,845)
Transfer to loan collateral in process of foreclosure, net	(12,444)	—	—	(347)	—	(12,791)
Amortization of origination costs	(10,470)	1,763	—	—	—	(8,707)
Amortization of loan premium	(213)	(322)	—	—	—	(535)
FASB origination costs, net	18,638	(1,761)	—	—	—	16,877
Paid-in-kind interest	—	—	724	—	—	724
Gross loans – December 31, 2022	$ 1,183,512	$ 626,399	$ 92,899	$ 13,571	$ 572	$ 1,916,953

The following table sets forth the activity in the allowance for credit losses for the years ended December 31, 2023 and 2022.

(Dollars in thousands)	December 31, 2023	December 31, 2022
Allowance for credit losses – beginning balance [(1)]	**$ 63,845**	$ 50,166
CECL transition amount upon ASU 2016-13 adoption	**13,712**	—
Charge-offs		
Recreation	**(50,512)**	(27,055)
Home improvement	**(12,308)**	(6,393)
Commercial	**(1,019)**	(6,083)
Taxi medallion	**(3,829)**	(314)
Total charge-offs	**(67,668)**	(39,845)
Recoveries		
Recreation	**11,449**	13,785
Home improvement	**2,886**	2,761
Commercial	**10**	47
Taxi medallion	**22,191**	6,872
Total recoveries	**36,536**	23,465
Net charge-offs [(2)]	**(31,132)**	(16,380)
Provision for credit losses	**37,810**	30,059
Allowance for credit losses – ending balance [(3)]	**$ 84,235**	$ 63,845

(1) Represents allowance prior to the adoption of ASU 2016-13.

(2) As of December 31, 2023, cumulative net charge-offs of loans and loan collateral in process of foreclosure in the taxi medallion portfolio were $176.8 million, including $107.9 million related to loans secured by New York taxi medallions, some of which may represent collection opportunities for the Company.

(3) As of December 31, 2023 and 2022, there was no allowance for credit losses and net charge-offs related to the strategic partnership loans.

With the adoption of ASC 326, the Company also adopted ASU 2022-02, Financial Instruments – Credit Losses, or Topic 326: Troubled Debt Restructurings and Vintage Disclosures. Under this standard, the Company is required to disclose current period gross write-offs, by year of origination, for financing receivables.

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Total
Recreation	**$ 3,136**	**$ 18,836**	**$ 10,857**	**$ 5,115**	**$ 5,001**	**$ 7,567**	**$ 50,512**
Home improvement	**2,196**	**5,686**	**2,662**	**702**	**435**	**627**	**12,308**
Commercial	—	—	**119**	—	**900**	—	**1,019**
Taxi medallion	—	—	—	—	—	**3,829**	**3,829**
Total	**$ 5,332**	**$ 24,522**	**$ 13,638**	**$ 5,817**	**$ 6,336**	**$ 12,023**	**$ 67,668**

The following tables set forth the allowance for credit losses by type as of December 31, 2023 and 2022.

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

December 31, 2022 *(Dollars in thousands)*	Amount	Percentage of Allowance	Allowance as a Percent of Loan Category	Allowance as a Percent of Nonaccrual
Recreation	$ 41,966	66%	3.55%	130.60%
Home improvement	11,340	18	1.81	35.29
Commercial	1,049	1	1.13	3.26
Taxi medallion	9,490	15	69.93	29.53
Total	$ 63,845	100%	3.33%	198.69%

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

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
Total nonaccrual loans	**$ 25,974**	$ 32,133	$ 35,571
Interest foregone for the year	**928**	1,267	1,620
Amount of foregone interest applied to principal for the year	**238**	375	432
Interest foregone life-to-date	**2,119**	2,419	3,623
Amount of foregone interest applied to principal life-to-date	**822**	1,204	942
Percentage of nonaccrual loans to gross loan portfolio	**1.2%**	1.7%	2.4%
Percentage of allowance for credit losses to nonaccrual loans	**324.3%**	198.7%	141.0%

The following tables present the performance status of loans as of December 31, 2023 and 2022.

December 31, 2023 *(Dollars in thousands)*	**Performing**	**Nonperforming**	**Total**	**Percentage of Nonperforming to Total**
Recreation	**$ 1,326,567**	**$ 9,655**	**$ 1,336,222**	**0.72%**
Home improvement	**759,128**	**1,493**	**760,621**	**0.20**
Commercial	**103,664**	**11,163**	**114,827**	**9.72**
Taxi medallion	**—**	**3,663**	**3,663**	**100.00**
Strategic partnership	**553**	**—**	**553**	**—**
Total	**$ 2,189,912**	**$ 25,974**	**$ 2,215,886**	**1.17%**

December 31, 2022 *(Dollars in thousands)*	**Performing**	**Nonperforming**	**Total**	**Percentage of Nonperforming to Total**
Recreation	$ 1,173,846	$ 9,666	$ 1,183,512	0.82%
Home improvement	625,820	579	626,399	0.09
Commercial	84,165	8,734	92,899	9.40
Taxi medallion	—	13,571	13,571	100.00
Strategic partnership	572	—	572	—
Total	$ 1,884,403	$ 32,550	$ 1,916,953	1.70%

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

The following tables provide additional information on attributes of the nonperforming loan portfolio as of December 31, 2023 and 2022, all of which had an allowance recorded against the principal balance.

	December 31,					
	2023			**2022**		
(Dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
With an allowance recorded						
Recreation	**$ 9,655**	**$ 9,655**	**$ 416**	$ 9,666	$ 9,666	$ 343
Home improvement	**1,493**	**1,493**	**41**	579	579	10
Commercial	**11,163**	**11,301**	**1,897**	8,734	8,823	963
Taxi medallion	**3,663**	**4,347**	**1,536**	13,571	14,686	9,490
Total nonperforming loans with an allowance	**$ 25,974**	**$ 26,796**	**$ 3,890**	$ 32,550	$ 33,754	$ 10,806

	Year Ended December 31,			
	2023		**2022**	
(Dollars in thousands)	**Average Investment Recorded**	**Interest Income Recognized**	**Average Investment Recorded**	**Interest Income Recognized**
With an allowance recorded				
Recreation	**$ 9,048**	**$ 16**	$ 9,093	$ 401
Home improvement	**1,382**	**1**	514	4
Commercial	**7,368**	**—**	13,381	—
Taxi medallion	**4,607**	**—**	16,019	—
Total nonperforming loans with an allowance	**$ 22,405**	**$ 17**	$ 39,007	$ 405

The following tables show the aging of all loans as of December 31, 2023 and 2022.

December 31, 2023 *(Dollars in thousands)*	**Days Past Due** 30-59	60-89	90 +	**Total**	**Current**	**Total [(1)]**	**Recorded Investment 90 Days and Accruing**
Recreation	**$ 40,282**	**$ 15,039**	**$ 9,095**	**$ 64,416**	**$ 1,228,175**	**$ 1,292,591**	**$ —**
Home improvement	**3,936**	**2,562**	**1,502**	**8,000**	**756,069**	**764,069**	**—**
Commercial	**—**	**2,156**	**6,240**	**8,396**	**107,140**	**115,536**	**—**
Taxi medallion	**201**	**—**	**—**	**201**	**3,462**	**3,663**	**—**
Strategic partnership	**—**	**—**	**—**	**—**	**553**	**553**	**—**
Total	**$ 44,419**	**$ 19,757**	**$ 16,837**	**$ 81,013**	**$ 2,095,399**	**$ 2,176,412**	**$ —**

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

December 31, 2022 *(Dollars in thousands)*	**Days Past Due** 30-59	60-89	90 +	**Total**	**Current**	**Total [(1)]**	**Recorded Investment 90 Days and Accruing**
Recreation	$ 31,781	$ 11,877	$ 7,365	$ 51,023	$ 1,095,072	$ 1,146,095	$ —
Home improvement	3,266	1,256	579	5,101	623,776	628,877	—
Commercial	—	—	74	74	93,396	93,470	—
Taxi medallion	142	393	885	1,420	12,151	13,571	—
Strategic partnership	—	—	—	—	572	572	—
Total	$ 35,189	$ 13,526	$ 8,903	$ 57,618	$ 1,824,967	$ 1,882,585	$ —

(1) Excludes $34.9 million of capitalized loan origination costs.

The Company estimates that the weighted average loan-to-value ratio of the taxi medallion loans was approximately 183% and 339% as of December 31, 2023 and 2022.

Under ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," concurrent with the elimination of troubled debt restructuring, or TDR, disclosures, the Company must disclose loans to borrowers experiencing financial difficulty that were modified during the reporting period. The Company did not have any such loan modifications on January 1, 2023 or during the year ended December 31, 2023.

The following table shows the TDRs, which the Company entered into during the year ended December 31, 2022.

(Dollars in thousands)	**Number of Loans**	**Pre-Modification Investment**	**Post-Modification Investment**
Recreation loans	80	1,203	1,203
Taxi medallion loans	2	252	252

As of December 31, 2022, no taxi medallion loans and two commercial loans were modified as TDRs in the previous 12 months. Modified taxi medallion loans and commercial loans had a respective investment value of $0.9 million and $5.3 million. As of December 31, 2022, 63 recreation loans modified as TDRs were in default and had an investment value of $0.9 million.

The following tables show the activity of the loan collateral in process of foreclosure, which relates only to the recreation and taxi medallion loans, for the years ended December 31, 2023 and 2022.

Year Ended December 31, 2023 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion [(1)]**	**Total**
Loan collateral in process of foreclosure – December 31, 2022	**$ 1,376**	**$ 20,443**	**$ 21,819**
Transfer from loans, net	**18,875**	**2,306**	**21,181**
Sales	**(7,890)**	**(700)**	**(8,590)**
Cash payments received	**(730)**	**(11,311)**	**(12,041)**
Collateral valuation adjustments	**(9,852)**	**(745)**	**(10,597)**
Loan collateral in process of foreclosure – December 31, 2023	**$ 1,779**	**$ 9,993**	**$ 11,772**

(1) As of December 31, 2023, taxi medallion loans in the process of foreclosure included 333 taxi medallions in the New York market, 206 taxi medallions in the Chicago market, 31 taxi medallions in the Newark market, and 31 taxi medallions in various other markets.

Year Ended December 31, 2022 *(Dollars in thousands)*	**Recreation**	**Taxi Medallion [(1)]**	**Total**
Loan collateral in process of foreclosure – December 31, 2021	$ 1,720	$ 35,710	$ 37,430
Transfer from loans, net	12,444	347	12,791
Sales	(7,707)	(2,668)	(10,375)
Cash payments received	—	(12,289)	(12,289)
Collateral valuation adjustments	(5,081)	(657)	(5,738)
Loan collateral in process of foreclosure – December 31, 2022	$ 1,376	$ 20,443	$ 21,819

(1) As of December 31, 2022, taxi medallion loans in the process of foreclosure included 452 taxi medallions in the New York market, 335 taxi medallions in the Chicago market, 54 taxi medallions in the Newark market, and 39 taxi medallions in various other markets.

(5) FUNDS BORROWED

The following table presents outstanding balances of funds borrowed as of December 31, 2023.

(Dollars in thousands)	Payments Due for the Year Ending December 31, 2024	2025	2026	2027	2028	Thereafter	December 31, 2023 [(1)]	December 31, 2022 [(1)]	Interest Rate [(2)]
Deposits [(3)]	**$ 678,846**	**$ 533,405**	**$ 325,498**	**$ 184,458**	**$ 147,232**	**$ —**	**$ 1,869,439**	$ 1,609,672	**3.07%**
Privately placed notes	**3,000**	**—**	**31,250**	**53,750**	**39,000**	**12,500**	**139,500**	121,000	**8.08**
SBA debentures and borrowings	**5,000**	**14,000**	**14,000**	**2,000**	**1,250**	**39,000**	**75,250**	68,512	**3.69**
Trust preferred securities	**—**	**—**	**—**	**—**	**—**	**33,000**	**33,000**	33,000	**7.75**
Total	**$ 686,846**	**$ 547,405**	**$ 370,748**	**$ 240,208**	**$ 187,482**	**$ 84,500**	**$ 2,117,189**	$ 1,832,184	**3.50%**

(1) Excludes deferred financing costs of $8.5 million and $7.0 million as of December 31, 2023 and 2022.

(2) Weighted average contractual rate as of December 31, 2023.

(3) Balance excludes $1.5 million and $1.3 million of strategic partner reserve deposits as of December 31, 2023 and 2022.

(A) DEPOSITS

Most deposits are raised through the use of investment brokerage firms that package time deposits in denominations of less than $250,000 qualifying for FDIC insurance into larger pools that are sold to the Bank. The rates paid on the deposits are highly competitive with market rates paid by other financial institutions. Additionally, a brokerage fee is paid, depending on the maturity of the deposits, which averages less than 0.15%. Interest on the deposits is accrued daily and paid monthly, quarterly, semiannually, or at maturity. In October 2020, the Bank began to originate time deposits through internet listing services. These deposits are from other financial institutions and, as of December 31, 2023 and 2022, the Bank had $11.8 million and $12.4 million in listing service deposit balances. In April 2023, the Bank began to originate retail savings deposits through a third-party service provider and, as of December 31, 2023, the Bank had $14.9 million in retail savings deposit balances. The following table presents the maturity of the deposit pools, which includes strategic partner reserve deposits, as of December 31, 2023.

(Dollars in thousands)	December 31, 2023
Three months or less	**$ 191,715**
Over three months through six months	**190,494**
Over six months through one year	**296,637**
Over one year	**1,190,593**
Deposits	**1,869,439**
Strategic partner collateral deposits	**1,500**
Total deposits	**$ 1,870,939**

(B) FEDERAL RESERVE DISCOUNT WINDOW AND OTHER BORROWINGS

In March 2023, the Bank established a discount window line of credit at the Federal Reserve. As of December 31, 2023, the Bank had approximately $38.0 million in investment securities pledged as collateral to the Federal Reserve. The current advance rate on the pledged securities is 100% of fair value, for a total of approximately $38.0 million in secured borrowing capacity, of which none was utilized as of December 31, 2023.

The Bank has borrowing arrangements with several commercial banks. These agreements are accommodations that can be terminated at any time, for any reason and allow the Bank to borrow up to $75.0 million. As of December 31, 2023, nothing was outstanding on these lines.

(C) PRIVATELY PLACED NOTES

In December 2023, the Company completed a private placement to certain institutional investors of $12.5 million aggregate principal amount of 9.00% unsecured senior notes due December 2033, with interest payable semiannually. The Company intends to use the net proceeds from the offering for general corporate purposes, including the repayment of the remaining 8.25% notes maturing in March 2024.

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

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

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

In March 2019, the Company completed a private placement to certain institutional investors of $30.0 million aggregate principal amount of 8.25% unsecured senior notes due in March 2024, with interest payable semiannually. The Company used the net proceeds from the offering for general corporate purposes, including repaying certain borrowings under its notes payable to banks at a discount which led to a gain of $4.1 million in 2019. In August 2019, an additional $6.0 million principal amount of such notes was issued to certain institutional investors. As described above, in September 2023, the Company repurchased and cancelled $33.0 million of these notes, leaving $3.0 million principal amount remaining outstanding as of December 31, 2023.

(D) SBA DEBENTURES AND BORROWINGS

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

On July 10, 2023, MCI accepted a commitment from the SBA for $20.0 million in debenture financing. In connection with the commitment, MCI paid the SBA a leverage fee of $0.2 million, with an additional $0.4 million fee to be paid pro-rata as MCI draws under the commitment. As of December 31, 2023, $9.8 million of the commitment had been drawn, and $5.5 million was drawable, with the balance of $4.7 million drawable upon the infusion of $2.4 million of capital from either the capitalization of retained earnings or a capital infusion into MCI from the Company.

(E) TRUST PREFERRED SECURITIES

In June 2007, the Company issued and sold $36.1 million aggregate principal amount of unsecured junior subordinated notes to Fin Trust which, in turn, sold $35.0 million of trust preferred securities to Merrill Lynch International and issued 1,083 shares of common stock to the Company. Prior to the cessation of LIBOR on June 30, 2023, the notes bore a variable rate of interest of 90-day LIBOR plus 2.13%. With the cessation of LIBOR, interest is calculated using the Secured Overnight Financing Rate (SOFR) adjusted by a relevant spread adjustment of approximately 26 basis points, plus 2.13%. The notes mature in September 2037 and are prepayable at par. Interest is payable quarterly in arrears. The terms of the trust preferred securities and the notes are substantially identical. In December 2007, $2.0 million of the trust preferred securities were repurchased from a third-party investor. As of December 31, 2023, $33.0 million was outstanding on the trust preferred securities.

(F) COVENANT COMPLIANCE

Certain of the Company's debt agreements contain financial covenants that require the Company to maintain certain financial ratios and minimum tangible net worth. As of December 31, 2023, the Company was in compliance with all such covenants.

(6) LEASES

The Company has leased premises that expire at various dates through November 30, 2030 subject to various operating leases. The Company has implemented ASC Topic 842 under a modified retrospective approach, in which no adjustments have been made to the prior year balances.

The following table presents the operating lease costs and additional information for the years ended December 31, 2023, 2022, and 2021.

	December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
Operating lease costs	**$ 2,390**	$ 2,216	$ 2,287
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	**2,472**	2,378	2,454
Right-of-use asset obtained in exchange for lease liability	**(226)**	(187)	(118)

The following table presents the breakout of the operating leases as of December 31, 2023 and 2022.

(Dollars in thousands)	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	**$ 8,785**	$ 9,723
Other current liabilities	**2,472**	2,239
Operating lease liabilities	**7,019**	8,408
Total operating lease liabilities	**9,491**	10,647
Weighted average remaining lease term	**4.9 years**	5.5 years
Weighted average discount rate	**5.47%**	5.66%

The following table presents maturities of the lease liabilities as of December 31, 2023.

(Dollars in thousands)	
2024	**$ 2,536**
2025	**2,546**
2026	**2,567**
2027	**1,342**
2028	**573**
Thereafter	**1,139**
Total lease payments	**10,703**
Less imputed interest	**1,212**
Total operating lease liabilities	**$ 9,491**

(7) INCOME TAXES

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

The following table sets forth the significant components of the Company's deferred and other tax assets and liabilities as of December 31, 2023 and 2022.

(Dollars in thousands)	December 31, 2023	December 31, 2022
Goodwill and other intangibles	**$ 43,034**	$ 43,397
Provision for credit losses	**(13,032)**	(9,945)
Net operating loss carryforwards [1]	**(3,802)**	(3,730)
Accrued expenses, compensation, and other assets	**(6,976)**	(3,819)
Unrealized gains on other investments	**(1,877)**	(1,445)
Total deferred tax liability	**17,347**	24,458
Valuation allowance	**3,860**	2,295
Deferred tax liability, net	**$ 21,207**	$ 26,753

(1) As of December 31, 2023, the Company had an estimated $11.1 million of net operating loss carryforwards, $1.7 million of which expires at various dates between December 31, 2026 and December 31, 2035, which had a net carrying value of $1.2 million of December 31, 2023.

The following table shows the components of the Company's tax provision for the years ended December 31, 2023, 2022, and 2021.

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
Current			
Federal	**$ 18,634**	$ 5,213	$ 3,550
State	**6,014**	560	1,563
Deferred	**0**	0	0
Federal	**(52)**	8,090	13,686
State	**314**	4,100	5,418
Net provision for income taxes	**$ 24,910**	$ 17,963	$ 24,217

The following table presents a reconciliation of statutory federal income tax provision to consolidated actual income tax (provision) benefit reported for the years ended December 31, 2023, 2022, and 2021.

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
Statutory Federal income tax provision at 21%	**$ 18,068**	$ 14,249	$ 17,193
State and local income taxes, net of federal income tax benefit	**3,534**	2,787	3,363
Valuation allowance against deferred tax assets	**1,565**	—	1,833
Change in effective state income tax rates and accrual	**(222)**	(811)	1,691
Income attributable to non-controlling interest	**—**	—	(628)
Non-deductible expenses	**2,024**	1,987	178
Other	**(59)**	(249)	587
Total income tax provision	**$ 24,910**	$ 17,963	$ 24,217

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible pursuant to ASC 740. The Company considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company's evaluation of the realizability of deferred tax assets must consider both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Based upon these considerations, the Company determined the necessary valuation allowance as of December 31, 2023.

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

(8) STOCK OPTIONS AND RESTRICTED STOCK

The Company's Board of Directors approved the 2018 Equity Incentive Plan, or the 2018 Plan, which was approved by the Company's stockholders on June 15, 2018. The terms of 2018 Plan provide for grants of a variety of different type of stock awards to the Company's employees and non-employee directors, including options, restricted stock, restricted stock units, performance stock units, and stock appreciation rights, etc. On April 22, 2020, the Company's Board of Directors approved an amendment to the 2018 Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder, which was approved by the Company's stockholders on June 19, 2020, and subsequently on April 26, 2022, the Company's Board of Directors approved an additional amendment to the 2018 Plan to further increase the number of shares of the Company's common stock authorized for issuance thereunder, which was approved by the Company's stockholders on June 14, 2022. A total of 5,710,968 shares of the Company's common stock are issuable under the 2018 Plan, and 2,228,057 were issuable as of December 31, 2023. Awards under the 2018 Plan are subject to certain limitations as set forth in the 2018 Plan, which will terminate when all shares of common stock authorized for delivery have been delivered and the forfeiture restrictions on all awards have lapsed, or by action of the Board of Directors pursuant to the 2018 Plan, whichever occurs first.

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

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

Additional shares are only available for future issuance under the 2018 Plan. At December 31, 2023, 959,522 options on the Company's common stock were outstanding under the Company's plans, of which 697,647 options were vested. Additionally, as of December 31, 2023, there were 995,376 unvested restricted shares, 296,444 unvested performance stock units, 84,822 unvested restricted stock units, and 160,595 vested restricted stock units under the 2018 Plan.

The fair value of each restricted stock grant is determined on the date of grant by the closing market price of the Company's common stock on the grant date. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. There were no options granted during the year ended December 31, 2023. The following assumption categories are used to determine the value of any option grants.

	Year Ended December 31,		
	2023	2022	2021
Risk free interest rate	—	—	0.97%
Expected dividend yield	—	—	—
Expected life of option in years [(1)]	—	—	6.25
Expected volatility [(2)]	—	—	53.98%

(1) Expected life is calculated using the simplified method.
(2) The Company determines its expected volatility based on the Company's historical volatility.

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

The following table presents the activity for the stock option programs for the years ended December 31, 2023, 2022, and 2021.

	Number of Options	Exercise Price Per Share	Weighted Average Exercise Price
Outstanding at December 31, 2020 [(2)]	951,669	2.14 - 12.55	6.41
Granted	317,398	6.79	6.79
Cancelled	(113,310)	4.89 - 11.53	6.64
Exercised [(1)]	(44,070)	5.21 - 7.25	5.58
Outstanding at December 31, 2021 [(2)]	1,111,687	2.14-12.55	6.41
Granted	—	—	—
Cancelled	(26,093)	4.89 - 12.55	7.08
Exercised [(1)]	(23,745)	4.89 - 7.25	6.51
Outstanding at December 31, 2022 [(2)]	1,061,849	2.14 - 9.38	6.51
Granted	—	—	—
Cancelled	**(33,382)**	**4.89 - 9.38**	**6.80**
Exercised [(1)]	**(68,945)**	**4.89 - 7.25**	**6.44**
Outstanding at December 31, 2023 [(2)]	**959,522**	**$ 2.14 - 9.38**	**$ 6.51**
Options exercisable at			
December 31, 2021	320,922	2.14-12.55	$ 6.53
December 31, 2022	548,426	2.14 - 9.38	6.51
December 31, 2023	**697,647**	**2.14 - 9.38**	**6.51**

(1) The aggregate intrinsic value, which represents the difference between the price of the Company's common stock at the exercise date and the related exercise price of the underlying options, was \$0.1 million, \$0.1 million, and \$0.2 million for the years ended December 31, 2023, 2022, and 2021.
(2) The aggregate intrinsic value, which represents the difference between the price of the Company's common stock at December 31, 2023 and the related exercise price of the underlying options, was \$3.2 million for outstanding options and \$2.3 million for exercisable options as of December 31, 2023. The remaining contractual life was 6.1 years for outstanding options and 5.9 years for exercisable options at December 31, 2023.

The following table presents the activity for the unvested options outstanding under the plans for the year ended December 31, 2023.

	Number of Options	Exercise Price Per Share	Weighted Average Exercise Price
Outstanding at December 31, 2022	**513,423**	**$ 4.89 - 7.25**	**$ 6.52**
Granted	—	—	—
Cancelled	**(3,336)**	**4.89 - 7.25**	**5.51**
Vested	**(248,212)**	**4.89 - 7.25**	**6.55**
Outstanding at December 31, 2023	**261,875**	**$ 4.89 - 7.25**	**$ 6.49**

The intrinsic value of the options vested was \$0.4 million, \$0.3 million, and less than \$0.1 million for the years ended December 31, 2023, 2022, and 2021.

The following table presents the activity for the restricted stock programs for the years ended December 31, 2023, 2022, and 2021.

	Number of Shares	Grant Price Per Share	Weighted Average Grant Price
Outstanding at December 31, 2020	416,140	4.39 - 7.25	$ 6.24
Granted	258,120	6.79 - 8.40	7.38
Cancelled	(21,940)	4.89 - 7.25	5.98
Vested [(1)]	(158,994)	4.39 - 7.25	6.16
Outstanding at December 31, 2021 [(2)]	493,326	4.89 - 7.25	6.87
Granted	522,475	6.86 -7.68	7.46
Cancelled	(29,373)	4.89 - 8.40	7.32
Vested [(1)]	(129,140)	4.89 - 7.25	6.53
Outstanding at December 31, 2022 [(2)]	857,288	$ 4.89 - 7.25	7.27
Granted	**399,793**	**7.67 - 9.37**	**8.34**
Cancelled	**(12,807)**	**4.89 - 8.40**	**7.24**
Vested [(1)]	**(248,898)**	**4.89 - 7.68**	**7.10**
Outstanding at December 31, 2023 [(2)]	**995,376**	**$ 4.89 - 9.37**	**$ 7.74**

(1) The aggregate fair value of the restricted stock vested was $2.1 million, $1.0 million, and $1.1 million for the years ended December 31, 2023, 2022, and 2021.

(2) The aggregate fair value of the restricted stock was $9.8 million as of December 31, 2023. The remaining vesting period was 2.2 years at December 31, 2023.

During the year ended December 31, 2023, the Company granted 83,158 restricted stock units, or RSUs, with a vesting date of June 22, 2024 at a grant price of $9.14 and during the year ended December 31, 2022 granted 129,638 RSUs with a vesting date of June 14, 2023 at a grant price of $6.75. For the RSUs granted in 2023 and 2022, unitholders had the option of deferring settlement until a future date if the recipient makes a formal election under the guidelines of IRC Section 409A. As of December 31, 2023, there were 245,417 RSUs outstanding, including 160,595 which had previously vested.

During the year ended December 31, 2023, the Company granted 296,444 PSUs at a grant price of $6.08. No PSUs were granted during the year ended December 31, 2022. The PSUs have vesting conditions based upon certain levels of total pre-tax income as well as return on common equity attained over a three-year period. The PSUs cliff vest after three years based upon the performance of the Company. Dividend equivalent PSUs accumulate and convert to additional shares for the benefit of the grantee at the vesting date or are forfeited if the performance conditions are not met.

(9) SEGMENT REPORTING

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

The four lending segments reflect the main types of lending performed at the Company, which are recreation, home improvement, commercial, and taxi medallion. The recreation and home improvement lending segments are conducted by the Bank and loans are made to borrowers residing nationwide. The highest concentrations of recreation loans are in Texas and Florida at 15% and 10% of loans outstanding and with no other states at or above 10% as of December 31, 2023. The recreation lending segment is a consumer finance business that works with third-party dealers and financial service providers for the purpose of financing RVs, boats, and other consumer recreational equipment, of which RVs and boats make up 54% and 19% of the segment portfolio with no other product lines exceeding 10% as of December 31, 2023. The home improvement lending segment works with contractors and financial service providers to finance residential home improvement with the largest product lines being roofs, swimming pools, and windows at 41%, 20%, and 13% with no other product lines exceeding 10%. The highest concentrations of home improvement loans are in Texas and Florida, both at 10% of loans outstanding and with no other states at or above 10% as of December 31, 2023. The commercial lending segment focuses on serving a wide variety of industries, with concentrations in manufacturing, construction, and wholesale trade making up 53%, 13%, and 11% of the loans outstanding as of December 31, 2023 with no other product lines exceeding 10%. The commercial lending segment invests across the United States with concentrations in California, Minnesota, and Wisconsin having 27%, 12%, and 10% of the segment portfolio, and no other states having a concentration at or above 10%. The taxi medallion lending segment arose in connection with the financing of taxi medallions, taxis, and related assets, primarily all of which are located in the New York City metropolitan area as of December 31, 2023.

The Company's corporate and other investments segment is a non-operating segment that includes items not allocated to the Company's operating segments such as investment securities, equity investments, intercompany eliminations, and other corporate elements. Additionally, through December 1, 2021, the date of disposition, the Company had another non-operating segment, RPAC, a race car team.

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

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

The following table presents segment data as of and for the year ended December 31, 2023.

Year Ended December 31, 2023	Consumer Lending					
(Dollars in thousands)	Recreation	Home Improvement	Commercial Lending	Taxi Medallion Lending	Corporate and Other Investments	Consolidated
Total interest income	$ 167,765	$ 62,703	$ 12,719	$ 1,596	$ 6,257	$ 251,040
Total interest expense	31,436	18,137	3,597	72	9,704	62,946
Net interest income (loss)	136,329	44,566	9,122	1,524	(3,447)	188,094
Provision (benefit) for credit losses	44,592	17,583	1,988	(26,318)	(35)	37,810
Net interest income (loss) after loss provision	91,737	26,983	7,134	27,842	(3,412)	150,284
Other income	376	6	5,971	3,358	1,609	11,320
Operating expenses	(32,601)	(16,752)	(3,547)	(7,256)	(15,412)	(75,568)
Net income (loss) before taxes	59,512	10,237	9,558	23,944	(17,215)	86,036
Income tax (provision) benefit	(17,231)	(2,964)	(2,767)	(6,933)	4,985	(24,910)
Net income (loss) after taxes	42,281	7,273	6,791	17,011	(12,230)	61,126
Income attributable to the non-controlling interest						6,047
Total net income attributable to Medallion Financial Corp.						$ 55,079
Balance Sheet Data						
Total loans	$ 1,336,222	$ 760,621	$ 114,827	$ 3,663	$ 553	$ 2,215,886
Total assets	1,297,870	744,904	110,850	12,247	421,956	2,587,827
Total funds borrowed	1,062,584	609,863	90,754	10,027	345,462	2,118,690
Selected Financial Ratios						
Return on average assets	3.36%	1.04%	6.65%	91.25%	(3.13)%	2.51%
Return on average stockholders' equity	*	*	*	*	*	17.33
Return on average equity	21.24	6.60	41.51	574.86	(19.78)	15.79
Interest yield	13.07	8.86	12.80	26.94	N/A	11.19
Net interest margin, gross	10.62	6.29	9.18	25.73	N/A	8.38
Net interest margin, net of allowance	11.09	6.45	9.45	61.60	N/A	8.68
Reserve coverage	4.31	2.76	3.61	41.93	N/A	3.80
Delinquency status [(1)]	0.70	0.20	5.40	—	N/A	0.77
Charge-off (recovery) ratio [(2)]	3.04	1.33	1.02	(309.96)	N/A	1.48

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

The following table presents segment data as of and for the year ended December 31, 2022.

Year Ended December 31, 2022	**Consumer Lending**					
(Dollars in thousands)	**Recreation**	**Home Improvement**	**Commercial Lending**	**Taxi Medallion Lending**	**Corporate and Other Investments**	**Consolidated**
Total interest income	$ 139,145	$ 44,703	$ 9,348	$ 632	$ 2,793	$ 196,621
Total interest expense	17,932	7,697	3,040	508	7,008	36,185
Net interest income (loss)	121,213	37,006	6,308	124	(4,215)	160,436
Provision (benefit) for credit losses	22,802	7,616	5,963	(6,474)	152	30,059
Net interest income (loss) after loss provision	98,411	29,390	345	6,598	(4,367)	130,377
Other income	—	14	3,306	4,341	1,865	9,526
Operating expenses	(30,463)	(13,514)	(4,910)	(10,520)	(12,646)	(72,053)
Net income (loss) before taxes	67,948	15,890	(1,259)	419	(15,148)	67,850
Income tax (provision) benefit	(17,989)	(4,207)	333	(111)	4,011	(17,963)
Net income (loss) after taxes	49,959	11,683	(926)	308	(11,137)	49,887
Income attributable to the non-controlling interest						6,047
Total net income attributable to Medallion Financial Corp.						$ 43,840
Balance Sheet Data						
Total loans	$ 1,183,512	$ 626,399	$ 92,899	$ 13,571	$ 572	$ 1,916,953
Total assets	1,154,680	618,923	101,447	25,496	359,333	2,259,879
Total funds borrowed	936,789	502,131	82,304	20,685	291,526	1,833,435
Selected Financial Ratios						
Return on average assets	4.38%	1.95%	(0.91)%	1.18%	(3.02)%	2.40%
Return on average stockholders' equity	*	*	*	*	*	14.92
Return on average equity	26.66	12.08	(5.50)	6.97	(18.40)	13.74
Interest yield	12.82	8.49	10.63	4.58	N/A	10.70
Net interest margin, gross	11.17	7.03	7.17	0.90	N/A	8.73
Net interest margin, net of allowance	11.57	7.16	7.28	2.76	N/A	9.05
Reserve coverage	3.55	1.81	1.13	69.93	N/A	3.33
Delinquency status [(1)]	0.64	0.09	0.08	6.52	N/A	0.47
Charge-off (recovery) ratio [(2)]	1.22	0.69	6.86	(47.51)	N/A	0.96

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

The following table presents segment data as of and for the year ended December 31, 2021.

Year Ended December 31, 2021	Consumer Lending						
(Dollars in thousands)	Recreation	Home Improvement	Commercial Lending	Taxi Medallion Lending	RPAC [2]	Corporate and Other Investments	Consolidated
Total interest income (loss)	$ 118,305	$ 34,204	$ 6,592	$ (1,483)	$ —	$ 1,348	$ 158,966
Total interest expense	9,993	4,153	2,720	5,914	546	7,814	31,140
Net interest income (loss)	108,312	30,051	3,872	(7,397)	(546)	(6,466)	127,826
Provision (benefit) for credit losses	7,671	2,750	—	(7,752)	—	1,953	4,622
Net interest income (loss) after loss provision	100,641	27,301	3,872	355	(546)	(8,419)	123,204
Sponsorship and race winnings	—	—	—	—	12,567	—	12,567
Race team related expenses	—	—	—	—	(9,559)	—	(9,559)
Other income (loss)	—	63	6,542	(641)	716	12,319	18,999
Operating expenses	(30,156)	(11,703)	(3,441)	(1,350)	(5,824)	(10,866)	(63,340)
Net income (loss) before taxes	70,485	15,661	6,973	(1,636)	(2,646)	(6,966)	81,871
Income tax (provision) benefit	(18,699)	(4,155)	(1,850)	433	(1,498)	1,552	(24,217)
Net income (loss) after taxes	51,786	11,506	5,123	(1,203)	(4,144)	(5,414)	57,654
Income attributable to the non-controlling interest							3,546
Total net income attributable to Medallion Financial Corp.							$ 54,108
Balance Sheet Data							
Total loans net	$ 961,320	$ 436,772	$ 76,696	$ 14,046	$ —	$ 90	$ 1,488,924
Total assets	943,753	442,503	102,711	86,526	—	297,564	1,873,057
Total funds borrowed	744,701	349,172	81,048	68,276	—	234,804	1,478,001
Selected Financial Ratios							
Return on average assets	5.93%	2.90%	6.12%	(0.13)%	(16.03)%	(2.01)%	3.33%
Return on average stockholders' equity	*	*	*	*	*	*	21.24
Return on average equity	29.66	14.49	30.61	(0.64)	(697.38)	(14.49)	17.64
Interest yield	13.45	9.14	9.86	(6.97)	N/A	N/A	11.08
Net interest margin, gross	12.31	8.03	5.79	(34.78)	N/A	N/A	8.91
Net interest margin, net of allowance	12.76	8.17	5.81	(93.60)	N/A	N/A	9.25
Reserve coverage	3.37	1.68	1.49	65.74	N/A	N/A	3.37
Delinquency status [1]	0.41	0.03	0.10	—	N/A	N/A	0.28
Charge-off (recovery) ratio	0.29	0.15	—	41.72	N/A	N/A	0.89

(1) Loans 90 days or more past due.
(2) The Company sold its interest in RPAC in December 2021. Selected earnings data are applicable through the date of sale.
(*) Line item is not applicable to segments.

(10) COMMITMENTS AND CONTINGENCIES

(A) EMPLOYMENT AGREEMENTS

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

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

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

Employment agreements expire at various dates through 2027, with future minimum payments under these agreements of approximately $9.9 million as follows:

(Dollars in thousands)		
2024	$	**4,259**
2025		**2,547**
2026		**2,161**
2027		**900**
Thereafter		**—**
Total	$	**9,867**

(B) OTHER COMMITMENTS

As of December 31, 2023 the Company had no other commitments. Generally, any commitments would be on the same terms as loans to or investments in existing borrowers or investees, and generally have fixed expiration dates. Since some commitments would be expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

(C) SEC LITIGATION

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

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

(D) OTHER LITIGATION AND REGULATORY MATTERS

The Company and its subsidiaries are subject to inquiries from certain regulators and are currently involved in various legal proceedings incident to the normal course of business, including collection matters with respect to certain loans. The Company intends to vigorously defend any outstanding claims and pursue its legal rights. In the opinion of management, based on the advice of legal counsel, except for the pending SEC litigation, as described above, there is no proceeding pending, or to the knowledge of management threatened, which in the event of an adverse decision could result in a material adverse impact on the financial condition or results of operations of the Company.

(11) RELATED PARTY TRANSACTIONS

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

Jeffrey Rudnick, the son of one of the Company's directors, served as the Company's Senior Vice President at a salary of $250,950, $239,000, and $195,000 for the years ended December 31, 2023, 2022, and 2021, which was increased to $260,988 effective January 1, 2024. Mr. Rudnick received an annual cash bonus of $95,000, $85,000, and $75,000 as well as an equity bonus in the amount of $52,000, $50,000, and $45,019 for the years ended December 31, 2023, 2022, and 2021.

(12) STOCKHOLDERS'/SHAREHOLDERS' EQUITY

On April 29, 2022, our board of directors authorized a new stock repurchase program with no expiration date, pursuant to which we were authorized to repurchase up to $35 million of our shares, which was increased to $40 million on August 10, 2022, also with no expiration date. Such new repurchase program replaced the previous one, which was terminated. As of December 31, 2023, up to $19,998,012 of shares remain authorized for repurchase under our stock repurchase program.

The Company did not repurchase any shares during the year ended December 31, 2023.

(13) EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Investment Plan, or the 401(k) Plan, which, effective June 1, 2022, covers all full-time and part-time employees of the Company who have attained 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% of total annual compensation, up to 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 ninety (90) days of service, and part time employees have worked at least 1,000 hours, the Company 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. Prior to June 1, 2022, the 401(k) Plan covered full- and part-time employees of the Company aged 21 and older that had completed a minimum of thirty (30) days of service, with the Company matching one-third of the first 6% of the contributions of eligible employees that had completed at least one (1) year of service (in the case of full-time employees) or 1,000 hours (in the case of part-time employees). The Company's 401(k) plan expense was approximately $0.5 million, $0.3 million, and $0.3 million for the years ended December 31, 2023, 2022, and 2021.

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

(f) **Commitments to extend credit –** The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and present creditworthiness of the counter parties. For fixed rate loan commitments, fair value also includes a consideration of the difference between the current levels of interest rates and the committed rates. At December 31, 2023 and 2022, the estimated fair value of these off-balance-sheet instruments was not material.

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

The following table presents the carrying amounts and fair values of the Company's financial instruments as of December 31, 2023 and 2022.

	December 31,			
	2023		2022	
(Dollars in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash, cash equivalents, and federal funds sold [1]	**$ 149,845**	**$ 149,845**	$ 105,598	$ 105,598
Equity investments	**11,430**	**11,430**	10,293	10,293
Investment securities	**54,282**	**54,282**	48,492	48,492
Loans receivable	**2,131,651**	**2,131,651**	1,853,108	1,853,108
Accrued interest receivable [2]	**13,538**	**13,538**	12,613	12,613
Equity securities[3]	**1,748**	**1,748**	1,724	1,724
Financial liabilities				
Funds borrowed	**2,118,689**	**2,118,689**	1,833,434	1,833,434
Accrued interest payable [2]	**6,822**	**6,822**	4,790	4,790

(1) Categorized as level 1 within the fair value hierarchy, excluding $1.3 million as of December 31, 2023 and $1.3 million as of December 31, 2022 of interest-bearing deposits categorized as level 2. See Note 15.

(2) Categorized as level 3 within the fair value hierarchy. See Note 15.

(3) Included within other assets on the balance sheet.

(15) FAIR VALUE OF ASSETS AND LIABILITIES

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

In accordance with FASB ASC 820, the Company has categorized its assets and liabilities measured at fair value, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Company's assessment and classification of an investment within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

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

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

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

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

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

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

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

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

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

A review of fair value hierarchy classification is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain assets or liabilities. Reclassifications impacting level 3 of the fair value hierarchy are reported as transfers in/out of the level 3 category as of the beginning of the quarter in which the reclassifications occur.

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

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022.

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

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

December 31, 2022 *(Dollars in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Interest-bearing deposits	$ —	$ 1,250	$ —	$ 1,250
Available for sale investment securities	—	48,492	—	48,492
Equity securities	1,724	—	—	1,724
Total[(1)]	$ 1,724	$ 49,742	$ —	$ 51,466

(1) Total unrealized losses of $4.4 million, net of tax, was included in other comprehensive loss for the year ended December 31, 2022 related to these assets.

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2023 and 2022.

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

December 31, 2022 *(Dollars in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Equity investments	$ —	$ —	$ 10,293	$ 10,293
Impaired loans	—	—	32,133	32,133
Loan collateral in process of foreclosure	—	—	21,819	21,819
Total	$ —	$ —	$ 64,245	$ 64,245

Significant Unobservable Inputs

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

The valuation techniques and significant unobservable inputs used in non-recurring level 3 fair value measurements of assets and liabilities as of December 31, 2023 and 2022.

(Dollars in thousands)	**Fair Value at December 31, 2023**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
Equity investments	**$ 11,157**	Investee financial analysis	Financial condition and operating performance of the borrower [1]	N/A
			Collateral support	N/A
	273	Precedent market transaction	Offering price	$8.73 / share
Impaired loans	**25,974**	Market approach	Historical and actual loss experience	0.00% - 28.48%
				60% of balance
			Transfer prices [2]	$0.0 - $79.5
			Collateral value	N/A
Loan collateral in process of foreclosure	**11,772**	Market approach	Transfer prices [2]	$0.0 - $79.5
			Collateral value [3]	$2.3 - $45.0

(Dollars in thousands)	**Fair Value at December 31, 2022**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
Equity investments	$ 10,020	Investee financial analysis	Financial condition and operating performance of the borrower [1]	N/A
			Collateral support	N/A
	273	Precedent market transaction	Offering price	$8.73 / share
Impaired loans	32,133	Market approach	Historical and actual loss experience	0.00% - 6.55%
				60% of balance
			Transfer prices [2]	$0.0 - 79.5
			Collateral value	N/A
Loan collateral in process of foreclosure	21,819	Market approach	Transfer prices [2]	$0.0 - 79.5
			Collateral value [3]	$2.5 - $54.1

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

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

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

On July 21, 2011, the Bank issued, and the U.S. Treasury purchased, 26,303 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series E for an aggregate purchase price of $26.3 million under the Small Business Lending Fund Program, or SBLF, with a liquidation amount of $1,000 per share. The SBLF is a voluntary program intended to encourage small business lending by providing capital to qualified smaller banks at favorable rates. The Bank pays a dividend rate of 9% on the Series E.

(17) PARENT COMPANY ONLY CONDENSED FINANCIAL STATEMENTS

The following shows the condensed financial information of Medallion Financial Corp. (parent company only).

Condensed Balance Sheets

(Dollars in thousands)	December 31, 2023	December 31, 2022
Assets		
Cash	**$ 31,001**	$ 20,669
Investment in bank subsidiary[1]	**523,189**	479,496
Investment in non-bank subsidiaries	**88,931**	83,727
Income tax receivable	**21,951**	22,835
Net loans receivable	**2,403**	2,538
Loan collateral in process of foreclosure	**795**	2,001
Other assets	**6,613**	7,603
Total assets	**$ 674,883**	$ 618,869
Liabilities		
Long-term borrowings [2]	**$ 166,625**	$ 151,808
Short-term borrowings	**3,000**	—
Deferred tax liabilities	**35,719**	38,091
Intercompany payables	**32,600**	33,378
Other liabilities	**25,165**	25,068
Total liabilities	**263,109**	248,345
Parent company equity	**342,986**	301,736
Non-controlling interest	**68,788**	68,788
Total stockholders' equity	**411,774**	370,524
Total liabilities and equity	**$ 674,883**	$ 618,869

(1) Includes $171.4 million and $172.8 million of goodwill and intangible assets of the Company which relate specifically to the Bank and $68.8 million related to non-controlling interests in consolidated subsidiaries as of December 31, 2023 and 2022.

(2) Includes $2.8 million and $2.1 million of deferred financing costs as of December 31, 2023 and 2022.

Condensed Statements of Operations

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
Dividend income	**$ 25,125**	$ 24,750	$ 19,000
Interest income (loss)	**1,243**	(119)	(2,554)
Total Dividend and interest income	**26,368**	24,631	16,446
Interest expense	**12,771**	11,289	11,209
Net interest income	**13,597**	13,342	5,237
Provision for credit losses	**(310)**	(353)	(4,718)
Net interest income after provision for credit losses	**13,907**	13,695	9,955
Other expense, net [1]	**(20,156)**	(18,423)	(6,224)
Income (loss) before income taxes and undistributed earnings of subsidiaries	**(6,249)**	(4,728)	3,731
Income tax benefit	**5,291**	7,940	4,452
Income (loss) before undistributed earnings of subsidiaries	**(958)**	3,212	8,183
Undistributed earnings of subsidiaries	**56,037**	40,628	45,925
Net income attributable to parent company	**$ 55,079**	$ 43,840	$ 54,108

(1) Includes $3.1 million, $4.9 million, and $7.8 million of net gains on the disposition of taxi medallion assets for the years ended December 31, 2023, 2022, and 2021.

Condensed Statements of Other Comprehensive Income

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
Net income	**$ 55,079**	$ 43,840	$ 54,108
Other comprehensive loss, net of tax	**(347)**	(4,383)	(978)
Total comprehensive income attributable to Medallion Financial Corp.	**$ 54,732**	$ 39,457	$ 53,130

Condensed Statements of Cash Flow

(Dollars in thousands)	Year Ended December 31, 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/net decrease in net assets resulting from operations	**$ 55,079**	$ 43,840	$ 54,108
Adjustments to reconcile net income/net decrease in net assets resulting from operations to net cash provided by operating activities:			
Equity in undistributed (earnings) losses of subsidiaries	**(81,164)**	(64,300)	(60,304)
(Benefit) provision for credit losses	**(310)**	(353)	(4,718)
Depreciation and amortization	**2,198**	2,740	4,485
Change in deferred and other tax assets/liabilities, net	**(947)**	(1,780)	(5,666)
Net change in loan collateral in process of foreclosure	**252**	64	1,619
Gain on extinguishment of debt	**—**	—	(2,204)
Net realized gains on sale of investments	**—**	—	(11,701)
Stock-based compensation expense	**4,713**	3,476	2,261
Decrease (increase) in other assets	**990**	1,055	(1,150)
Increase in deferred financing costs	**(1,437)**	(39)	(1,504)
Decrease in intercompany payables	**(778)**	(6,325)	(11,649)
(Decrease) increase in other liabilities	**(134)**	5,430	(1,894)
Net cash used for operating activities	**(21,538)**	(16,192)	(38,317)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans originated	**(1,612)**	(92)	—
Proceeds from principal receipts, sales, and maturities of loans and investments	**2,057**	723	28,552
Purchases of investments	**—**	—	(90)
Proceeds from sale and principal payments of loan collateral in process of foreclosure	**954**	3,697	666
Investment in subsidiaries	**(5,125)**	(4,750)	(3,500)
Dividends from subsidiaries	**25,125**	24,750	19,000
Net cash provided by investing activities	**21,399**	24,328	44,628
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from funds borrowed	**51,500**	—	51,400
Repayments of funds borrowed	**(33,000)**	—	(51,155)
Treasury stock repurchased	**—**	(20,619)	—
Dividends paid to shareholders	**(7,703)**	(7,543)	—
Payment of withholding taxes on net settlement of vested stock	**(768)**	—	—
Proceeds from the exercise of stock options	**442**	155	241
Net cash (used for) provided by financing activities	**10,471**	(28,007)	486
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**10,332**	(19,871)	6,797
Cash and cash equivalents, beginning of period	**20,669**	40,540	33,743
Cash and cash equivalents, end of period	**$ 31,001**	$ 20,669	$ 40,540

(18) VARIABLE INTEREST ENTITIES

During the 2018 third quarter, the Company determined that Taxi Medallion Trust III, or Trust III, was a VIE. Trust III had historically been consolidated as a subsidiary of MFC, although it should have been consolidated under the variable interest model, since MFC was its primary beneficiary until October 31, 2018. Trust III was a VIE since the key decision-making authority rested in the servicing agreement (where MFC was the servicer for Trust III) rather than in the voting rights of the equity interests and as a result the decision-making rights were considered a variable interest. This conclusion was supported by a qualitative assessment that Trust III did not have sufficient equity at risk. Since the inception of Trust III, MFC had also been party to a limited guaranty which was considered a variable interest because, pursuant to the guaranty, MFC absorbed variability as a result of the on-going performance of the loans in Trust III. As of October 31, 2018, the Company determined that MFC was no longer the primary beneficiary of Trust III and accordingly deconsolidated the VIE, leading to a net gain of $25.3 million recorded as well as a new promissory note payable by MFC of $1.4 million issued in settlement of the limited guaranty. Subsequent to deconsolidation, the Company's interest in Trust III was accounted for as an equity investment and had a value of $0 through its transfer to a third party in 2021. In addition, the Company remained the servicer of the assets of Trust III for a fee, until its disposition.

(19) SUBSEQUENT EVENTS

The Company has evaluated the effects of events that have occurred subsequent to December 31, 2023, through the date of financial statement issuance for potential recognition or disclosure. As of such date, there was one subsequent event that required disclosure.

On February 28, 2024, MCI accepted a commitment from the SBA for $18.5 million in debenture financing with a ten-year term. MCI can draw funds under the commitment, in whole or in part, until September 30, 2028. In connection with the commitment, MCI paid the SBA a leverage fee of $0.2 million, with the remaining $0.4 million of the fee to be paid pro rata as MCI draws under the commitment.

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