FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, DC 20429

FORM 10/A
Amendment No. 1

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934

MEDALLION BANK

(Exact Name of Registrant as Specified in Its Charter)

Utah (State or Other Jurisdiction of Incorporation or Organization)	**32-0052486** (IRS Employer Identification Number)
1100 East 6600 South, Suite 510, Salt Lake City, Utah (Address of Principal Executive Offices)	**84121** (Zip Code)

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

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

TITLE OF EACH CLASS TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share	The NASDAQ Stock Market LLC

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

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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐Non-accelerated filer ☒

Smaller reporting company ☐Emerging growth company ☒

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

INFORMATION REQUIRED IN REGISTRATION STATEMENT

Medallion Bank, a Utah State-chartered industrial bank ("Medallion" or the "Bank"), is amending its registration statement on Form 10 (the "Form 10"), filed with the Federal Deposit Insurance Corporation on December 9, 2019. This Amendment No. 1 to the Bank's Form 10 is being filed to include certain exhibits, including a new Exhibit 99.1 (the "Offering Circular"), dated December 10, 2019, which includes certain information omitted from the Bank's Preliminary Offering Circular, dated December 9, 2019, and relating to the offer and sale of 1,600,000 shares of the Bank's Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share, with a liquidation amount of $25.00 per share. Certain information required to be included in this Form 10 is incorporated by reference to specifically identified sections of the Offering Circular. All information in the Offering Circular is hereby expressly incorporated by reference in answer to all items in this Form 10, and as more particularly set forth below.

Item 1. Business

The information set forth in the section of the Offering Circular titled "Business," "Supervision and Regulation" and "Where You Can Find More Information" is incorporated herein by reference.

Item 1A. Risk Factors.

The information set forth in the sections of the Offering Circular titled "Risk Factors" is incorporated herein by reference.

Item 2. Financial Information.

The information set forth in the sections of the Offering Circular titled "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" is incorporated herein by reference.

Item 3. Properties.

The information set forth in the section of the Offering Circular titled "Business—Properties" is incorporated herein by reference.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The information set forth in the section of the Offering Circular titled "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

Item 5. Directors and Executive Officers.

The information set forth in the section of the Offering Circular titled "Management" is incorporated herein by reference.

Item 6. Executive Compensation.

The information set forth in the sections of the Offering Circular titled "Executive and Director Compensation" and "Management—Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

Item 7. Certain Relationships and Related Transactions, and Director Independence.

The information set forth in the sections of the Offering Circular titled "Management—Composition of Our Board of Directors," "Certain Relationships and Related-Person Transactions" and "Management's Discussion and

Analysis of Financial Condition and Results of Operations—Transactions with Affiliates" is incorporated herein by reference.

Item 8. Legal Proceedings.

The information set forth in the section of the Offering Circular titled "Business—Legal Proceedings" is incorporated herein by reference.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

(a) Market Information.

The information set forth in the section of the Offering Circular titled "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference. There is no established trading market for the Bank's common stock.

(b) Holders.

The information set forth in the section of the Offering Circular titled "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

(c) Dividends.

The information set forth in the sections of the Offering Circular titled "Index to Financial Statements—Statements of Changes in Shareholder's Equity," "Index to Financial Statements—Notes to Financial Statements—Note 1—Organization and summary of significant accounting policies" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital and Payment of Dividends" is incorporated herein by reference. There have been no dividends paid on the Bank's common stock since March 2016. In March 2016, the Bank paid a dividend of $3 million to Medallion Financial Corp. ("MFIN"), the sole shareholder of the Bank's common stock, and MFIN made capital contributions to the Bank in an equal amount during the following quarter.

(d) Securities Authorized for Issuance under Equity Compensation Plans.

Not applicable.

(e) Performance Graph.

Not applicable.

Item 10. Recent Sales of Unregistered Securities.

None.

Item 11. Description of Registrant's Securities to be Registered.

The information set forth in the section of the Offering Circular titled "Description of Series F Preferred Stock" is incorporated herein by reference.

Item 12. Indemnification of Directors and Officers.

The information set forth in the section of the Offering Circular titled "Description of Capital Stock—Limitation of Liability and Indemnification" is incorporated herein by reference.

Item 13. Financial Statements and Supplementary Data.

The information set forth in the section of the Offering Circular titled "Index to Financial Statements" (and the financial statements referenced therein) is incorporated herein by reference.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 15. Financial Statements and Exhibits.

a) Financial Statements

The information set forth in the section of the Offering Circular titled "Index to Financial Statements" (and the financial statements referenced therein) is incorporated herein by reference.

b) Exhibits:

The following documents are filed as exhibits hereto:

Exhibit Number	Description
3.1	Articles of Incorporation of Medallion Bank, dated May 7, 2002 (the "Articles of Incorporation")*
3.2	Articles of Amendment to the Articles of Incorporation, dated February 19, 2009, amending and restating Article 3 of the Articles of Incorporation*
3.3	Articles of Amendment to the Articles of Incorporation, dated February 19, 2009, adding a new Section 2 to Article 3 of the Articles of Incorporation setting forth the terms of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A*
3.4	Articles of Amendment to the Articles of Incorporation, dated February 19, 2009, adding a new Section 3 to Article 3 of the Articles of Incorporation setting forth the terms of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B*
3.5	Articles of Amendment to the Articles of Incorporation, dated December 17, 2009, adding a new Section 4 to Article 3 of the Articles of Incorporation setting forth the terms of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series C*
3.6	Articles of Amendment to the Articles of Incorporation, dated December 17, 2009, adding a new Section 5 to Article 3 of the Articles of Incorporation setting forth the terms of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series D*
3.7	Articles of Amendment to the Articles of Incorporation, dated June 23, 2011, adding a new Section 5 to Article 3 of the Articles of Incorporation setting forth the terms of Senior Non-Cumulative Perpetual Preferred Stock, Series E*
3.8	Articles of Amendment to the Articles of Incorporation, dated June 23, 2011, amending and restating Section 5 to Article 3 of the Articles of Incorporation setting forth the terms of Senior Non-Cumulative Perpetual Preferred Stock, Series E*
3.9	Articles of Amendment to the Articles of Incorporation, dated January 3, 2019, amending and restating Section 1(a) to Article 3 of the Articles of Incorporation*
3.10	Articles of Amendment to the Articles of Incorporation, dated December 11, 2019, adding a new Section 6 to Article 3 of the Articles of Incorporation setting forth the terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F
3.11	Bylaws of Medallion Bank*
4.1	Articles of Amendment to the Articles of Incorporation, dated December 11, 2019, adding a new Section 6 to Article 3 of the Articles of Incorporation setting forth the terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F
4.2	Form of certificate representing the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F

10.1	Loan Servicing Agreement, dated December 17, 2010, between Medallion Servicing Corp. and Medallion Bank*
10.2	Amendment No. 1 to Loan Servicing Agreement, dated January 1, 2011, between Medallion Servicing Corp. and Medallion Bank*
10.3	Amendment No. 2 to Loan Servicing Agreement, dated January 26, 2017, between Medallion Servicing Corp. and Medallion Bank*
10.4	Corporate Services Agreement, dated December 22, 2003, between Medallion Financial Corp. and Medallion Bank*
10.5	Amendment No. 1 to Corporate Services Agreement, dated October 3, 2007, between Medallion Financial Corp. and Medallion Bank*
10.6	Amendment No. 2 to Corporate Services Agreement, dated August 29, 2008, between Medallion Financial Corp. and Medallion Bank*
10.7	Amendment No. 3 to Corporate Services Agreement, dated January 1, 2014, between Medallion Financial Corp. and Medallion Bank*
10.8	Amendment No. 4 to Corporate Services Agreement, dated October 16, 2015, between Medallion Financial Corp. and Medallion Bank*
10.9	Amendment No. 5 to Corporate Services Agreement, dated August 1, 2017, between Medallion Financial Corp. and Medallion Bank*
10.10	Amendment No. 6 to Corporate Services Agreement, dated December 28, 2017, between Medallion Financial Corp. and Medallion Bank*
10.11	Amended and Restated Tax Sharing Agreement, dated February 13, 2017, between Medallion Financial Corp. and Medallion Bank*
10.12	Amendment to Amended and Restated Tax Sharing Agreement, dated December 22, 2017, between Medallion Financial Corp. and Medallion Bank*
10.13	Amended and Restated Loan Marketing Agreement, dated December 17, 2010, between Medallion Bank and Medallion Funding LLC*
10.14	Agreement of Lease, dated July 3, 2002, between B-LINE Holdings, L.C. and Medallion Bank*
10.15	First Amendment of Lease Agreement, dated October 29, 2004, between B-LINE Holdings, L.C. and Medallion Bank*
10.16	Assignment of Lease, dated July 6, 2006, between Medallion Bank and Zerop Medical, LLC, and consented and agreed to by B-LINE Holdings, L.C.*
10.17	Second Amendment of Lease Agreement, dated January 9, 2007, between B-LINE Holdings, L.C. and Medallion Bank*
10.18	Third Amendment of Lease Agreement, dated October 31, 2007, between B-LINE Holdings, L.C. and Medallion Bank*
10.19	Third Amendment to Lease Agreement, dated November 15, 2011, between B-LINE Holdings, L.C. and Medallion Bank*
10.20	Fourth Amendment to Agreement of Lease, dated November 21, 2011, between B-LINE Holdings, L.C. and Medallion Bank*
10.21	Fifth Amendment to Agreement of Lease, dated November 26, 2012, between B-LINE Holdings, L.C. and Medallion Bank*
10.22	Sixth Amendment to Agreement of Lease, dated January 26, 2017, between Investment Property Group, LLC, successor-in-interest to B-LINE Holdings, L.C., and Medallion Bank*
10.23	Seventh Amendment to Agreement of Lease, dated May 10, 2017, between Investment Property Group, LLC and Medallion Bank*
10.24	Eighth Amendment to Agreement of Lease, dated March 28, 2018, between Investment Property Group, LLC and Medallion Bank*
10.25	Ninth Amendment to Agreement of Lease, dated August 19, 2019, between Investment Property Group, LLC and Medallion Bank*
	Compensatory plans, contracts and arrangements are omitted pursuant to Item 601(b)(10)(iii)(C)(6) of Regulation S-K.
99.1	Offering Circular of Medallion Bank, dated December 10, 2019

99.2	Underwriting Agreement, dated December 10, 2019, between Medallion Bank and Sandler O'Neill & Partners, L.P., as representative of the several underwriters named therein

* Previously filed.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDALLION BANK

By: /s/ Donald S. Poulton
Name: Donald S. Poulton
Title: Chief Executive Officer and President

Date: December 11, 2019

EXHIBIT 3.10 TO FORM 10

Articles of Amendment to the Articles of
Incorporation, dated December 11, 2019,
adding a new Section 6 to Article 3

ARTICLES OF AMENDMENT TO THE

ARTICLES OF INCORPORATION

OF

MEDALLION BANK

Pursuant to the authority vested in the Board of Directors of Medallion Bank, a Utah industrial bank (the "Corporation"), by and through the Articles of Incorporation, as amended (the "Articles of Incorporation"), of the Corporation, as permitted by Sections 16-10a-602, 16-10a-1002 and 16-10a-1006, *et seq*. of the Utah Revised Business Corporation Act (the "UBCA"), the Board of Directors of the Corporation, acting through its duly authorized Pricing Committee, hereby adopts these Articles of Amendment to the Articles of Incorporation, without shareholder action, dated effective as of December 11, 2019. Shareholder action was not required.

1. The name of the corporation is: Medallion Bank

2. By this amendment (the "Amendment"), the Articles of Incorporation shall be amended by adding the following text as a new Section 6 to Article 3 of the Articles of Incorporation of the Corporation:

"Section 6. Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F.

(A) Designation and Number of Authorized Shares. There is hereby created out of the authorized and unissued shares of Preferred Stock of the Corporation a series of Preferred Stock designated as the "Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F" ("Series F"). Each share of Series F shall be identical in all respects to every other share of Series F, except that shares of Series F issued after December 17, 2019 (the "Original Issue Date") may only be issued on a Dividend Payment Date and only if they are fungible with the shares of Series F issued on the Original Issue Date for tax purposes, and shall accrue dividends from the date they are issued; *provided* that any shares of Series F issued after the Original Issue Date in connection with the exercise of the over-allotment option by the underwriters for the initial offering of the Series F may be issued on any date and shall accrue dividends from the Original Issue Date. The number of authorized shares of Series F shall initially be 1,840,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all shares of any other series of Preferred Stock authorized at the time of such increase) or decreased (but not below the number of shares of Series F then outstanding) by the Board of Directors (or a duly authorized committee of the Board of Directors). Shares of Series F that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series F.

(B) Definitions. Notwithstanding any other provision of these Articles of Incorporation, the following terms, when used in this Section 6, have the meaning given to them below:

"Appropriate Federal Banking Agency" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

“Articles of Amendment” means this Section 6, as it may be amended from time to time.

“Articles of Incorporation” mean the Articles of Incorporation of the Corporation, as they may be amended from time to time.

“Benchmark” means, initially, Three-Month Term SOFR; *provided* that if the Corporation or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement.

“Benchmark Replacement” means the Interpolated Benchmark with respect to the then-current Benchmark, plus the Benchmark Replacement Adjustment for such Benchmark; *provided* that if (a) the Corporation or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date or (b) the then-current Benchmark is Three-Month Term SOFR and a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR (in which event no Interpolated Benchmark with respect to Three-Month Term SOFR shall be determined), then “Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Corporation or its designee as of the Benchmark Replacement Date:

(1) Compounded SOFR;

(2) the sum of: (a) the alternate rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(4) the sum of: (a) the alternate rate that has been selected by the Corporation or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate securities at such time and (b) the Benchmark Replacement Adjustment.

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Corporation or its designee as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Corporation or its designee giving due consideration to

any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate securities at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Dividend Period," timing and frequency of determining rates with respect to each Dividend Period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that the Corporation or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Corporation or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Corporation or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Corporation or its designee determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) of the definition of "Benchmark Transition Event," the relevant Reference Time in respect of any determination;

(2) in the case of clause (2) or (3) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(3) in the case of clause (4) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying the Benchmark (for example, if Benchmark becomes the sum of (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment in accordance with clause (2) of the definition of Benchmark Replacement, references to Benchmark would include SOFR).

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) if the Benchmark is Three-Month Term SOFR, (a) the Relevant Governmental Body has not selected or recommended a forward-looking term rate for a tenor of three months based on SOFR, (b) the development of a forward-looking term rate for a tenor of three months based on SOFR that has been recommended or selected by the Relevant Governmental Body is not complete or (c) the Corporation or its designee determines that the use of a forward-looking rate for a tenor of three months based on SOFR is not administratively feasible;

(2) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(4) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Board of Directors" means the board of directors of the Corporation.

"Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

"Bylaws" means the bylaws of the Corporation, as they may be amended from time to time.

"Calculation Agent" means, at any time, the person or entity (which may be the Corporation or an affiliate of the Corporation) appointed by the Corporation and serving as calculation agent with respect to the Series F at such time (including any successor to such person or entity).

"Common Stock" means the common stock, par value $1.00 per share, of the Corporation.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate being established by the Corporation or its designee in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; *provided* that:

(2) if, and to the extent that, the Corporation or its designee determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Corporation or its designee giving due consideration to any industry-accepted market practice for U.S. dollar-denominated floating rate securities at such time.

For the avoidance of doubt, the calculation of Compounded SOFR shall exclude the Benchmark Replacement Adjustment (if applicable) and the spread of 6.46% per annum.

"Corporation" means Medallion Bank, a Utah industrial bank.

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"Dividend Parity Stock" means any class or series of stock of the Corporation that ranks on a parity with the Series F in the payment of current dividends, including the Series E.

"Dividend Payment Date" has the meaning set forth in Section 6(C)(a).

"Dividend Period" means each period commencing on (and including) a Dividend Payment Date and continuing to (but not including) the next succeeding Dividend Payment Date, except that the first Dividend Period for the initial issuance of shares of Series F shall commence on (and include) the Original Issue Date."

"DTC" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FDIC" means the Federal Deposit Insurance Corporation.

"Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"Fixed Rate Period" means the period commencing on the Original Issue Date and continuing to, but excluding, the Dividend Payment Date on April 1, 2025.

"Floating Rate Period" means the period commencing on and including the Dividend Payment Date on April 1, 2025, and continuing to, but excluding, the first date, if any, as of which all shares of Series F have been redeemed.

"Interpolated Benchmark" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"Junior Stock" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series F in the payment of dividends or in the distribution of assets on liquidation, dissolution or winding up of the Corporation.

"Liquidation Amount" means, in respect of the Series F, $25.00 per share, and, in respect of any other series of capital stock, the liquidation amount per share specified in the Articles of Incorporation or applicable articles of amendment (including, in the case of any series that does not use the words "liquidation amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

"Liquidation Preference" has the meaning set forth in Section 6(E).

"Liquidation Preference Parity Stock" means any class or series of stock of the Corporation that ranks on a parity with Series F in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including Series E.

"Nonpayment Event" has the meaning set forth in Section 6(G)(b).

"Original Issue Date" has the meaning set forth in Section 6(A).

"Preferred Stock" means any and all series of preferred stock of the Corporation, including Series E and Series F.

"Preferred Stock Directors" has the meaning set forth in Section 6(G)(b).

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Three-Month Term SOFR, the time determined by the Corporation or its designee after giving effect to the Three-Month Term SOFR Conventions, and (2) if the Benchmark is not Three-Month Term SOFR, the time determined by the Corporation or its designee after giving effect to the Benchmark Replacement Conforming Changes.

"Regulatory Capital Treatment Event" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the FDIC and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series F, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series F, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series F, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Liquidation Amount of $25 per share of Series F then outstanding as "*Additional Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the FDIC (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series F is outstanding.

"Relevant Governmental Body" means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Series E" means the Corporation's Senior Non-Cumulative Perpetual Preferred Stock, Series E.

"Series F" has the meaning set forth in Section 6(A).

"SOFR" means the secured overnight financing rate published by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Term SOFR Administrator" means any entity designated by the Relevant Governmental Body as the administrator of Term SOFR (or a successor administrator).

"Three-Month Term SOFR" means the rate for Term SOFR for a tenor of three months that is published by the Term SOFR Administrator at the Reference Time for any Dividend Period, as determined by the Calculation Agent after giving effect to the Three-Month Term SOFR Conventions, as determined by the Corporation or its designee.

"Three-Month Term SOFR Conventions" means any determination, decision or election with respect to any technical, administrative or operational matter (including with respect to the manner and timing of the publication of Three-Month Term SOFR, or changes to the definition of "Dividend Period," timing and frequency of determining Three-Month Term SOFR with respect to each Dividend Period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that the Corporation or its designee decides may be appropriate to reflect the use of Three-Month Term SOFR as the Benchmark in a manner substantially consistent with market practice (or, if the Corporation or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Corporation or its designee determines that no market practice for the use of Three-Month Term SOFR exists, in such other manner as the Corporation or its designee determines is reasonably necessary).

"Transfer Agent" means the transfer agent with respect to the Series F, which shall be American Stock Transfer & Trust Company, LLC as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

"Voting Parity Stock" has the meaning set forth in Section 6(G)(b).

(C) Dividends.

(a) Rate. Holders of Series F shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, noncumulative cash dividends:

(i) for each Dividend Period during the Fixed Rate Period, at an annual rate of 8.00% of the Liquidation Amount per share, and no more, payable quarterly in arrears on the 1st of January, April, July and October, respectively, in each year, commencing on April 1, 2020; and

(ii) for each Dividend Period during the Floating Rate Period, at an annual rate equal to a benchmark rate, which is expected to be Three-Month Term SOFR, plus a spread of 6.46% applied to the Liquidation Amount per share, and no more, payable quarterly in arrears on the 1st of January, April, July and October, respectively, in each year, commencing on July 1, 2025; *provided* that if the benchmark rate would be less than zero for any Dividend Period during the Floating Rate Period then the dividend rate for that Dividend Period will be zero plus the spread of 6.46% per annum.

Notwithstanding the foregoing paragraph, if the Corporation or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, then the provisions set forth in clause (c) below will thereafter apply to all determinations of the dividend rate on the Series F for each Dividend Period during the Floating Rate Period, and then the foregoing provisions and, if applicable, the provisions in clause (b) below concerning the calculation of the dividend rate and the payment of dividends during the Floating Rate Period will be modified in accordance with clause (c) below.

The Corporation's or its designee's determination of the Benchmark and the Calculation Agent's calculation of the amount of dividends for each Dividend Period during the Floating Rate Period will be on file at the principal offices of the Corporation. Absent manifest error, the Calculation Agent's determination of the dividend rate for each Dividend Period during the Floating Rate Period for the Series F will be binding and conclusive.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii), subject to adjustment as provided below, is a "Dividend Payment Date", and dividends for each Dividend Payment Date are payable with respect to the Dividend Period (or portion thereof) ending on the day preceding such respective Dividend Payment Date, in each case to holders of record of the shares of the Series F as they appear on the stock register of the Corporation on such record date, not more than 30 days preceding the applicable Dividend Payment Date, as shall be fixed by the Board of Directors (or a duly authorized committee of the Board of Directors). The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series F.

If the then-current Benchmark is Three-Month Term SOFR, the Corporation or its designee will have the right to establish the Three-Month Term SOFR Conventions, and if any of the foregoing provisions or provisions in clause (b) below concerning the calculation of the dividend rate and the payment of dividends during the Floating Rate Period are inconsistent with any of the Three-Month Term SOFR Conventions determined by the Corporation or its designee, then the relevant Three-Month Term SOFR Conventions will apply.

(b) Business Day Convention. If a day on or before April 1, 2025 that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series F, when, as and if declared, will be paid on the next succeeding Business Day (without adjustment in the amount of the dividend per share of Series F). If a day after April 1, 2025 that would otherwise be a Dividend Payment Date is not a Business Day, then the next succeeding Business Day will be the applicable Dividend Payment Date and dividends on the shares of Series F, when, as and if declared, will be paid on such next succeeding Business Day, *provided* that if such Business Day falls in the next succeeding calendar month, the Dividend Payment Date will be advanced to the immediately preceding Business Day.

(c) Effect of Benchmark Transition Event. If the Corporation or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred on or prior to the Reference Time in respect of any determination of the Benchmark on any date, then the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Series F during the Floating Rate Period in respect of such determination on such date and all determinations on all subsequent dates, and the dividend rate on the Series F for each Dividend Period during the Floating Rate Period will thereafter be an annual rate equal to the sum of the Benchmark Replacement and the spread of 6.46% per annum. In connection with the implementation of a Benchmark Replacement, the Corporation or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

(d) Determinations and Decisions. In connection with any determination, decision or election to be made by the Corporation in connection with the Three-Month Term SOFR Conventions or pursuant to the provisions set forth under clause (c) above, the Corporation may, in its sole discretion, and at any time and from time to time (i) designate any affiliate of the Corporation, any underwriter for any offering of the Series F, any affiliate of such an underwriter or any other person to make one or more determinations, decisions or elections on a temporary or permanent basis, (ii) determine to provide that any determination, decision or election to be made by a designee will be made after consultation with the Corporation and subject to the condition that the Corporation's designee will not make any such determination, decision or election to which the Corporation reasonably objects and (iii) revoke any such designation. Any person so designated in accordance with the immediately preceding sentence will be a "designee" for purposes of the provisions on Three-Month Term SOFR Conventions and for purposes of the provisions set forth under clause (c) above for so long as such designation remains in effect. Any determination, decision or election that may be made by the Corporation or its designee pursuant to the provision on Three-Month Term SOFR Conventions or the provisions set forth under clause (c) above, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Corporation's or its designee's sole discretion and, subject to clause (ii) in the second preceding sentence, shall become effective without consent from any other party.

(e) Dividend Computation. The amount of the dividend per share of Series F for each Dividend Period (or portion thereof) in the Fixed Rate Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The amount of the dividend per share of Series F for each Dividend Period (or portion thereof) in the Floating Rate Period will be calculated based on the actual number of days in the Dividend Period and a 360-day year.

(f) Dividends Noncumulative. Dividends on shares of Series F are discretionary and shall not be cumulative. Holders of Series F shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall accrue or be payable in respect of any dividend not so declared. Holders of Series F shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series F as specified in this Section 6(C) (subject to the other provisions of these Articles of Amendment).

(g) Priority of Dividends. So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F for the most recently completed Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no dividend may be declared or paid or set aside for payment, and no distribution may be made, on any Junior Stock, other than a dividend payable solely in stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a Dividend Payment Date and related Dividend Period (which terms include, in the case of the Series F, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series F or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series F and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series F and Dividend Parity Stock, and dividends so declared shall be paid, as to any such Dividend Payment Date and related Dividend Period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "full dividends" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past Dividend Periods. To the extent a Dividend Period with respect to the Series F or any series of Dividend Parity Stock (in either case, the "first series") coincides with more than one Dividend Period with respect to another series as applicable (in either case, a "second series"), for purposes of this paragraph, the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such Dividend Period for the first series as two or more consecutive Dividend Periods, none of which coincides with more than one Dividend Period with respect to the second series, or may treat such Dividend Period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series F for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series F.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized committee of the Board of Directors) may be declared and paid on any Common Stock or Junior Stock from time to time out of any funds legally available therefor, and the shares of Series F shall not be entitled to participate in any such dividend.

(D) Redemption and Repurchase of Dividend Parity Stock and Junior Stock. So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F for the most recently completed Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no monies may be paid or made available for a sinking fund for the redemption or retirement of Dividend Parity Stock or Junior

Stock, nor shall any shares of Dividend Parity Stock or Junior Stock be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, other than:

(i) in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice;

(ii) as a result of the acquisition by the Corporation of record ownership of Dividend Parity Stock or Junior Stock for the beneficial ownership of any other persons (other than the Corporation), including trustees or custodians;

(iii) as a result of (x) a reclassification of Dividend Parity Stock or Junior Stock, or (y) the exchange or conversion of one share of Dividend Parity Stock or Junior Stock for or into another share of Dividend Parity Stock that does not rank senior to such Dividend Parity Stock in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation or other stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation;

(iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of Dividend Parity Stock that does not rank senior to such Dividend Parity Stock in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation or other stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation; or

(v) any purchase or other acquisition of shares of Series F and Dividend Parity Stock in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors, or a duly authorized committee of the Board of Directors), to all holders of such shares on such terms as the Board of Directors (or a duly authorized committee of the Board), after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(E) Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series F will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Liquidation Amount of $25.00 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without any amount in respect of dividends that have not been declared prior to such payment date) (the "Liquidation Preference").

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series F and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series F and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series F and all such Liquidation Preference Parity Stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation other than the Series F means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder of stock on which dividends accrue on a noncumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Series F and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 6(E), the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series F receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

(F) Redemption.

(a) Optional Redemption. The Series F is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series F (i) in whole or in part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on April 1, 2025, or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a cash redemption price equal to the Liquidation Amount, together (except as otherwise provided herein) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series F shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series F are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 6(C)(a) above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series F without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) No Sinking Fund. The Series F will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series F will have no right to require redemption of any shares of Series F.

(c) Notice of Redemption. Notice of every redemption of shares of Series F shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(F)(c) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of

Series F designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F. Notwithstanding the foregoing, if the Series F are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series F at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (i) the redemption date; (ii) the number of shares of Series F to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) if applicable, the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends will cease to accrue on the redemption date.

(d) Partial Redemption. In case of any redemption of only part of the shares of Series F at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series F in proportion to the number of shares of Series F held by such holders or by lot or in such other manner as the Board of Directors (or a duly authorized committee of the Board of Directors) may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and authority to prescribe the terms and conditions on which shares of Series F shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series F and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series F are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(G) Voting Rights.

(a) General. The holders of Series F will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) Right to Elect Two Directors on Nonpayment of Dividends. If and whenever dividends payable on Series F or any class or series of Dividend Parity Stock first issued after the Original Issue Date and having voting rights equivalent to those described in this paragraph ("Voting Parity Stock") have not been declared and paid (or, in the case of Voting Parity Stock bearing dividends on a cumulative basis, shall be in arrears) in an aggregate amount equal to full dividends for at least six quarterly Dividend Periods or their equivalent (whether or not consecutive) (a "Nonpayment Event"), the number of directors then constituting the Board of

Directors shall be automatically increased by two and the holders of Series F, together with the holders of any outstanding Voting Parity Stock then entitled to vote for additional directors, voting together as a single class with one vote per share, shall be entitled to elect the two additional directors (the "Preferred Stock Directors"); *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights).

(c) In the event that the holders of Series F and such other holders of Voting Parity Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Liquidation Amount of the Series F and each other series of Voting Parity Stock then outstanding, voting together as a single class with one vote per share (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of the stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series F or Voting Parity Stock, and delivered as required or permitted by applicable law. If the secretary of the Corporation fails to call a special meeting for the election of the Preferred Stock Directors within 20 days of receiving proper notice, any holder of Series F may call such a meeting at the Corporation's expense solely for the election of the Preferred Stock Directors, and for this purpose and no other (unless provided otherwise by applicable law) such Series F holder shall have access to the Corporation's stock ledger.

(d) When (i) dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series F, whether or not consecutive, equivalent to at least one year after a Nonpayment Event, and (ii) the rights of holders of any Voting Parity Stock to participate in electing the Preferred Stock Directors shall have ceased, the right of holders of Series F to participate in the election of Preferred Stock Directors shall cease (but subject always to the revesting of such voting rights in the case of any future Nonpayment Event), the terms of office of all the Preferred Stock Directors shall immediately terminate, and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

(e) Any Preferred Stock Director may be removed at any time without cause, and any vacancy created thereby may be filled, by the holders of record of a majority of the outstanding shares of Series F and Voting Parity Stock, when they have the voting rights described above (voting together as a single class with one vote per share). The Preferred Stock Directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided. In case any vacancy shall occur among the Preferred Stock Directors for any reason other than removal from office, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders on the nomination of the then remaining Preferred Stock Director or, if no Preferred Stock Director remains in office, by the vote of the holders of record of a majority of the outstanding shares of Series F and such Voting Parity Stock for which dividends have not been paid, voting together as a single class with one vote per share. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote.

(f) Other Voting Rights. So long as any shares of Series F are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of Incorporation, the vote or consent of the holders of at least 66 2/3% of the shares of Series F at the time outstanding, voting together with any other series of Preferred Stock first issued after the Original Issue Date and that would be adversely affected in substantially the same manner and entitled to vote as a single class with one vote per share, to the exclusion of all other series of Preferred Stock, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Articles of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of capital stock of the Corporation ranking prior to Series F in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(ii) Amendment of Articles or By-laws. Any amendment, alteration or repeal of any provision of the Articles of Incorporation that would alter or change the rights, preferences, privileges or voting powers, and limitations and restrictions of Series F so as to affect them adversely; *provided*, *however*, that the amendment of the Articles of Incorporation so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to Series F in either the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation (including, without limitation, an increase in the aggregate number of authorized shares of Preferred Stock) shall not be deemed to affect adversely the rights, preferences, privileges or voting powers, and limitations and restrictions of Series F and shall not be subject to the vote or consent of the holders of Series F; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions. Any consummation of (x) a binding share exchange or reclassification involving the Series F, (y) a merger or consolidation of the Corporation with another entity (whether or not a bank or corporation) or (z) a conversion, transfer, domestication or continuance of the Corporation into another entity or an entity organized under the laws of another jurisdiction, unless in each case (A) the shares of Series F remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, or any such conversion, transfer, domestication or continuance, the shares of Series F are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States or a state thereof, and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Series F immediately prior to such consummation, taken as a whole.

(g) Changes Permitted without Consent. Without the consent of the holders of Series F, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of Series F, the Corporation may amend, alter, supplement or repeal any terms of Series F:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in these Articles of Amendment that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to Series F that is not inconsistent with the provisions of these Articles of Amendment, including, without limitation, to reflect any Three-Month Term SOFR Conventions or Benchmark Replacement Conforming Changes.

(h) Changes after Provision for Redemption. No vote or consent of the holders of Series F will be required pursuant to Section 6(G)(b) through (e) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such sections, all outstanding shares of Series F shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of Series F to effect such redemption, in each case pursuant to Section 6(F) above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 6(G)(f) above if the shares of Series F are being redeemed with the proceeds from the sale of the stock to be authorized.

(i) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Series F (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series F may be listed or traded at the time.

(H) No Preemptive Rights. Holders of Series F shall have no rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities or such warrants, rights or options may be designated, issued or granted.

(I) Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent for the Series F may deem and treat the record holder of any share of Series F as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

(J) Notices. All notices or communications in respect of the Series F shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in these Articles of Amendment, in the Articles of Incorporation or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Series F are issued in book entry form through DTC or any similar facility, such notices may be given to the holders of shares of Series F in any manner permitted by such facility.

(K) Other Rights. The shares of Series F shall not have any rights, preference, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law. The holders of Series F shall not have any preemptive rights or conversion rights.

(L) Certificates and DTC as Owner. The Corporation may at its option issue shares of Series F without certificates. As long as DTC or its nominee is the registered owner of the Series F, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series F for all purposes under the instruments governing the rights and obligations of holders of Series F. If DTC discontinues providing its services as securities depositary with respect to the shares of Series F, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series F or provide for the direct registration of the Series F with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series F and deliver such certificates to DTC or shall provide for the direct registration of the Series F with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in shares of Series F:

(a) shall not be entitled to have such shares of Series F registered in their names;

(b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in shares of Series F; and

(c) shall not be considered to be owners or holders of the shares of Series F for any purpose under the instruments governing the rights and obligations of holders of Series F.

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The undersigned does hereby acknowledge, under penalties of perjury, that this document is the act and deed of the Corporation, and that the facts herein stated are true.

DATED this 11th day of December, 2019.

MEDALLION BANK

By: /s/ Donald Poulton
Name: Donald Poulton
Title: President

EXHIBIT 4.1 TO FORM 10

Articles of Amendment to the Articles of
Incorporation, dated December 11, 2019,
adding a new Section 6 to Article 3

ARTICLES OF AMENDMENT TO THE

ARTICLES OF INCORPORATION

OF

MEDALLION BANK

Pursuant to the authority vested in the Board of Directors of Medallion Bank, a Utah industrial bank (the "Corporation"), by and through the Articles of Incorporation, as amended (the "Articles of Incorporation"), of the Corporation, as permitted by Sections 16-10a-602, 16-10a-1002 and 16-10a-1006, *et seq*. of the Utah Revised Business Corporation Act (the "UBCA"), the Board of Directors of the Corporation, acting through its duly authorized Pricing Committee, hereby adopts these Articles of Amendment to the Articles of Incorporation, without shareholder action, dated effective as of December 11, 2019. Shareholder action was not required.

1. The name of the corporation is: Medallion Bank

2. By this amendment (the "Amendment"), the Articles of Incorporation shall be amended by adding the following text as a new Section 6 to Article 3 of the Articles of Incorporation of the Corporation:

"Section 6. Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F.

(A) Designation and Number of Authorized Shares. There is hereby created out of the authorized and unissued shares of Preferred Stock of the Corporation a series of Preferred Stock designated as the "Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F" ("Series F"). Each share of Series F shall be identical in all respects to every other share of Series F, except that shares of Series F issued after December 17, 2019 (the "Original Issue Date") may only be issued on a Dividend Payment Date and only if they are fungible with the shares of Series F issued on the Original Issue Date for tax purposes, and shall accrue dividends from the date they are issued; *provided* that any shares of Series F issued after the Original Issue Date in connection with the exercise of the over-allotment option by the underwriters for the initial offering of the Series F may be issued on any date and shall accrue dividends from the Original Issue Date. The number of authorized shares of Series F shall initially be 1,840,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all shares of any other series of Preferred Stock authorized at the time of such increase) or decreased (but not below the number of shares of Series F then outstanding) by the Board of Directors (or a duly authorized committee of the Board of Directors). Shares of Series F that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series F.

(B) Definitions. Notwithstanding any other provision of these Articles of Incorporation, the following terms, when used in this Section 6, have the meaning given to them below:

"Appropriate Federal Banking Agency" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

"Articles of Amendment" means this Section 6, as it may be amended from time to time.

"Articles of Incorporation" mean the Articles of Incorporation of the Corporation, as they may be amended from time to time.

"Benchmark" means, initially, Three-Month Term SOFR; *provided* that if the Corporation or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"Benchmark Replacement" means the Interpolated Benchmark with respect to the then-current Benchmark, plus the Benchmark Replacement Adjustment for such Benchmark; *provided* that if (a) the Corporation or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date or (b) the then-current Benchmark is Three-Month Term SOFR and a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR (in which event no Interpolated Benchmark with respect to Three-Month Term SOFR shall be determined), then "Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Corporation or its designee as of the Benchmark Replacement Date:

(1) Compounded SOFR;

(2) the sum of: (a) the alternate rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(4) the sum of: (a) the alternate rate that has been selected by the Corporation or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate securities at such time and (b) the Benchmark Replacement Adjustment.

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Corporation or its designee as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Corporation or its designee giving due consideration to

any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate securities at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Dividend Period," timing and frequency of determining rates with respect to each Dividend Period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that the Corporation or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Corporation or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Corporation or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Corporation or its designee determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) of the definition of "Benchmark Transition Event," the relevant Reference Time in respect of any determination;

(2) in the case of clause (2) or (3) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(3) in the case of clause (4) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying the Benchmark (for example, if Benchmark becomes the sum of (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment in accordance with clause (2) of the definition of Benchmark Replacement, references to Benchmark would include SOFR).

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) if the Benchmark is Three-Month Term SOFR, (a) the Relevant Governmental Body has not selected or recommended a forward-looking term rate for a tenor of three months based on SOFR, (b) the development of a forward-looking term rate for a tenor of three months based on SOFR that has been recommended or selected by the Relevant Governmental Body is not complete or (c) the Corporation or its designee determines that the use of a forward-looking rate for a tenor of three months based on SOFR is not administratively feasible;

(2) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(4) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Board of Directors" means the board of directors of the Corporation.

"Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

"Bylaws" means the bylaws of the Corporation, as they may be amended from time to time.

"Calculation Agent" means, at any time, the person or entity (which may be the Corporation or an affiliate of the Corporation) appointed by the Corporation and serving as calculation agent with respect to the Series F at such time (including any successor to such person or entity).

"Common Stock" means the common stock, par value $1.00 per share, of the Corporation.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate being established by the Corporation or its designee in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; *provided* that:

(2) if, and to the extent that, the Corporation or its designee determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Corporation or its designee giving due consideration to any industry-accepted market practice for U.S. dollar-denominated floating rate securities at such time.

For the avoidance of doubt, the calculation of Compounded SOFR shall exclude the Benchmark Replacement Adjustment (if applicable) and the spread of 6.46% per annum.

"Corporation" means Medallion Bank, a Utah industrial bank.

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"Dividend Parity Stock" means any class or series of stock of the Corporation that ranks on a parity with the Series F in the payment of current dividends, including the Series E.

"Dividend Payment Date" has the meaning set forth in Section 6(C)(a).

"Dividend Period" means each period commencing on (and including) a Dividend Payment Date and continuing to (but not including) the next succeeding Dividend Payment Date, except that the first Dividend Period for the initial issuance of shares of Series F shall commence on (and include) the Original Issue Date."

"DTC" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FDIC" means the Federal Deposit Insurance Corporation.

"Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"Fixed Rate Period" means the period commencing on the Original Issue Date and continuing to, but excluding, the Dividend Payment Date on April 1, 2025.

"Floating Rate Period" means the period commencing on and including the Dividend Payment Date on April 1, 2025, and continuing to, but excluding, the first date, if any, as of which all shares of Series F have been redeemed.

"Interpolated Benchmark" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"Junior Stock" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series F in the payment of dividends or in the distribution of assets on liquidation, dissolution or winding up of the Corporation.

"Liquidation Amount" means, in respect of the Series F, $25.00 per share, and, in respect of any other series of capital stock, the liquidation amount per share specified in the Articles of Incorporation or applicable articles of amendment (including, in the case of any series that does not use the words "liquidation amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

"Liquidation Preference" has the meaning set forth in Section 6(E).

"Liquidation Preference Parity Stock" means any class or series of stock of the Corporation that ranks on a parity with Series F in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including Series E.

"Nonpayment Event" has the meaning set forth in Section 6(G)(b).

"Original Issue Date" has the meaning set forth in Section 6(A).

"Preferred Stock" means any and all series of preferred stock of the Corporation, including Series E and Series F.

"Preferred Stock Directors" has the meaning set forth in Section 6(G)(b).

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Three-Month Term SOFR, the time determined by the Corporation or its designee after giving effect to the Three-Month Term SOFR Conventions, and (2) if the Benchmark is not Three-Month Term SOFR, the time determined by the Corporation or its designee after giving effect to the Benchmark Replacement Conforming Changes.

"Regulatory Capital Treatment Event" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the FDIC and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series F, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series F, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series F, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Liquidation Amount of $25 per share of Series F then outstanding as "*Additional Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the FDIC (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series F is outstanding.

"Relevant Governmental Body" means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Series E" means the Corporation's Senior Non-Cumulative Perpetual Preferred Stock, Series E.

"Series F" has the meaning set forth in Section 6(A).

"SOFR" means the secured overnight financing rate published by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Term SOFR Administrator" means any entity designated by the Relevant Governmental Body as the administrator of Term SOFR (or a successor administrator).

"Three-Month Term SOFR" means the rate for Term SOFR for a tenor of three months that is published by the Term SOFR Administrator at the Reference Time for any Dividend Period, as determined by the Calculation Agent after giving effect to the Three-Month Term SOFR Conventions, as determined by the Corporation or its designee.

"Three-Month Term SOFR Conventions" means any determination, decision or election with respect to any technical, administrative or operational matter (including with respect to the manner and timing of the publication of Three-Month Term SOFR, or changes to the definition of "Dividend Period," timing and frequency of determining Three-Month Term SOFR with respect to each Dividend Period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that the Corporation or its designee decides may be appropriate to reflect the use of Three-Month Term SOFR as the Benchmark in a manner substantially consistent with market practice (or, if the Corporation or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Corporation or its designee determines that no market practice for the use of Three-Month Term SOFR exists, in such other manner as the Corporation or its designee determines is reasonably necessary).

"Transfer Agent" means the transfer agent with respect to the Series F, which shall be American Stock Transfer & Trust Company, LLC as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

"Voting Parity Stock" has the meaning set forth in Section 6(G)(b).

(C) Dividends.

(a) Rate. Holders of Series F shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, noncumulative cash dividends:

> (i) for each Dividend Period during the Fixed Rate Period, at an annual rate of 8.00% of the Liquidation Amount per share, and no more, payable quarterly in arrears on the 1st of January, April, July and October, respectively, in each year, commencing on April 1, 2020; and

> (ii) for each Dividend Period during the Floating Rate Period, at an annual rate equal to a benchmark rate, which is expected to be Three-Month Term SOFR, plus a spread of 6.46% applied to the Liquidation Amount per share, and no more, payable quarterly in arrears on the 1st of January, April, July and October, respectively, in each year, commencing on July 1, 2025; *provided* that if the benchmark rate would be less than zero for any Dividend Period during the Floating Rate Period then the dividend rate for that Dividend Period will be zero plus the spread of 6.46% per annum.

Notwithstanding the foregoing paragraph, if the Corporation or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, then the provisions set forth in clause (c) below will thereafter apply to all determinations of the dividend rate on the Series F for each Dividend Period during the Floating Rate Period, and then the foregoing provisions and, if applicable, the provisions in clause (b) below concerning the calculation of the dividend rate and the payment of dividends during the Floating Rate Period will be modified in accordance with clause (c) below.

The Corporation's or its designee's determination of the Benchmark and the Calculation Agent's calculation of the amount of dividends for each Dividend Period during the Floating Rate Period will be on file at the principal offices of the Corporation. Absent manifest error, the Calculation Agent's determination of the dividend rate for each Dividend Period during the Floating Rate Period for the Series F will be binding and conclusive.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii), subject to adjustment as provided below, is a "Dividend Payment Date", and dividends for each Dividend Payment Date are payable with respect to the Dividend Period (or portion thereof) ending on the day preceding such respective Dividend Payment Date, in each case to holders of record of the shares of the Series F as they appear on the stock register of the Corporation on such record date, not more than 30 days preceding the applicable Dividend Payment Date, as shall be fixed by the Board of Directors (or a duly authorized committee of the Board of Directors). The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series F.

If the then-current Benchmark is Three-Month Term SOFR, the Corporation or its designee will have the right to establish the Three-Month Term SOFR Conventions, and if any of the foregoing provisions or provisions in clause (b) below concerning the calculation of the dividend rate and the payment of dividends during the Floating Rate Period are inconsistent with any of the Three-Month Term SOFR Conventions determined by the Corporation or its designee, then the relevant Three-Month Term SOFR Conventions will apply.

(b) Business Day Convention. If a day on or before April 1, 2025 that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series F, when, as and if declared, will be paid on the next succeeding Business Day (without adjustment in the amount of the dividend per share of Series F). If a day after April 1, 2025 that would otherwise be a Dividend Payment Date is not a Business Day, then the next succeeding Business Day will be the applicable Dividend Payment Date and dividends on the shares of Series F, when, as and if declared, will be paid on such next succeeding Business Day, *provided* that if such Business Day falls in the next succeeding calendar month, the Dividend Payment Date will be advanced to the immediately preceding Business Day.

(c) Effect of Benchmark Transition Event. If the Corporation or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred on or prior to the Reference Time in respect of any determination of the Benchmark on any date, then the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Series F during the Floating Rate Period in respect of such determination on such date and all determinations on all subsequent dates, and the dividend rate on the Series F for each Dividend Period during the Floating Rate Period will thereafter be an annual rate equal to the sum of the Benchmark Replacement and the spread of 6.46% per annum. In connection with the implementation of a Benchmark Replacement, the Corporation or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

(d) Determinations and Decisions. In connection with any determination, decision or election to be made by the Corporation in connection with the Three-Month Term SOFR Conventions or pursuant to the provisions set forth under clause (c) above, the Corporation may, in its sole discretion, and at any time and from time to time (i) designate any affiliate of the Corporation, any underwriter for any offering of the Series F, any affiliate of such an underwriter or any other person to make one or more determinations, decisions or elections on a temporary or permanent basis, (ii) determine to provide that any determination, decision or election to be made by a designee will be made after consultation with the Corporation and subject to the condition that the Corporation's designee will not make any such determination, decision or election to which the Corporation reasonably objects and (iii) revoke any such designation. Any person so designated in accordance with the immediately preceding sentence will be a "designee" for purposes of the provisions on Three-Month Term SOFR Conventions and for purposes of the provisions set forth under clause (c) above for so long as such designation remains in effect. Any determination, decision or election that may be made by the Corporation or its designee pursuant to the provision on Three-Month Term SOFR Conventions or the provisions set forth under clause (c) above, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Corporation's or its designee's sole discretion and, subject to clause (ii) in the second preceding sentence, shall become effective without consent from any other party.

(e) Dividend Computation. The amount of the dividend per share of Series F for each Dividend Period (or portion thereof) in the Fixed Rate Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The amount of the dividend per share of Series F for each Dividend Period (or portion thereof) in the Floating Rate Period will be calculated based on the actual number of days in the Dividend Period and a 360-day year.

(f) Dividends Noncumulative. Dividends on shares of Series F are discretionary and shall not be cumulative. Holders of Series F shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall accrue or be payable in respect of any dividend not so declared. Holders of Series F shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series F as specified in this Section 6(C) (subject to the other provisions of these Articles of Amendment).

(g) Priority of Dividends. So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F for the most recently completed Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no dividend may be declared or paid or set aside for payment, and no distribution may be made, on any Junior Stock, other than a dividend payable solely in stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a Dividend Payment Date and related Dividend Period (which terms include, in the case of the Series F, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series F or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series F and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series F and Dividend Parity Stock, and dividends so declared shall be paid, as to any such Dividend Payment Date and related Dividend Period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "full dividends" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past Dividend Periods. To the extent a Dividend Period with respect to the Series F or any series of Dividend Parity Stock (in either case, the "first series") coincides with more than one Dividend Period with respect to another series as applicable (in either case, a "second series"), for purposes of this paragraph, the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such Dividend Period for the first series as two or more consecutive Dividend Periods, none of which coincides with more than one Dividend Period with respect to the second series, or may treat such Dividend Period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series F for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series F.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized committee of the Board of Directors) may be declared and paid on any Common Stock or Junior Stock from time to time out of any funds legally available therefor, and the shares of Series F shall not be entitled to participate in any such dividend.

(D) Redemption and Repurchase of Dividend Parity Stock and Junior Stock. So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F for the most recently completed Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no monies may be paid or made available for a sinking fund for the redemption or retirement of Dividend Parity Stock or Junior

Stock, nor shall any shares of Dividend Parity Stock or Junior Stock be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, other than:

(i) in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice;

(ii) as a result of the acquisition by the Corporation of record ownership of Dividend Parity Stock or Junior Stock for the beneficial ownership of any other persons (other than the Corporation), including trustees or custodians;

(iii) as a result of (x) a reclassification of Dividend Parity Stock or Junior Stock, or (y) the exchange or conversion of one share of Dividend Parity Stock or Junior Stock for or into another share of Dividend Parity Stock that does not rank senior to such Dividend Parity Stock in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation or other stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation;

(iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of Dividend Parity Stock that does not rank senior to such Dividend Parity Stock in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation or other stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Corporation; or

(v) any purchase or other acquisition of shares of Series F and Dividend Parity Stock in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors, or a duly authorized committee of the Board of Directors), to all holders of such shares on such terms as the Board of Directors (or a duly authorized committee of the Board), after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(E) Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series F will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Liquidation Amount of $25.00 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without any amount in respect of dividends that have not been declared prior to such payment date) (the "Liquidation Preference").

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series F and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series F and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series F and all such Liquidation Preference Parity Stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation other than the Series F means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder of stock on which dividends accrue on a noncumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Series F and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 6(E), the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series F receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

(F) Redemption.

(a) Optional Redemption. The Series F is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series F (i) in whole or in part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on April 1, 2025, or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, in each case, at a cash redemption price equal to the Liquidation Amount, together (except as otherwise provided herein) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series F shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series F are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 6(C)(a) above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series F without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) No Sinking Fund. The Series F will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series F will have no right to require redemption of any shares of Series F.

(c) Notice of Redemption. Notice of every redemption of shares of Series F shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(F)(c) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of

Series F designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F. Notwithstanding the foregoing, if the Series F are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series F at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (i) the redemption date; (ii) the number of shares of Series F to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) if applicable, the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends will cease to accrue on the redemption date.

(d) Partial Redemption. In case of any redemption of only part of the shares of Series F at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series F in proportion to the number of shares of Series F held by such holders or by lot or in such other manner as the Board of Directors (or a duly authorized committee of the Board of Directors) may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and authority to prescribe the terms and conditions on which shares of Series F shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series F and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series F are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(G) Voting Rights.

(a) General. The holders of Series F will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) Right to Elect Two Directors on Nonpayment of Dividends. If and whenever dividends payable on Series F or any class or series of Dividend Parity Stock first issued after the Original Issue Date and having voting rights equivalent to those described in this paragraph ("Voting Parity Stock") have not been declared and paid (or, in the case of Voting Parity Stock bearing dividends on a cumulative basis, shall be in arrears) in an aggregate amount equal to full dividends for at least six quarterly Dividend Periods or their equivalent (whether or not consecutive) (a "Nonpayment Event"), the number of directors then constituting the Board of

Directors shall be automatically increased by two and the holders of Series F, together with the holders of any outstanding Voting Parity Stock then entitled to vote for additional directors, voting together as a single class with one vote per share, shall be entitled to elect the two additional directors (the "Preferred Stock Directors"); *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights).

(c) In the event that the holders of Series F and such other holders of Voting Parity Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Liquidation Amount of the Series F and each other series of Voting Parity Stock then outstanding, voting together as a single class with one vote per share (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of the stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series F or Voting Parity Stock, and delivered as required or permitted by applicable law. If the secretary of the Corporation fails to call a special meeting for the election of the Preferred Stock Directors within 20 days of receiving proper notice, any holder of Series F may call such a meeting at the Corporation's expense solely for the election of the Preferred Stock Directors, and for this purpose and no other (unless provided otherwise by applicable law) such Series F holder shall have access to the Corporation's stock ledger.

(d) When (i) dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series F, whether or not consecutive, equivalent to at least one year after a Nonpayment Event, and (ii) the rights of holders of any Voting Parity Stock to participate in electing the Preferred Stock Directors shall have ceased, the right of holders of Series F to participate in the election of Preferred Stock Directors shall cease (but subject always to the revesting of such voting rights in the case of any future Nonpayment Event), the terms of office of all the Preferred Stock Directors shall immediately terminate, and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

(e) Any Preferred Stock Director may be removed at any time without cause, and any vacancy created thereby may be filled, by the holders of record of a majority of the outstanding shares of Series F and Voting Parity Stock, when they have the voting rights described above (voting together as a single class with one vote per share). The Preferred Stock Directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided. In case any vacancy shall occur among the Preferred Stock Directors for any reason other than removal from office, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders on the nomination of the then remaining Preferred Stock Director or, if no Preferred Stock Director remains in office, by the vote of the holders of record of a majority of the outstanding shares of Series F and such Voting Parity Stock for which dividends have not been paid, voting together as a single class with one vote per share. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote.

(f) Other Voting Rights. So long as any shares of Series F are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of Incorporation, the vote or consent of the holders of at least 66 2/3% of the shares of Series F at the time outstanding, voting together with any other series of Preferred Stock first issued after the Original Issue Date and that would be adversely affected in substantially the same manner and entitled to vote as a single class with one vote per share, to the exclusion of all other series of Preferred Stock, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Articles of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of capital stock of the Corporation ranking prior to Series F in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(ii) Amendment of Articles or By-laws. Any amendment, alteration or repeal of any provision of the Articles of Incorporation that would alter or change the rights, preferences, privileges or voting powers, and limitations and restrictions of Series F so as to affect them adversely; *provided*, *however*, that the amendment of the Articles of Incorporation so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to Series F in either the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation (including, without limitation, an increase in the aggregate number of authorized shares of Preferred Stock) shall not be deemed to affect adversely the rights, preferences, privileges or voting powers, and limitations and restrictions of Series F and shall not be subject to the vote or consent of the holders of Series F; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions. Any consummation of (x) a binding share exchange or reclassification involving the Series F, (y) a merger or consolidation of the Corporation with another entity (whether or not a bank or corporation) or (z) a conversion, transfer, domestication or continuance of the Corporation into another entity or an entity organized under the laws of another jurisdiction, unless in each case (A) the shares of Series F remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, or any such conversion, transfer, domestication or continuance, the shares of Series F are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States or a state thereof, and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Series F immediately prior to such consummation, taken as a whole.

(g) Changes Permitted without Consent. Without the consent of the holders of Series F, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of Series F, the Corporation may amend, alter, supplement or repeal any terms of Series F:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in these Articles of Amendment that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to Series F that is not inconsistent with the provisions of these Articles of Amendment, including, without limitation, to reflect any Three-Month Term SOFR Conventions or Benchmark Replacement Conforming Changes.

(h) Changes after Provision for Redemption. No vote or consent of the holders of Series F will be required pursuant to Section 6(G)(b) through (e) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such sections, all outstanding shares of Series F shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of Series F to effect such redemption, in each case pursuant to Section 6(F) above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 6(G)(f) above if the shares of Series F are being redeemed with the proceeds from the sale of the stock to be authorized.

(i) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Series F (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series F may be listed or traded at the time.

(H) No Preemptive Rights. Holders of Series F shall have no rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities or such warrants, rights or options may be designated, issued or granted.

(I) Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent for the Series F may deem and treat the record holder of any share of Series F as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

(J) Notices. All notices or communications in respect of the Series F shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in these Articles of Amendment, in the Articles of Incorporation or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Series F are issued in book entry form through DTC or any similar facility, such notices may be given to the holders of shares of Series F in any manner permitted by such facility.

(K) Other Rights. The shares of Series F shall not have any rights, preference, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law. The holders of Series F shall not have any preemptive rights or conversion rights.

(L) Certificates and DTC as Owner. The Corporation may at its option issue shares of Series F without certificates. As long as DTC or its nominee is the registered owner of the Series F, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series F for all purposes under the instruments governing the rights and obligations of holders of Series F. If DTC discontinues providing its services as securities depositary with respect to the shares of Series F, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series F or provide for the direct registration of the Series F with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series F and deliver such certificates to DTC or shall provide for the direct registration of the Series F with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in shares of Series F:

(a) shall not be entitled to have such shares of Series F registered in their names;

(b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in shares of Series F; and

(c) shall not be considered to be owners or holders of the shares of Series F for any purpose under the instruments governing the rights and obligations of holders of Series F.

[*Remainder of Page Intentionally Left Blank*]

The undersigned does hereby acknowledge, under penalties of perjury, that this document is the act and deed of the Corporation, and that the facts herein stated are true.

DATED this 11th day of December, 2019.

MEDALLION BANK

By: /s/ Donald Poulton
Name: Donald Poulton
Title: President

EXHIBIT 4.2 TO FORM 10

Form of certificate representing the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F

MEDALLION BANK
FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES F

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO MEDALLION BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS A BENEFICIAL INTEREST HEREIN.

ANY PURCHASER OR SUBSEQUENT TRANSFEREE OF THIS SECURITY OR ANY INTEREST HEREIN REPRESENTS BY ITS PURCHASE OF THIS SECURITY THAT IT EITHER (1) IS NOT, AND IS NOT PURCHASING THIS SECURITY ON BEHALF OF OR WITH THE ASSETS OF, A PENSION, PROFIT-SHARING OR OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY INDIVIDUAL RETIREMENT ACCOUNT ("IRA"), KEOGH PLAN OR ANY OTHER PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF THE INVESTMENTS BY SUCH PLANS OR ACCOUNTS THEREIN (EACH, A "PLAN"), OR ANY EMPLOYEE BENEFIT PLAN THAT IS A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), A CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA) OR A NON-U.S. PLAN (AS DESCRIBED IN SECTION 4(B)(4) OF ERISA) THAT IS NOT SUBJECT TO THE REQUIREMENTS OF ERISA OR THE CODE BUT IS SUBJECT TO SIMILAR PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS ("SIMILAR LAWS") OR (2) THE PURCHASE AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR UNDER ANY APPLICABLE SIMILAR LAWS.

[FACE OF SECURITY]

Certificate Number F-1

[●] Shares

CUSIP NO. 58403B 205
ISIN NO. US58403B2051

Certificate Evidencing Series F Preferred Stock

of

Medallion Bank

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

(Liquidation Amount $25 per Share)

Medallion Bank, a Utah industrial bank (the "Bank"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of [●] shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share, liquidation amount $25 per share, of the Bank (the "Series F Preferred Stock"). Shares of the Series F Preferred Stock are transferable on the books and records of the Bank, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer.

This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, Medallion Bank has executed this certificate this ___ day of December, 2019.

Medallion Bank

By: ______________________________

Name: Donald Poulton
Title: President and Chief Executive Officer

By: ______________________________

Name: Marisa Silverman
Title: Corporate Secretary

Countersigned and Registered

American Stock Transfer & Trust Company, LLC
Transfer Agent and Registrar

By: ______________________________

Name:
Title:

[REVERSE OF SECURITY]

MEDALLION BANK

The Bank will furnish, without charge to each stockholder who so requests, a copy of the articles of amendment establishing the powers, preferences and relative, participating, optional or other special rights of each class of stock of the Bank or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights applicable to each class of stock of the Bank or series thereof. Such information may be obtained by a request in writing to the Secretary of the Bank at its principal place of business.

This certificate and the share or shares represented hereby are issued and shall be held subject to all of the provisions of the Bank's Articles of Incorporation, as amended, and the Series F Preferred Stock (copies of which are on file with the Transfer Agent), to all of which the Holder, by acceptance hereof, assents.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM – as tenants in common
TEN ENT – as tenants by the entireties
JT TEN – as joint tenants with rights of survivorship and not as tenants in common
UNIF GIFT
MIN ACT – ______________ Custodian ____________________
(Cust) (Minor)

____
under Uniform Gift to Minors Act

____
(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Series F Preferred Stock certificate to:

____
(Please Insert Social Security or Other Identifying Number of Assignee)

____
(Please Print or Typewrite Name and Address, Including Zip Code, of Assignee)

____

____

____

shares of the preferred stock represented by the within certificate, and do hereby irrevocably constitute and appoint Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _________________

NOTICE: The Signature to this Assignment Must Correspond with the Name As Written Upon the Face of the Certificate in Every Particular, Without Alteration or Enlargement or Any Change Whatever.

SIGNATURE GUARANTEED

(Signature Must Be Guaranteed by a Member of a Medallion Signature Program)

SCHEDULE OF INCREASES AND DECREASES IN GLOBAL SECURITY

This Global Security initially represents [●] shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share. The following increases or decreases in this Global Security have been made:

Date	Amount of decrease in shares of this Global Security	Amount of increase in shares of this Global Security	Number of Shares of this Global Security following such decrease or increase	Signature of authorized signatory of Transfer Agent and Registrar

EXHIBIT 99.1 TO FORM 10

Offering Circular of Medallion Bank, dated December 10, 2019

OFFERING CIRCULAR

1,600,000 Shares

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

We are offering 1,600,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share, with a liquidation amount of $25 per share (the "Series F Preferred Stock").

We will pay dividends on the Series F Preferred Stock only when, as and if declared by our board of directors (or a duly authorized committee of the board), and to the extent that we have legally available funds to pay dividends, from the date of issuance to, but excluding April 1, 2025, at a rate of 8.00% 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 Term SOFR) plus a spread of 6.46% per annum. Dividends will be payable quarterly in arrears, on January 1, April 1, July 1, and October 1 of each year, commencing on April 1, 2020. Payment of dividends on the Series F Preferred Stock is subject to certain legal, regulatory and other restrictions as described elsewhere in this offering circular.

We may, at our option, redeem the shares of Series F Preferred Stock (i) in whole or in part, from time to time, on any dividend payment date (as that term is defined elsewhere in this offering circular) on or after the dividend payment date on April 1, 2025, or (ii) in whole but not in part at any time within 90 days following a regulatory capital treatment event (as defined elsewhere in this offering circular), in each case, at a cash redemption price of $25 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date. The Series F Preferred Stock will not have any voting rights except as described elsewhere in this offering circular.

We have applied to list our Series F Preferred Stock on NASDAQ Capital Market under the symbol "MBNKP." If approved for listing, trading of the Series F Preferred Stock on NASDAQ Capital Market is expected to commence within 30 days after the shares of Series F Preferred Stock are first issued.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and have elected to take advantage of certain reduced public company reporting and disclosure requirements in this offering circular, and we may take advantage of those reduced reporting and disclosure requirements in future filings. See "Implications of Being an Emerging Growth Company."

Investing in our preferred stock involves risks that are described in the "Risk Factors" section beginning on page 19 of this offering circular.

THIS DOCUMENT CONSTITUTES AN OFFERING CIRCULAR COVERING SECURITIES THAT ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 PURSUANT TO SECTION 3(A)(2) THEREOF. NONE OF THE SECURITIES AND EXCHANGE COMMISSION, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE UTAH DEPARTMENT OF FINANCIAL INSTITUTIONS OR ANY OTHER FEDERAL OR STATE REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SHARES OF OUR SERIES F PREFERRED STOCK ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF ANY BANK, ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, AND ARE SUBJECT TO INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF THE ENTIRE AMOUNT YOU INVEST.

	Per Share	Total
Public offering price[(1)]	$ 25.00	$ 40,000,000.00
Underwriting discounts[(2)]	$ 1.00	$ 1,600,000.00
Proceeds, before expenses, to us	$ 24.00	$ 38,400,000.00

(1) The public offering price does not include accrued dividends, if any, that may be declared. Dividends, if declared, will accrue from the original issue date, which is expected to be December 17, 2019.

(2) See "Underwriting."

The underwriters may also exercise their option to purchase up to an additional 240,000 shares of Series F Preferred Stock from us solely to cover over-allotments, if any, at the public offering price less the underwriting discount, for 30 days after the date of this offering circular.

The underwriters expect to deliver the shares of Series F Preferred Stock in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on December 17, 2019. Beneficial interests in the shares of Series F Preferred Stock will be shown on, and transfers thereof will be effected only through, records maintained by The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, *société anonyme*, Luxembourg and Euroclear Bank S.A./N.V.

Sandler O'Neill + Partners, L.P. **B. Riley FBR** **Ladenburg Thalmann**

BB&T Capital Markets **Wedbush Securities**

The date of this offering circular is December 10, 2019

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We and the underwriters have not authorized anyone to provide you with any information other than that contained in this offering circular or any supplement or addendum to this offering circular. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are offering to sell, and seeking offers to buy, shares of our Series F Preferred Stock only in jurisdictions where such offers and sales are permitted. The information in this offering circular and any supplement or addendum is accurate only as of the dates thereof, regardless of the time of delivery of this offering circular or any such supplement or addendum or the time of any sale of shares of our Series F Preferred Stock. Our financial condition, business and prospects may have changed since any such date.

About this Offering Circular

This offering circular includes references to information contained on, or that can be accessed through, our website. Information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this offering circular.

Any discrepancies included in this offering circular between totals and the sums of the percentages and dollar amounts presented are due to rounding.

As used throughout this offering circular, all references to "Medallion Bank," the "Bank," "we," "us," and "our" mean Medallion Bank, an industrial bank organized and existing under the laws of the State of Utah, unless the context otherwise requires. All references to "September 2019," "September 2018," "December 2018," "December 2017" and "December 2016" refer to our periods ended, or the dates, as the context requires, September 30, 2019, September 30, 2018, December 31, 2018, December 31, 2017, and December 31, 2016, respectively. Any reference to a prior year refers to a year ending on December 31 of that year.

Industry and Market Data

Within this offering circular, we reference certain industry and sector information and statistics. We have obtained this information and statistics from various independent, third-party sources. Nothing in the data used or derived from third-party sources should be construed as advice. Some data and other information are also based on our good faith estimates, which are derived from our review of internal surveys and independent sources. We believe that these external sources and estimates are reliable, but have not independently verified them. Statements as to our market position are based on market data currently available to us. Although we are not aware of any misstatements regarding the demographic, economic, employment, industry and trade association data presented herein, these estimates involve inherent risks and uncertainties and are based on assumptions that are subject to change.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in revenues during our last fiscal year, we qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company, we are exempt from the requirement to obtain an attestation and report from our auditors on management's assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), and we are permitted to provide less extensive disclosure about our executive compensation arrangements.

We have elected to take advantage of the scaled disclosure requirements and other relief described above in this offering circular and may take advantage of these exemptions for so long as we remain an emerging growth company. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1.07 billion or more, (ii) the end of the fiscal year following the fifth anniversary of the date of our first sale of common equity securities pursuant to an effective registration statement, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt and (iv) the end of the fiscal year in which the market value of our common equity securities that are held by non-affiliates exceeds $700 million as of June 30 of that year.

In addition to scaled disclosure and the other relief described above, the JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected to take advantage of this extended transition period, which means that the financial statements included in this offering circular and in our future public filings may not be comparable to the financial statements of companies that comply with effective dates for new or revised accounting standards applicable to public companies that are not "smaller reporting companies," as that term is defined in the regulations of the U.S. Securities and Exchange Commission.

OFFERING CIRCULAR SUMMARY

This summary highlights certain material information contained elsewhere in this offering circular. Because this is a summary, it may not contain all of the information that is important to you when deciding whether to invest in our Series F Preferred Stock. Therefore, you should carefully read this entire offering circular before investing, including the information under "Risk Factors" beginning on page 19, "Cautionary Note Regarding Forward-Looking Statements" on page 43 and our financial statements and related notes included elsewhere in this offering circular.

Company Overview

We are a Utah-chartered, FDIC-insured industrial bank headquartered in Salt Lake City, Utah. We specialize in providing consumer loans for the purchase of recreational vehicles ("RVs"), boats and trailers and to finance home improvements such as replacement windows and roofs. Formed in 2002, we are a wholly owned subsidiary of Medallion Financial Corp. ("MFIN"), a commercial finance company. We have been profitable every year since we began operating, including during the 2007-2009 recession.

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

Prior to September 2014, we originated taxicab medallion loans (which we refer to as our "Medallion Lending" segment and our "Medallion" loans) but have since transitioned away from this aspect of our business and reinforced our strategic focus on our growing consumer lending segments. We continue to refinance existing Medallion loans in our portfolio as they mature, and the Medallion loan portfolio has declined in size to 9.8% of total assets as of September 2019 as loans are paid down and/or charged off.

As of September 2019, we had total assets of $1.2 billion, including a loan portfolio of $1.0 billion, equity capital of $180.3 million and pre-tax income for the nine months ended September 2019 of $17.1 million. We seek to maintain capital ratios in excess of those required for well-capitalized status under the FDIC's regulatory framework, including a 15% Total risk-based capital ratio, which is well above the 10% requirement for well-capitalized status. As a condition to the receipt of approval from the FDIC for federal deposit insurance in 2003, we entered into a capital maintenance agreement with the FDIC (the "2003 Capital Maintenance Agreement") requiring us to maintain a 15% leverage ratio (Tier 1 capital to average assets), which is also well in excess of the 5% threshold for well-capitalized status.

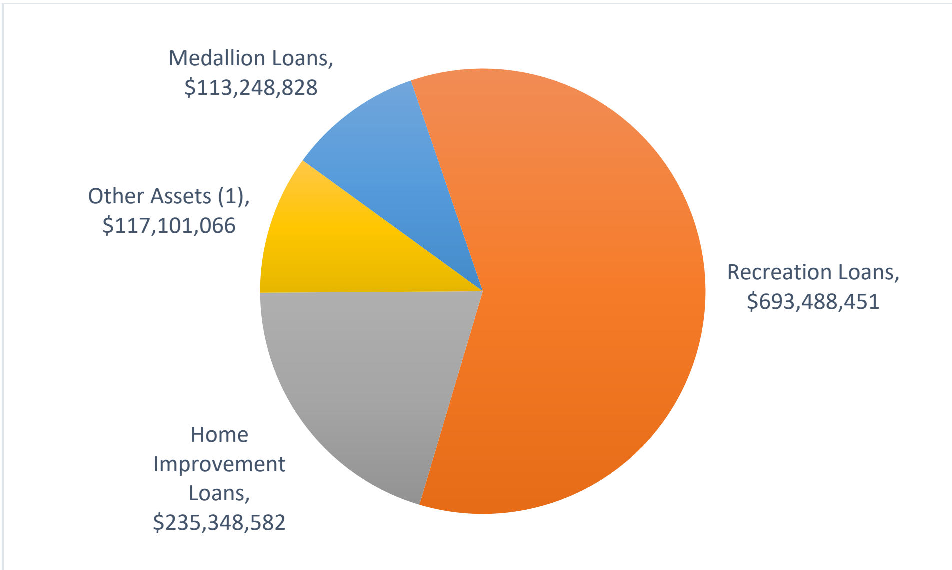
We have retained an experienced and consistent management team with substantial consumer loan underwriting and risk management experience, particularly for credit-challenged borrowers. Effective underwriting of non-prime borrowers requires a high-touch, distinctive approach, and we believe our approach to credit underwriting distinguishes the Bank from other market participants that rely solely on automated or algorithmic credit decisions. The effectiveness of our underwriting and relationship management allowed us to remain profitable during the 2007-2009 recession and to expand market share immediately afterward and in the years since.

Our Business

Our primary business is consumer lending, all of which is conducted through third-party sellers of consumer goods and services in our Recreation Lending and Home Improvement Lending segments. As of September 2019, our Recreation Lending and Home Improvement Lending portfolios together were $928.8 million, representing 80.1% of our total assets, with a weighted average gross yield of 14.0% for the nine months ended

September 2019. We work directly with dealerships, contractors and financial service providers ("FSPs") to offer quality financing for their customers, including those with past credit challenges. We specialize in providing consumer loans for the purchase of RVs, boats and trailers, and to finance home improvements as described further below. Our portfolio of Medallion loans has been steadily decreasing in size over the past five years, declining $254.9 million, or 69.2%, since December 2014.

Chart 1 – Asset Mix as of September 2019



(1) All Other loans, cash, investments and non-interest earning assets, net of loan loss reserves.

We fund our business primarily through time certificates of deposit originated nationally through a variety of brokered deposit relationships, which offer a low-cost source of funding compared to credit facilities and other funding sources utilized by non-bank lending businesses. We monitor the tenor, maturity schedule and concentrations of our brokered deposits to manage our funding risk, and we regularly assess the Bank's liquidity position through stress tests. As of September 2019, the weighted average maturity of our time certificates of deposit was 718 days. We strive to maintain a minimum of ten active deposit broker relationships, which is intended to ensure that our funding is stable and consistent. We do not originate deposits directly from retail customers and we have no branch operations.

Table 1 – Time Deposits by Maturity

	As of September 30, 2019 (unaudited) (dollars in thousands)
Three months or less	$ 84,392
Over three months through six months	66,100
Over six months through one year	197,893
Over one year	614,602
Total	$ 962,987

Our ability to use brokered deposits to fund our business is subject to the capitalization requirements set forth in the FDIC's regulatory framework. The Bank may not accept or renew brokered deposits unless it is "well-capitalized" or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts or renews brokered deposits is subject to additional restrictions on the interest rates it may offer. As described above, we seek to maintain our capital ratios well above the quantitative thresholds for well-capitalized status.

We also fund our business in part using capital, as the Bank is currently and has historically been capitalized in excess of regulatory requirements. As of September 2019, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.7%, 16.1% and 17.4%, respectively, and we had a Tier 1 capital to total assets leverage ratio of 15.9%. See "Capitalization" for additional information.

We make consumer loans to borrowers in all 50 U.S. states, plus the District of Columbia, working with dealerships in 44 states in connection with our Recreation Lending segment and with contractors in 44 states in connection with our Home Improvement Lending segment. We have dedicated, regionally focused teams of dealer relationship managers and sales managers that provide dealers and contractors with the support and services they require to meet the needs of their customers. As of September 2019, we had 77 employees, with 64 working at our Salt Lake City, Utah headquarters, 10 based in our Bothell, Washington office, and 3 working remotely.

As a portfolio lender, we generally seek to earn net interest income. From time to time, we also engage in loan sales, the determinative factors for which include the availability and attractiveness of sale opportunities and our balance sheet management strategies.

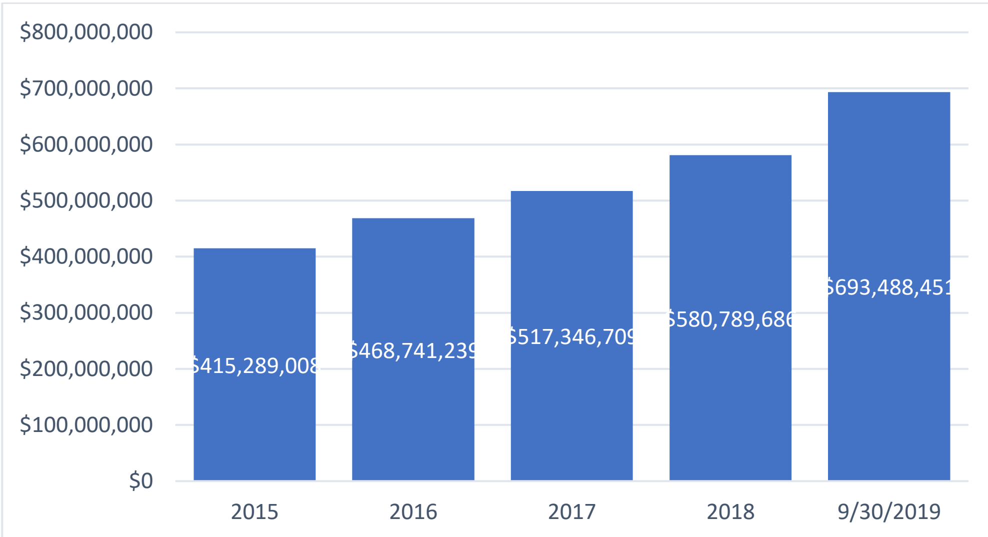
In addition to our current activities, which we describe further below, we recently announced a new strategic partnership program (which we refer to as our "Strategic Partnership Program"), through which the Bank will partner with non-banks offering loans and other financial services to their customers. The Strategic Partnership Program is in the early stages of development, and we currently expect to launch our initial partnerships and begin associated activities during 2020. Our activities are expected to be initially limited to originating loans or other receivables facilitated by our partners and selling those loans or receivables back to our partners without recourse within a specified period of origination, such as two or four business days. Revenues are expected to be derived primarily from contracted program fees paid to us by our partners and interest income earned while the loans or receivables remain on our books, offset by any transaction fees paid by us to our partners for their role in processing loan applications. We have incurred expenses associated with the development of the Strategic Partnership Program, and we expect to incur increased compliance costs associated with the Strategic Partnership Program, including as a result of new hires in dedicated program management and compliance roles. The scope of our activities may change over time as we further develop this line of business.

Recreation Lending. Our Recreation Lending segment is a high-growth business focused on originating prime and non-prime Recreation loans. The segment is a significant source of income, accounting for 78.8% of our interest income for the nine months ended September 2019 and 77.2% of our interest income for the year ended December 2018. As of December 2018, loans originated in connection with our Recreation Lending segment have grown at a compound annual growth rate of 24.1% since 2004. In addition to offering prime-credit financing, we specialize in helping recreation product dealerships finance customers with past credit challenges, including bankruptcy, tax liens, collections and other credit issues. Since year-end 2013, the concentration of prime credit loans (loans with FICO scores greater than or equal to 660) in the Recreation loan portfolio has decreased from 46.7% to 36.3% as of September 2019. As of September 2019, the weighted average FICO score was 647 for this portfolio. Our high-touch approach to customer service and significant management experience makes us a desirable partner for dealers in the recreation industry. All of our Recreation loans are serviced by a third-party loan servicer, and we have used the same loan servicer since the business's inception.

Recreation loans represented $693.5 million, or 66.4%, of our loan portfolio as of September 2019, up from $580.8 million, or 62.9%, as of December 2018, which was up from $517.3 million, or 56.4%, as of December 2017. The loans are secured primarily by RVs, boats and trailers with a small proportion of loans secured by other collateral such as autos, motorcycles and boat motors. During the nine months ended September 2019, we originated $248.8 million of Recreation loans, and during 2018, we originated $283.6 million. Portfolio growth in 2018 was slowed by a whole loan sale we consummated in September 2018, which was driven by, among other factors, our balance sheet management strategy. The loan sale was at a premium to par and totaled $56.0 million in Recreation loans, the income from which was $1.7 million, or 2.52%, of the Recreation Lending segment's net income during the nine months ended September 2018. Recreation Lending is both our largest and most profitable lending segment.

The weighted average yield of our Recreation loan portfolio was 15.46% for the nine months ended September 2019, compared to 15.81%, 15.55% and 15.47% for the years ended December 2018, 2017, and 2016, respectively.

Chart 2 – Recreation Loans Outstanding

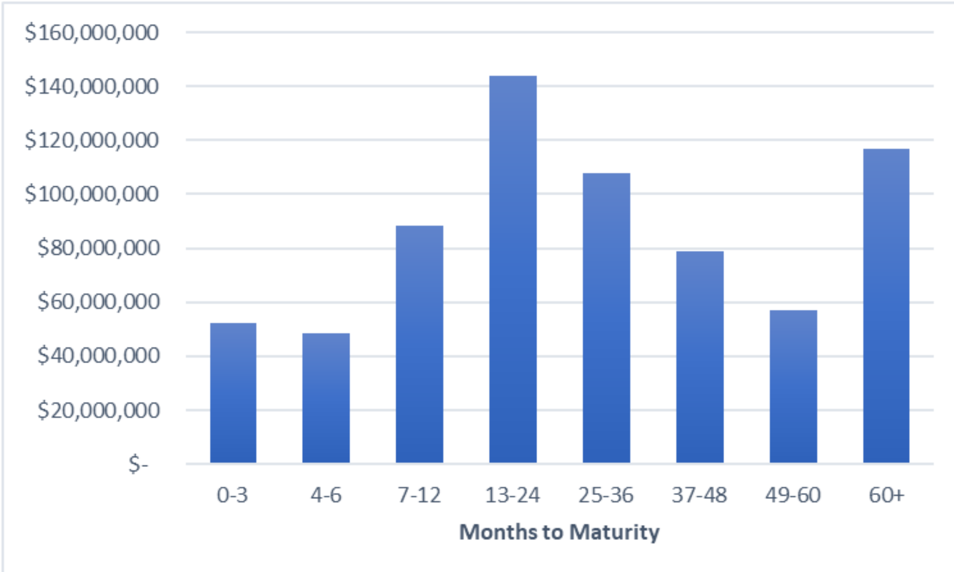


Our Recreation Lending business operates like a traditional indirect auto finance business. We maintain non-exclusive relationships with more than 3,200 dealers and FSPs, not all of which are active at any one time. FSPs are entities that provide finance and insurance ("F&I") services to small dealers 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 the Bank. We receive approximately half of our loan volume from dealers and the other half from FSPs. A dedicated sales team working from our Salt Lake City headquarters manages our relationships with dealers and FSPs. Approximately 3.6% of Recreation Lending's new loan originations for the nine months ended September 2019 were from our top ten dealer relationships and an additional 25.4% were from our top three FSP relationships.

The Recreation Lending portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $13,800 as of September 2019. The loans are fixed rate loans with an average loan term at origination of approximately 10 years. The weighted average remaining term of our loans outstanding at September 2019 is 8.7 years. The size, geographic dispersion, source variety and collateral variety of the loans reduce risk to the Bank.

The following chart shows the estimated maturities, including the current prepayment expectations, for Recreation Loans:

Chart 3 – Recreation Loan Maturities at September 2019



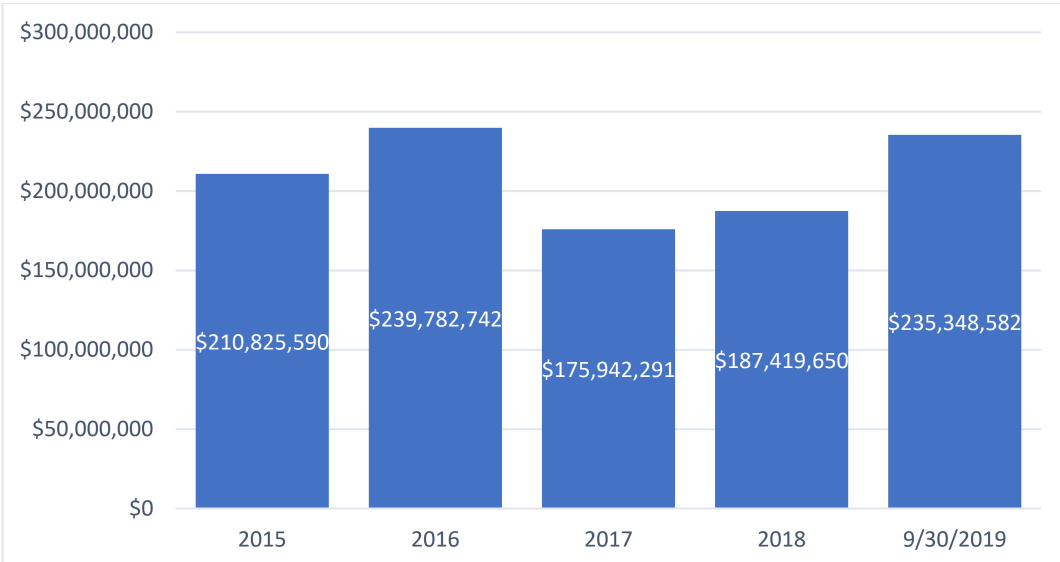
Our Recreation Lending net charge-offs for the nine months ended September 2019 and the years ended December 2018, 2017 and 2016 were 2.80%, 2.72%, 2.24% and 2.01% of average loans outstanding, respectively. The increase in net charge-offs in our Recreation Lending segment from 2016 through September 2019 is due in part to sales of prime-credit loans to a third party in 2016, 2017 and 2018, which changed the credit quality mix in the Recreation loan portfolio and reduced the average performing loans outstanding. Although net charge-offs have recently increased, in light of the portfolio's non-prime characteristics, they have been stable and low compared to historical levels, and were 6.10% or less during the 2007-2009 recession.

Home Improvement Lending. We work directly with contractors and FSPs to offer flexible customer financing for window, siding and roof replacement, swimming pool installation and solar system installation, 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 represented $235.3 million, or 22.5%, of our loan portfolio as of September 2019, up from $187.4 million, or 20.3%, as of December 2018 and $175.9 million, or 19.2%, as of December 2017. The loans are secured by the personal property installed, and the security interest for some of these loans is perfected with a UCC fixture filing. During the nine months ended September 2019, we originated $102.8 million of Home Improvement loans, and during 2018, we originated $124.9 million. Portfolio growth was limited by a whole loan sale we consummated in September 2018. The loan sale was driven by, among other factors, our balance sheet management strategy. The loan sale was at a premium over par value and totaled $44.9 million in September 2018, the income from which was $1.2 million, or 7.97%, of the Home Improvement Lending segment's net income during the nine months ended September 2018. Home Improvement Lending provides us with high-quality assets; as of September 2019, the weighted average FICO score in this portfolio was 758. It is our business with the most growth potential, though it operates in a market with substantial competition. The weighted average yield of the Home Improvement loan portfolio was 9.34% for the nine months ended September 2019, compared to 9.49%, 9.55% and 9.71% for the years ended December 2018, 2017 and 2016, respectively.

Home Improvement Lending operates in a manner similar to Recreation Lending, with a few key differences. We maintain a much smaller number of non-exclusive relationships; the Bank currently has relationships with approximately 700 contractors. 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.

Chart 4 – Home Improvement Loans Outstanding

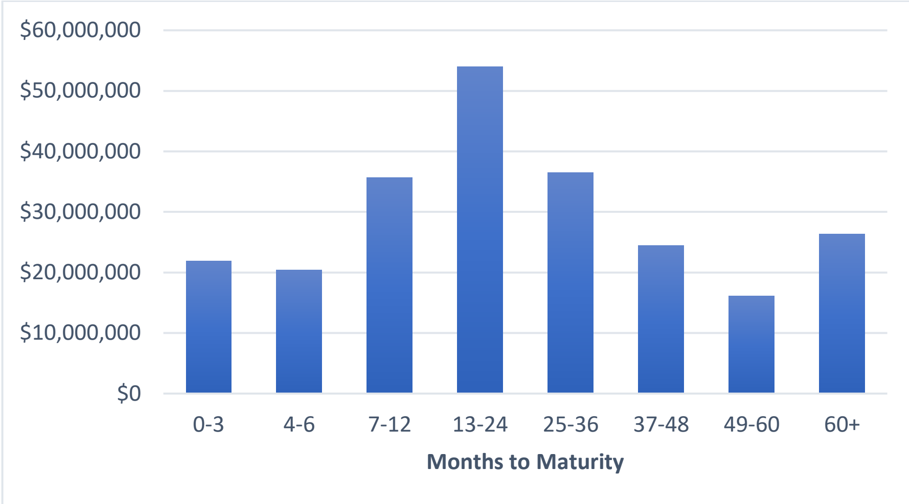


A large proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing background rather than by contractor employees that provide F&I services. The result is contractor demand for financing services that facilitate an in-home transaction (e.g., information technology and extended operating hours) and additional support for the salesperson throughout the financing process. The Bank's contractor relationships are managed by a sales team with some employees located in the geographical regions served. Approximately 40.0% of Home Improvement Lending's new loan originations for the nine months ended September 2019 were from our top ten contractors.

We offer only fixed rate Home Improvement loans with an average loan term at origination of approximately 11 years. The weighted average remaining term of our loans outstanding is 10.2 years as of September 2019. The average size of the loans in our Home Improvement portfolio is approximately $14,400, and geographic dispersion, source variety and collateral variety of Home Improvement loans reduces risk.

The following chart shows the estimated maturities, including the current prepayment expectations, for Home Improvement Loans:

Chart 5 – Home Improvement Loan Maturities at September 2019



Our Home Improvement Lending net charge-offs for the nine months ended September 2019 and the years ended December 2018, 2017 and 2016 were 0.39%, 0.89%, 0.98% and 0.98% of average loans outstanding, respectively. Since we commenced our Home Improvement lending business in early 2012, annual net charge-offs have not exceeded 1.12%.

Medallion Lending. Until September 2014, we originated loans to finance the purchase of taxicab medallions in connection with MFIN's business. However, we have since transitioned away from this aspect of our business and reinforced our strategic focus on growing our consumer lending segments. Our Medallion loan portfolio declined 69.2% from $368.2 million at December 2014 to $113.2 million as of September 2019.

Chart 6 – Medallion Loans as a Percentage of Total Assets

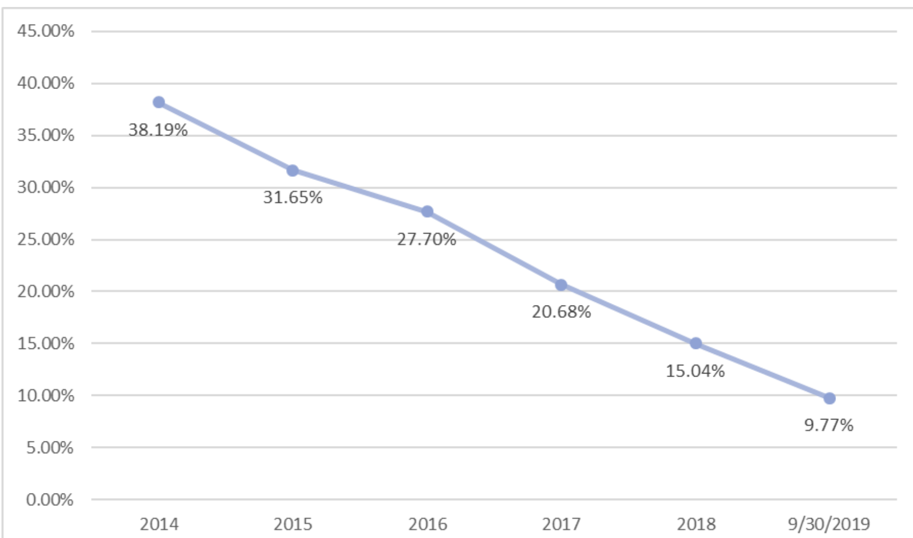


Table 2 – Medallion Loan Balances, Provisions and Net Charge-Offs

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018	2017	2016
	(unaudited)			
		(dollars in thousands)		
Medallion Loan Balances.................	$ 113,249	$ 153,742	$ 222,806	$ 298,059
Provisions...	12,752	30,576	36,490	56,239
Net Charge-Offs...............................	20,384	36,845	28,834	27,646

Medallion Servicing Corporation ("MSC"), a wholly owned subsidiary of MFIN, is our Medallion loan servicer and maintains offices in New York and Chicago, which are the jurisdictions of greatest historical Medallion loan concentration at the Bank. Although our Chicago Medallion loan exposure is now limited to $0.6 million, or 0.49%, of the Bank's total Medallion loan portfolio as of September 2019, New York Medallion loan balances remain relatively significant, at $108.7 million, or 96.0%, of the Bank's total Medallion loan portfolio as of September 2019.

We work with our borrowers to resolve their cash flow challenges as a result of the increased competition from ride-sharing companies. These efforts may include renewing Medallion loans at terms that are affordable for the medallion owner in exchange for additional collateral, such as commercial or personal real estate, and helping to identify potential buyers for medallions underlying troubled Medallion loans. Our Medallion Lending net charge-offs for the nine months ended September 2019 and the years ended December 2018, 2017 and 2016 were 20.51%, 19.60%, 11.26% and 8.34% of average loans outstanding, respectively.

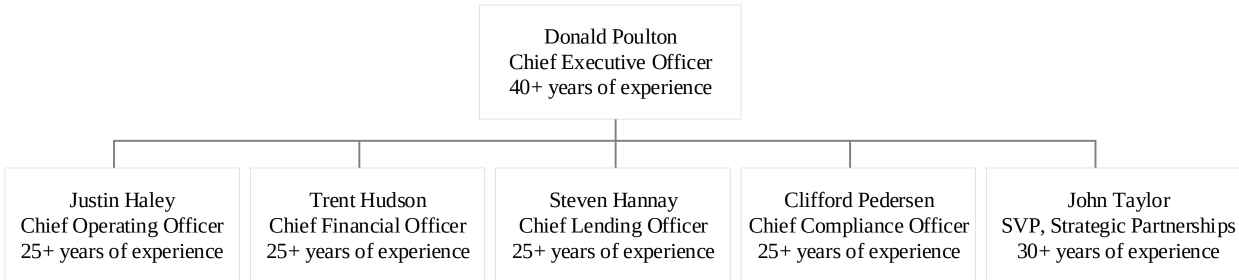
We expect to experience elevated rates of loan losses in this portfolio even as medallion values are stabilizing, and, even if values remain stable or slowly increase, elevated loan losses may continue for some time. Recent events in New York City include the continuation of a moratorium on the issuance of new ride-share licenses and the imposition of a minimum wage for ride-share drivers. Management believes regulations like these indicate a potentially long-term leveling of the playing field between taxicab and ride-share companies, which may have a positive impact on medallion values.

Other. Our remaining operations, which are reported in our "Other" segment in the financial statements contained elsewhere in this offering circular, include loans that are not Recreation, Home Improvement or Medallion loans, as well as cash, investments and net non-interest earning assets. In prior years, the Other segment loan portfolio consisted predominantly of asset-based loans originated in partnership with MFIN before we sold that portfolio to another bank in 2016. Other loans represented $1.8 million, or 0.18%, of the Bank's loan portfolios as of September 2019, down from $1.9 million, or 0.20%, as of December 2018, and up from $1.0 million, or 0.12%, as of December 2017 and $0.9 million, or 0.10%, in December 2016.

Our Competitive Strengths

Experienced Management Team with Deep Consumer Lending Experience. The executive managers on our leadership team average more than 25 years of experience in banking and non-bank consumer lending. This experience extends to sub-prime, prime and super-prime credit loan performance, regional and national platform lending, bank and finance company operations, and has been developed during strong economic times and recessions spanning the last four decades. We believe the depth of experience in our management team, as well as that of our long-term employees and board of directors (the "Board"), has been and will continue to be a driver of growth and a mitigator of risk. Our leadership team consists of the following individuals:

Chart 7 – Leadership Team



- *Donald Poulton, President and Chief Executive Officer*. Mr. Poulton was a founding officer of Medallion Bank, serving as our Chief Lending Officer from the Bank's formation in 2002 and becoming the Bank's CEO in 2015. Mr. Poulton has over 40 years of experience in the banking industry, particularly in the areas of residential mortgage, consumer, and commercial lending, including Small Business Administration lending.

- *Trent Hudson, Senior Vice President and Chief Financial Officer.* Mr. Hudson joined the Bank in January 2019 as Senior Vice President and Chief Financial Officer. Mr. Hudson has over 25 years of experience in finance, 17 of them in financial management and 15 of them at another Utah industrial bank.

- *Justin Haley, Senior Vice President and Chief Operating Officer*. Mr. Haley joined the Bank in November 2011 to start our Home Improvement Lending segment and became the Bank's Chief Operating Officer in 2015. Mr. Haley has significant prior experience in consumer, home improvement and small business lending and has worked in the banking industry for 25 years.

- *Steven Hannay, Senior Vice President and Chief Lending Officer*. Mr. Hannay has been at the Bank since 2004, when he was hired to help build the Recreation Lending segment, and he became the Bank's Chief Lending Officer in 2015. A consumer finance veteran of more than 25 years, Mr. Hannay is responsible for Recreation Lending, the Medallion loan portfolio, loan funding and loan servicing and collections.

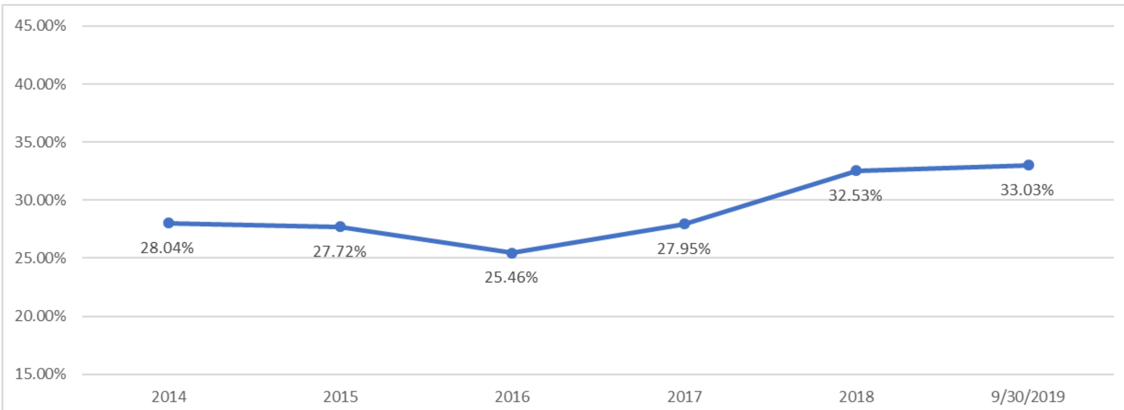
- *Clifford Pedersen, Senior Vice President and Chief Compliance Officer.* Mr. Pedersen joined Medallion Bank in 2016 and oversees the administration of the Bank's Compliance Management Program. He also serves as the Community Reinvestment Officer and Anti-Money Laundering Officer. Mr. Pedersen has over 27 years of banking and non-bank lending experience and has served as the Chief Compliance Officer for several other local and regional banks and financial institutions.

- *John Taylor, Senior Vice President of Strategic Partnerships*. Mr. Taylor joined Medallion Bank in July 2019 and is responsible for the development of the Strategic Partnership Program for the Bank. Mr. Taylor has nearly 35 years of experience in the banking industry and has served in executive management at several other local and regional banks.

Long-Term Value Orientation. We believe that banking at its best generates consistent earnings over a long period of time. To accomplish this objective, the Bank's management team engages in non-traditional financing businesses while conservatively executing its strategies. This enables us to produce high-yielding assets (the overall yield on our average loans outstanding was 12.6% at September 2019) while mitigating the risk of capital loss. We seek to remain conservative in our underwriting and pricing relative to the competition during the boom part of the credit cycle so that we avoid the mistakes made by peer lenders that become apparent during the bust part of the cycle. In addition to pursuing high-yielding assets and closely managing the quality of our loan portfolio, we seek to minimize our operating costs and maintain a high proportion of capital to total assets:

- *Low Operating Costs*: The Bank's efficiency ratio, which is calculated as non-interest expense divided by the net of interest income, interest expense and non-interest income, was 33.0% for the nine months ended September 2019 and 32.5%, 28.0% and 25.5% for the years ended December 2018, 2017 and 2016, respectively. The recent increases in the efficiency ratio reflect costs incurred in connection with investments in corporate infrastructure and new business initiatives. Our strong efficiency ratio is due to three primary factors: (1) we have no branch network for deposit gathering, (2) we outsource activities that are low in strategic value but high in staffing requirements (e.g., loan servicing) and (3) our consumer finance segments rely on dealer, contractor and FSP participation in the process (in contrast to the direct-to-consumer model).

Chart 8 – Efficiency Ratio



- *High Tier 1 Leverage Ratio*: The 2003 Capital Maintenance Agreement requires us to maintain a 15% leverage ratio (Tier 1 capital to average assets). This level of capital far exceeds the minimum requirement for capital adequacy purposes and is above the threshold for well-capitalized status under the FDIC's regulatory framework. It provides a substantial cushion against unexpected loss-producing events and mitigates the risk that we may be unable to satisfy the quantitative requirements for well-capitalized status.

Table 3 – Capital Ratios

	As of September 30, 2019		As of December 31, 2018		Minimum Regulatory Requirements as of December 31, 2018	Minimum Regulatory Requirements as of September 30, 2019	Well-Capitalized Requirements
	Amount	**Ratio**	**Amount**	**Ratio**			
	(unaudited)						
			(dollars in thousands)				
Tier 1 leverage capital........	$ 179,883	15.9%	$ 167,911	15.8%	4.0%	4.0%	5.0%
CET1 risk-based capital	153,580	13.7%	141,608	14.3%	6.4%	7.0%	6.5%
Tier 1 risk-based capital	179,883	16.1%	167,911	16.9%	7.9%	8.5%	8.0%
Total risk-based capital	194,436	17.4%	180,917	18.2%	9.9%	10.5%	10.0%

Notes

The minimum risk-based ratios as of December 31, 2018 reflect the 75% phase-in of the capital conservation buffer of 2.5%, and the risk-based ratios as of September 31, 2019 reflect the capital conservation buffer of 2.5%.The "well-capitalized" requirements were the binding requirements for risk-based capital ratios as of December 2018 because of the transitional provisions then applicable to the capital conservation buffer and were the binding requirements for the Tier 1 leverage ratio as of both September 2019 and December 2018.

As of September 2019, our Tier 1 capital to total assets leverage ratio was 15.9%. See "Capitalization" for additional information.

- *Highly Profitable Nature of Consumer Loan Portfolios.* Our consumer loan portfolios continue to be strong and reliable sources of net income, from strong net interest income that we earn on loans in our portfolios, from a low level of loan losses associated with those portfolios, and from income that we earn on loans that we sell at a premium to third parties. The earnings from the consumer loan portfolios have substantially offset the impact of the liquidating Medallion loan portfolio.

Our Business Strategy

Key elements of our strategy include:

- ***Providing a high-touch customer experience without sacrificing speed of delivery***. The Bank is committed to establishing, building and maintaining relationships with our dealers, contractors and FSPs. We are dedicated to giving them an experience that is friendly and helpful, more than simply a transaction. This effort is balanced against necessary process automation that is designed to ensure we deliver our consumer finance services quickly and in a manner that facilitates the successful sale of goods and services.

- ***Employing disciplined underwriting and maintaining rigorous portfolio monitoring***. We have an extensive underwriting management and monitoring process which is reflected, in particular, in the performance of our consumer loan portfolios. Thorough analyses of our loan portfolios and underwriting practices, credit performance, loan quality, collateral mix and concentrations are regularly conducted. We emphasize the importance of credit and risk analysis in our underwriting process for new loans and the workout process for the Medallion loan portfolio.

- ***Investing in technology to remain relevant in a disrupted industry***. Consumer lending and finance have been a focus of technology companies looking to disrupt the financial services industry. The Bank and its Board fully embrace a more technology-rich environment. We made several significant investments in technologies, technical tools and personnel in recent years and have recently accelerated that effort.

- ***Providing an appealing work environment to assist in retaining top-performing employees***. The Bank's two office locations in Salt Lake City, Utah and Bothell, Washington are currently positioned in high-growth, low-unemployment regions. To provide an appealing work environment, we have long pursued policies encouraging work/life balance. Additionally, we recently expanded our charitable activities beyond Community Reinvestment Act requirements to give employees opportunities to contribute to their communities while working at the Bank.

Our Relationships with MFIN and Other Affiliates

The Bank is a wholly owned subsidiary of MFIN, a commercial finance company. MFIN formed the Bank in 2002 to provide MFIN with a low-cost source of funding for MFIN's Medallion loan business, and the Bank originated Medallion loans referred to it by MFIN until September 2014.

The Bank benefits from services it receives from MFIN and certain of the Bank's other affiliates. In 2010, MFIN formed MSC to provide loan servicing, collection and other customer services to the Bank pursuant to a loan servicing agreement. The services provided by MSC to the Bank include services in connection with the liquidation of our Medallion loan portfolio. In addition, the Bank historically received loan origination and marketing services from Medallion Funding LLC ("MFC"), a wholly owned small business investment company subsidiary of MFIN. The Bank also receives certain corporate services, including support for business development, capital raises, human resources and legal, from MFIN pursuant to a corporate services agreement.

See "Certain Relationships and Related-Person Transactions" for further information about these and certain other arrangements.

Risks Related to Our Business

We face a number of risks in operating our businesses, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, results of operations, financial condition or prospects. You should carefully consider each of the risks set forth in "Risk Factors" beginning on page 20 and "Cautionary Note Regarding Forward-Looking Statements" on page 43 before investing in our Series F Preferred Stock. Some of the more significant risks include the following:

- The concentration of our business in consumer lending carries a high risk of loss and could be adversely affected by an economic downturn.
- Our financial condition, liquidity and results of operations depend on the credit performance of our loans.
- 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.
- Our use of brokered deposit sources for our deposit-gathering activities may not be available when needed, which would have a material adverse effect on our business, financial condition, liquidity and results of operations.
- Changes in taxicab and for-hire vehicle industries have resulted in increased competition and have resulted in losses in our Medallion loan portfolio and decreases in the value of our Medallion loan collateral.
- We are dependent on our senior management team for our future success.
- Our allowance for loan losses may prove to be insufficient to cover losses on our loans.
- Competition with other lenders could adversely affect us.
- We may need to raise or obtain additional capital in the future, and such capital may not be available when needed or at all.
- Sales of loans could have an adverse effect on the credit or other characteristics of the loans and portfolios we retain, and we may determine not to pursue additional loan sales in the future, which could have a material adverse effect our non-interest income.
- 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.
- The banking industry is highly regulated and changes in laws, regulations, or policies that apply to us may have a significant adverse impact on our operations.
- We will incur one-time and incremental costs in connection with operating as a public company following the completion of this offering.

Our Corporate Information

Our principal executive offices are located at 1100 East 6600 South, Suite 510, Salt Lake City, Utah 84121. The main telephone number at these offices is (866) 688-6983 and our website address is *www.medallionbank.com*. Information contained on or accessible through our website is not part of or incorporated by reference into this offering circular.

THE OFFERING

Issuer	Medallion Bank
Securities Offered	1,600,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share, with a liquidation amount of $25 per share, of Medallion Bank. The underwriters have the option to purchase up to an additional 240,000 shares of the Series F Preferred Stock solely to cover over-allotments, if any, within 30 days from the date of this offering circular. In addition, we may from time to time elect to issue additional shares of the Series F Preferred Stock, and all such additional shares would be deemed to form a single series with the shares offered by this offering circular, *provided* that such additional shares will only be issued if they are fungible with the original shares for tax purposes.
Dividend Payment Dates	Each January 1, April 1, July 1 and October 1, commencing on April 1, 2020. If any such date falls on a day that is not a business day, then such date shall nevertheless be a dividend payment date but the dividend payment due on that date will be postponed to the next day that is a business day and no additional dividends will accrue as a result of that postponement.
Dividends	Holders of the Series F Preferred Stock will be entitled to receive, only when, as and if declared by our Board (or a duly authorized committee of the Board), and to the extent that we have legally available funds to pay dividends, non-cumulative cash dividends based on the liquidation amount of $25 per share of Series F Preferred Stock. If declared by our Board (or a duly authorized committee of the Board), we will pay dividends on the Series F Preferred Stock (i) during the period from the original issue date of the Series F Preferred Stock to, but excluding, April 1, 2025 (the "fixed rate period"), quarterly in arrears, on January 1, April 1, July 1 and October 1 of each year, commencing on April 1, 2020, and (ii) during the period from April 1, 2025 through the redemption date of the Series F Preferred Stock, if any (the "floating rate period"), quarterly in arrears, on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2025 (each such day on which dividends are payable, a "dividend payment date"). We refer to the period from and including any dividend payment date to but excluding the next dividend payment date as a "dividend period," provided that the initial dividend period will be the period from and including the original issue date of the Series F Preferred Stock to, but excluding, the first dividend payment date on April 1, 2020. Dividends on the Series F Preferred Stock will accrue from the original issue date at a rate equal to (i) 8.00% per annum for each dividend period during the fixed rate period and (ii) a benchmark rate (which is expected to be Three-Month Term SOFR) plus a spread of 6.46% per annum for each dividend period during the floating rate period. If we or our designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined below) have occurred with respect to Three-Month Term SOFR, then the provisions set forth below under the heading "Description of Series F Preferred Stock—Dividends—Effect of Benchmark Transition Event," which we refer to as the benchmark transition provisions, will thereafter apply to all determinations of the dividend

rate on the Series F Preferred Stock for each dividend period during the floating rate period. In accordance with the benchmark transition provisions, after a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the amount of dividends that will accrue on the Series F Preferred Stock for each dividend period during the floating rate period will be an annual rate equal to the sum of the Benchmark Replacement (as defined below) and the spread of 6.46% per annum.

Any such dividends will be distributed to holders of the Series F Preferred Stock in the manner described under "Description of the Series F Preferred Stock—Dividends" below.

Dividends on shares of the Series F Preferred Stock are discretionary and will not be cumulative. If our Board (or a duly authorized committee of the Board) does not declare a dividend on the Series F Preferred Stock in respect of a dividend period, then holders of Series F Preferred Stock shall not be entitled to receive any dividends not declared by the Board (or a duly authorized committee of the Board) and no interest, or sum of money in lieu of interest, shall accrue and be payable in respect of any dividend not so declared, whether or not our Board (or a duly authorized committee of the Board) declares a dividend on the Series F Preferred Stock or any other series of our preferred stock or on our common stock for any future dividend period.

Payment of dividends on the Series F Preferred Stock is subject to certain legal, regulatory and other restrictions described under "Description of the Series F Preferred Stock—Restrictions on Dividends, Redemption and Repurchases" below.

Redemption .... The Series F Preferred Stock is perpetual and has no maturity date. We may, at our option, redeem the shares of the Series F Preferred Stock (i) in whole or in part, from time to time, on any dividend payment date on or after the dividend payment date on April 1, 2025, or (ii) in whole but not in part at any time within 90 days following a "regulatory capital treatment event" (as defined under "Description of the Series F Preferred Stock—Redemption"), in each case at a cash redemption price of $25 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date, on the shares of the Series F Preferred Stock called for redemption. The holders of the Series F Preferred Stock will not have the right to require the redemption or repurchase of the Series F Preferred Stock.

Redemption of the Series F Preferred Stock is subject to certain contractual, legal, regulatory and other restrictions described under "Description of the Series F Preferred Stock—Redemption" below.

We intend to treat the Series F Preferred Stock as "Additional Tier 1" capital (or its equivalent) for purposes of the capital adequacy rules of the FDIC (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency), and under the capital adequacy rules currently applicable to us, any redemption of the Series F Preferred Stock would be subject to the prior approval of the FDIC. In addition, the Federal Deposit Insurance Act ("FDIA") requires that we obtain the prior approval of the FDIC before redeeming any preferred stock, including the Series F Preferred Stock.

Liquidation Rights.....................	In the event we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of shares of the Series F Preferred Stock will be entitled to receive an amount per share equal to the liquidation amount of $25 per share, plus any dividends that have been declared but not paid prior to the date of payment of distributions to shareholders, without regard to any undeclared dividends. Distributions will be made only to the extent of our assets that are available for distribution to shareholders, after payment or provision for payment of our debts and other liabilities, pro rata as to our Senior Series E Non-Cumulative Perpetual Preferred Stock, $1,000 liquidation amount per share (the "Series E Preferred Stock") and any other class or series of our stock that ranks equally with the Series F Preferred Stock as to the distribution of assets on our liquidation, dissolution or winding-up and before any distribution of assets is made to holders of our common stock or any other class or series of our stock that ranks junior to the Series F Preferred Stock as to the distribution of assets on our liquidation, dissolution or winding-up ("junior stock").
Voting Rights	None, except with respect to certain changes in the terms of the Series F Preferred Stock, in the case of certain dividend nonpayments, certain other fundamental corporate events, mergers or consolidations and as otherwise required by applicable law. See "Description of the Series F Preferred Stock—Voting Rights" below.
Ranking	Shares of the Series F Preferred Stock will rank senior to our common stock and all other junior stock, on a parity with the Series E Preferred Stock, and senior to or on a parity with each other series of our preferred stock we may issue (except for any senior series that may be issued upon the requisite vote or consent of the holders of at least two thirds of the shares of the Series F Preferred Stock at the time outstanding and entitled to vote, together with the vote or consent of any other series of preferred stock first issued after the original issue date of the Series F Preferred Stock and that would be adversely affected in substantially the same manner) with respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up of Medallion Bank. We will generally be able to pay dividends and distributions upon any liquidation, dissolution or winding-up only out of funds legally available for such payment (i.e., after taking account of all indebtedness and other non-equity claims) and pro rata as to the Series F Preferred Stock, the Series E Preferred Stock and any other stock designated as ranking on a parity with the Series F Preferred Stock as to payment of dividends and distributions upon any liquidation, dissolution or winding-up ("dividend parity stock" and "liquidation preference parity stock," respectively).
Maturity.....................................	The Series F Preferred Stock does not have any maturity date, and we are not required to redeem the Series F Preferred Stock. Accordingly, the Series F Preferred Stock will remain outstanding indefinitely, unless and until we decide to redeem it.
Preemptive and Conversion Rights	None.
Listing	We have applied to list the Series F Preferred Stock on NASDAQ Capital Market under the symbol "MBNKP." If approved for listing, we expect trading

	of the shares of the Series F Preferred Stock on NASDAQ Capital Market to commence within a 30-day period after the initial delivery of the shares.
Tax Consequences	If you are a non-corporate United States holder, dividends paid to you will qualify for taxation at preferential rates if you meet certain holding period and other applicable requirements. If you are a corporate United States holder, dividends received by you will be eligible for the dividends-received deduction if you meet certain holding period and other applicable requirements. If you are a non-United States holder, dividends paid to you are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. For further discussion of the tax consequences relating to the Series F Preferred Stock, see "Material U.S. Federal Income Tax Considerations."
Use of Proceeds	We intend to use the proceeds to us generated by this offering, approximately $36,800,000 after deducting the underwriters' discounts and commissions and estimated offering expenses payable by us, for general corporate purposes, which may include, among other things, increasing our capital levels, growing our consumer loan portfolios or redeeming some or all of our outstanding Series E Preferred Stock. Any determination to seek to redeem some or all of the Series E Preferred Stock would be based on our actual and anticipated capital levels and capital deployment opportunities. Under the FDIA and the capital rules applicable to us, any redemption of the Series E Preferred Stock is subject to the prior approval of the FDIC and there can be no assurance that such approval would be provided. See "Use of Proceeds."
Transfer Agent & Registrar	American Stock Transfer & Trust Company, LLC
Calculation Agent	We will appoint a calculation agent for the Series F Preferred Stock prior to the commencement of the floating rate period. We may appoint ourselves or any affiliate of ours as the calculation agent.
Risk Factors	Investing in the Series F Preferred Stock involves significant risks. See "Risk Factors" beginning on page 19 to read about risk factors you should consider before investing in the Series F Preferred Stock.

SELECTED FINANCIAL INFORMATION

You should read the selected financial information set forth below in conjunction with the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Capitalization,” as well as our financial statements and the related notes included elsewhere in this offering circular. The financial information as of and for the fiscal years ended December 2018, 2017 and 2016 is derived from our audited financial statements included elsewhere in this offering circular. The financial information as of September 2019 and for the three months and nine months ended September 2019 and 2018 is derived from our unaudited interim financial statements included elsewhere in this offering circular. We have prepared our unaudited interim financial statements in accordance with the requirements for unaudited interim periods and, in our opinion, have included all adjustments, consisting of normal recurring accruals, necessary to present fairly in all materials respects our financial position and results of operations for the periods indicated. The results for any interim period are not necessarily indicative of the results that may be expected for the entire year and should be read in conjunction with the audited financial statements for the year ended December 2018.

	Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2018	2017	2016
	(unaudited)				
	(dollars in thousands)				
Selected Income Statement Data:					
Interest income	$ 92,877	$ 86,667	$ 116,073	$ 111,281	$ 103,454
Interest expense	16,409	12,879	17,844	13,869	11,762
Net interest income	76,468	73,788	98,229	97,412	91,692
Provision for loan losses	32,701	39,449	50,673	51,282	69,466
Net interest income after provision for loan losses	43,767	34,339	47,556	46,130	22,226
Non-interest income (loss)	(2,125)	(7,675)	(9,439)	1,025	3,691
Non-interest expense	24,556	22,146	28,879	27,509	24,281
Net income before taxes	17,086	4,518	9,238	19,646	1,636
Provision (benefit) for income taxes	3,338	1,274	3,572	15,093	(326)
Net income	$ 13,748	$ 3,244	$ 5,666	$ 4,553	$ 1,962
Selected Operating Ratios:					
Return on average assets	1.70%	0.41%	0.54%	0.42%	0.18%
Return on average equity	10.66%	2.72%	3.51%	2.71%	1.15%
Net interest margin [1]	9.69%	9.44%	9.44%	9.08%	8.36%
Efficiency ratio [2]	33.03%	33.50%	32.53%	27.95%	25.46%
Net charge-offs	$ 34,264	$ 36,942	$ 53,061	$ 42,684	$ 38,728
Net charge-offs to average loans	4.70%	5.18%	5.60%	4.30%	3.78%

	As of September 30, 2019	As of December 31,		
		2018	2017	2016
	(unaudited)			
	(dollars in thousands)			
Selected Balance Sheet Data:				
Loans:				
Recreation Loans	$ 693,488	$ 580,790	$ 517,347	$ 468,741
Home Improvement Loans	235,349	187,419	175,942	239,783
Medallion Loans	113,249	153,742	222,806	298,059
Other Loans [3]	1,846	1,886	1,044	944
Allowance for loan losses	58,573	60,137	63,416	54,819
Total assets	1,159,187	1,022,512	1,077,354	1,075,958
Funds borrowed	966,987	848,040	906,748	908,442
Other liabilities [4]	11,911	7,477	6,376	5,631
Total shareholder’s equity	$ 180,289	$ 166,995	$ 164,230	$ 161,885

	As of September 30, 2019	As of December 31, 2018	2017	2016
Selected Asset Quality Ratios and Data:				
Nonperforming loans to total loans	1.84%	3.55%	5.69%	5.98%
Allowance for loan losses to total loans	5.61%	6.51%	6.91%	5.44%
Allowance for loan losses to nonperforming loans	304.86%	183.19%	121.45%	91.02%
Capital Ratios:				
Tier 1 Capital (to average assets)	15.91%	15.85%	14.53%	14.47%
Common Equity Tier 1 (to risk-weighted assets)	13.71%	14.26%	13.82%	12.20%
Tier 1 Capital (to risk-weighted assets)	16.06%	16.90%	16.46%	14.66%
Total Capital (to risk-weighted assets)	17.36%	18.21%	17.77%	15.97%

(1) Net interest margin is the ratio of net interest income to average interest-earning assets. Interest-earning assets includes all interest-bearing accounts, which consists of loans and other interest-earning assets.

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

(3) "Other Loans" include commercial, construction and asset-backed loans.

(4) "Other Liabilities" include accrued interest payable, amounts due to affiliates and taxes payable.

RISK FACTORS

An investment in our Series F Preferred Stock involves a high degree of risk. There are risks, many beyond our control, that could cause our financial condition, liquidity or results of operations to differ materially from management's expectations. Some of the more important factors that could affect our business, financial condition, liquidity and results of operations are described below. Before deciding to invest in our Series F Preferred Stock, you should carefully consider the risks described below together with all the information contained in this offering circular, including management's discussion of financial condition and results of operations, as well as our financial statements and the notes thereto. Any of the risks described below, by itself or together with one or more other factors, may adversely affect our business, results of operations, financial condition, liquidity and prospects, as well as the market price and liquidity of our Series F Preferred Stock, perhaps materially. The risks presented below are not the only risks that we face. Additional risks that we do not presently know or that we currently deem immaterial may also have an adverse effect on our business, results of operations, financial condition, liquidity and prospects, as well as the market price and liquidity of our Series F Preferred Stock. In such a case, you may lose all or part of your original investment. Further, to the extent that any of the information contained in this offering circular constitutes forward-looking statements, the risk factors below also are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. *See "Cautionary Note Regarding Forward-Looking Statements" on page 43.*

Risks Related to Our Business

Our business is heavily concentrated in consumer lending, which carries a high risk of loss and 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. For example, our business is particularly sensitive to macroeconomic conditions that affect the U.S. economy, consumer spending and consumer credit. 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 the Bank 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 portfolio. During periods of economic slowdown, such as the 2007-2009 recession, delinquencies, defaults, repossessions, and losses generally increase, and consumers are likely to 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, reset of adjustable rate mortgages to higher interest rates, 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 nonprime 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 slowdown 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. Although market conditions have improved since the 2007-2009 recession, conditions remain challenging for financial institutions.

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 September 2019, more than half of our Recreation consumer loans are nonprime 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 loan 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 nonprime portfolios, we have less ability to make risk adjustments to the pricing of prime loans compared to nonprime 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 loan losses are higher than expected then we may also be at risk with regards to our forecasted losses, which could impact our loss reserves and results of operations.

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

We originate loans by working with third-party sellers of consumer products and not working directly with consumers. As a result, our ability to originate consumer loans depends on our relationships with dealerships, contractors and FSPs. Although we have relationships with various dealerships, contractors and FSPs, none of our relationships are exclusive and each may be terminated at any time. In particular, there is significant competition for the contractor and FSP relationships we depend on in connection with our Home Improvement Lending business. The loss of any of these relationships, our failure to develop additional relationships, and circumstances in which our existing dealer, contractor, and FSP relationships generate decreased sales and loan volume all may have a material adverse effect on our business, financial condition and results of operations.

Our use of brokered deposits for our 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.

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

Our brokered deposits consist of deposits raised through the brokered deposit market rather than through retail branches. Although we have 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, our 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. We may not accept or renew brokered deposits unless we are "well-capitalized" or we are "adequately capitalized" and we receive 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 "Supervision and Regulation" for additional information.

If our capital levels fall below the "well-capitalized" level as defined by the FDIC, our ability to raise brokered deposits would be materially impaired. If our capital levels fall below the "adequately-capitalized" level as defined by the FDIC, we 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 we experience a period of sustained operating losses, the cost of attracting deposits from the brokered deposit market could increase significantly. Our ability to manage our growth to stay within the "well-capitalized" level is critical to our ability to retain open access to this funding source.

Investors in the Series F Preferred Stock may be adversely affected and may face significant losses (including the possibility of losing their entire investment) if we are unable to accept or renew brokered deposits or if our access to the brokered deposit market were impaired.

Changes in the taxicab and for-hire vehicle industries have resulted in significantly increased competition and have had a material adverse effect on our business, financial condition, and operations and have resulted in losses in our Medallion loan portfolio.

There have been recent changes in the taxicab and for-hire vehicle industries that have resulted in significantly increased competition in all of our taxi medallion markets. Ride-sharing applications, or ride-sharing apps, utilized by for-hire vehicles were introduced in New York City in 2011 and continue to expand domestically and globally. Many of these for-hire vehicle operators operate outside of the regulatory regime with which we and our borrowers operate, which poses an increased risk of competition because such operators are able to pass the cost savings of not having to comply with certain regulations to its passengers. According to the New York City Taxi & Limousine Commission ("TLC"), between January 2019 and October 2019 approximately 4,956 new for-hire vehicle licenses were issued, increasing the total number of for-hire vehicles to approximately 116,129 as of October 28, 2019, an 3.7% decrease from January 2019.

In addition, the New York State legislature enacted a law on December 21, 2011, which was amended on February 17, 2012, to permit cars for-hire to pick up street hails in boroughs outside of Manhattan. The TLC reported that, as of October 28, 2019 there were 5,729 Street Hail Livery licenses, of which approximately 2,586 are active.

TLC annual data through September 2019 has shown a 5.4% reduction in total New York City taxicab fares, compared to the same period in 2018, and an 18.5% reduction in the total number of New York City taxicab trips. Such reductions in fare totals and taxicab trips are likely the result of a combination of the congestion pricing surcharge that went into effect in February 2019, ride-sharing apps, Street Hail Livery licenses, and other forms of public transportation.

We stopped originating Medallion loans in September 2014. However, our Medallion loan portfolio continued to represent 9.8% of our total assets at September 2019. As discussed in further detail below, there have also been recent decreases in the values of our Medallion loan collateral. Increased competition from ride-sharing apps and Street Hail Livery licenses has reduced the overall market for taxicab services, income from operating medallions, and the value of taxicab medallions. If these trends continue and intensify, there would be a further material increase to our loan-to-value ratios, loan delinquencies, and loan defaults, which could have a material adverse effect on our business, financial condition, and results of operations.

Decreases in the value of our Medallion loan collateral have had, and may continue to have, a material adverse effect on our business.

According to TLC data, from 2001 through 2014, New York City taxicab medallions had appreciated in value from under $200,000 to $1.32 million for corporate medallions and $1.05 million for individual medallions. As reported by the TLC, individual (owner-driver) medallions and corporate medallions sold for a wide range of prices during 2018 and 2019. Like many other financial institutions, we and MFIN evaluate the transactions and cash flows underlying borrower performance and determined at September 2019 that a market value of $175,000, approximately $169,500 net of liquidation costs, was appropriate. In March 2017, the New York City Council made changes to the medallion classes, eliminating the distinction between individual and corporate medallions, and although the market for taxicab medallions has recently begun to stabilize, we are continuing to assess the ultimate impact of this change. From time to time government entities may also take other actions, which could have adverse effects on the market for taxicab medallions and which could, in turn, affect, potentially materially, our financial condition and results of operations.

Additionally, a portion of our loan revenue is derived from loans collateralized by Chicago taxicab medallions. The Chicago medallions had appreciated in value from $50,000 in 2003 to a high of approximately $370,000 in 2013. Since that time, however, there has been a decline in the value of Chicago taxicab medallions. We have determined that a market value of $25,000, approximately $19,500 net of liquidation costs, as of September 2019, was appropriate.

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

Changes in taxicab industry regulations that result in the issuance of additional medallions or increases in the expenses involved in operating a medallion would decrease the value of our Medallion loan collateral.

Every city in which we originated Medallion loans, and most other major cities in the United States, limits the supply of taxicab medallions. This regulation results in supply restrictions that support the value of medallions. Actions that loosen these restrictions and result in the issuance of additional medallions into a market could decrease the value of medallions in that market. If this were to occur, the value of the collateral securing our then-outstanding Medallion loans in that market would be adversely affected. We are unable to forecast with any degree of certainty whether any other potential increases in the supply of medallions will occur.

In New York City, Chicago and other markets where we originated Medallion loans, taxicab fares are generally set by government agencies. Expenses associated with operating taxicabs are largely unregulated. As a result, the ability of taxicab operators to recoup increases in expenses is limited in the short term. Escalating expenses, such as rising gas prices and an increase in interest rates, can render taxicab operations less profitable, could cause borrowers to default on loans from us and would adversely affect the value of our collateral.

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

Medallion loans are primarily collateral-based lending, whereby the collateral value is intended to exceed the amount of the loan, providing sufficient excess collateral designed to protect us against losses. Collateral values for 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. Any changes or volatility in these benchmarks could cause us to suffer losses. We have experienced a significant downward movement in medallion collateral values which may continue, and has caused a negative impact on our valuation analysis and could result in a significantly lower fair market value measurement of our portfolio.

We require an objective benchmark in determining the fair value of our portfolio. 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.

Changes in interest rates may adversely impact our profitability and risk profile.

Our profitability may 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. Additionally, although a significant percentage of our borrowers are nonprime 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 consists 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 results of operations until we are able to originate new loans at higher prevailing interest rates.

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

Our future success will depend, to a significant extent, on the continued service and coordination of our senior management team, particularly, Donald Poulton, our President and Chief Executive Officer, Trent Hudson, our Chief Financial Officer, Justin Haley, our Chief Operating Officer, Steven Hannay, our Chief Lending Officer, Clifford Pedersen, our Chief Compliance Officer, and John Taylor, our Senior Vice President of Strategic Partnerships. Changes in key management positions may temporarily affect our financial performance and results of operations as we adjust to the loss of personnel with deep institutional knowledge and as new management becomes familiar with our business. In addition, although we have employment agreements in place with certain members of our senior management team, they may still elect to leave at any time. The departure of any of these individuals and our inability to attract and retain qualified replacements, or to successfully integrate newly-hired personnel within our organization, could have a material adverse effect on our ability to manage or grow our business and effectively mitigate risk.

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

We maintain an allowance for loan 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 incurred losses in our loan portfolio.

The process for establishing an allowance for loan losses is critical to our results of operations and financial condition, and requires complex models and judgments, including forecasts of economic conditions. 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 loan losses. We may underestimate our incurred losses and fail to maintain an allowance for loan losses sufficient to account for these losses. In cases where we modify a loan, if the modified loans do not perform as anticipated, we may be required to establish additional allowances on these loans.

We periodically review and update our methodology, models and the underlying assumptions, estimates and assessments we use to establish our allowance for loan 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 loan 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 loan 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 assure you that our loan loss reserves will be sufficient to cover actual losses. Future increases in the allowance for loan 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.

Changes in our accounting policies or in accounting standards could materially and adversely affect how we report our results of operations and financial condition.

From time to time, standard setters, including the Financial Accounting Standards Board (the "FASB") or the U.S. Securities and Exchange Commission (the "SEC"), change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially affect how we record and report our financial condition and results of operations. For example, in June 2016, the FASB issued Accounting Standards Update 2016-13, *Measurement of Credit Losses on Financial Instruments* (commonly referred to as "CECL"), that will substantially change the accounting for credit losses on loans and other financial assets held by banks, financial institutions and other organizations. The standard removes the existing "probable" threshold in GAAP for recognizing credit losses and instead requires companies to reflect their estimate of credit losses over the lives of the financial assets. Companies, including the Bank, will be required to consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts.

As an emerging growth company, we may take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies that are not "smaller reporting companies" under the regulations of the SEC. We have elected to take advantage of this extended transition period and, as a result, we currently expect that we will be required to comply with the CECL standard for fiscal years beginning after December 15, 2022. The standard is likely to have an adverse effect, potentially materially, to the allowance and capital at adoption in 2023; however, we are still evaluating the impact of this change in accounting standards. It is also possible that our ongoing reporting earnings and lending activity may be adversely affected in the periods following adoption.

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 personally identifiable information of our customers and employees, in third-party data centers, and on our networks. 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, malfeasance or other disruptions, or vulnerable to 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 loss of 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.

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.

We experienced a severe recession beginning in 2008, and the impact of resulting changes on the financial markets may not be fully known for some time.

In response to the 2008 global financial crisis, the United States, the Federal Reserve, other governments, and certain foreign central banks took steps to support financial markets, including by keeping interest rates at historically low levels. More recently, the Federal Reserve has generally reduced its market support activities. Further reduction or withdrawal of this support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding could negatively affect financial markets generally as well as the value and liquidity of certain securities. There have been periods of volatility subsequent to the recession of 2007-2009 and there can be no assurance that adverse market conditions will not repeat themselves or worsen in the future. A prolonged period of market volatility or illiquidity could have an adverse effect on our business, financial condition, and results of operations. Unfavorable economic conditions also could increase our funding costs or limit our access to the capital markets.

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 if the economy remains stable. In addition, 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 may need to raise additional capital in the future, and such capital may not be available when needed or at all.

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. As a wholly owned subsidiary, we also depend on MFIN to provide additional common equity Tier 1 capital, and MFIN's ability to provide such capital could depend on its ability to access the capital markets. 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 many 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.

We are subject to a variety of risks in connection with any sales of loans we may conduct.

When we sell consumer loans we are required to make customary representations and warranties to the purchaser about the loans and the manner in which they were originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase or provide substitute loans for part or all of the affected loans. We may also be required to repurchase loans as a result of borrower fraud on a loan we have sold. If the level of repurchase and indemnity activity becomes material, it could have a material adverse effect on our liquidity, business, financial condition or results of operations.

In addition, we must report as held for sale any loans which we have undertaken to sell, whether or not a purchase agreement for the loans has been executed. We may therefore be unable to ultimately complete a sale for part or all of the loans we classify as held for sale. We must exercise our judgment in determining when loans must be reclassified from held for investment status to held for sale status under applicable accounting guidelines. Any failure to accurately report loans as held for sale could result in regulatory investigations and monetary penalties. Any of these actions could have a material adverse effect on our business, financial condition or results of operations. Our policy is to carry loans held for sale at the lower of cost or fair value. As a result, prior to being sold, any loans classified as held for sale may be adversely affected by market conditions, including changes in interest rates, and by changes in the borrower's creditworthiness, and the value associated with these loans, including any loans originated for sale in the secondary market, may decline prior to being sold. We may be required to reduce the value of any loans we mark held for sale as a result, which could have a material adverse effect on our business, financial condition or results of operations.

We may decide not to pursue sales of loan portfolios, which could have a material adverse effect on our non-interest income.

As a portfolio lender, we generally seek to earn net interest income. Although we have engaged in sales of loan portfolios in recent years, there can be no assurance that we may do so in the future. Factors that have affected our decisions to engage in sales of loan portfolios include the availability and attractiveness of sale opportunities, credit weakness in our Medallion loan portfolio, and our balance sheet management strategies. Accordingly, if attractive sale opportunities were not available, or the Bank were to decide not to pursue sales of loan portfolios in order to support its growth, we may not sell any loans, which, in turn, could have a material adverse effect on our non-interest income.

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.

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.

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 and to reduce costs. 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.

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. Reliance on inaccurate, incomplete, fraudulent or misleading financial statements, credit reports or other financial or business information, or the failure to receive such information on a timely basis, could result in loan losses, reputational damage or other effects that could have a material adverse effect on our business, financial condition or results of operations.

Current or former employee misconduct 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 employees could engage, or our former directors, employees, or our controlling shareholder 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 or contractors. Our business often requires that we deal with confidential information. If our employees were to improperly use or disclose this information, or if former directors, employees, or our controlling shareholder 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 employees or former directors, employees, or our controlling shareholder, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our business, financial condition or results of operations.

We are a wholly owned subsidiary of MFIN and are dependent on MFIN and certain of our affiliates for various services and capital.

We are a wholly owned subsidiary of MFIN. As a wholly owned subsidiary, we rely on MFIN and our affiliates generally, including for the provision of various services and capital. We receive Medallion loan servicing, collection and other customer services, and we historically received loan origination and marketing services, from certain of our affiliates. We also receive certain corporate services, including support for business development, capital raises, human resources and legal, from MFIN. The services we receive from MFIN and our affiliates have in the past and may in the future change as a result of our overall strategy and due to one-time or opportunistic events.

As a consequence of the foregoing, in the event our relationships with our affiliates are not maintained, for any reason, including as a result of possible strategic decisions that MFIN may make from time to time or as a result of material adverse changes in MFIN's performance, the cost of operating and funding our business may increase and our business, financial condition and earnings may be materially and adversely affected.

As a condition to receipt of FDIC insurance, we entered into the 2003 Capital Maintenance Agreement requiring us to maintain a 15% leverage ratio (Tier 1 capital to average assets). The 2003 Capital Maintenance Agreement also requires MFIN to contribute additional capital to the Bank in the event that our capital ratios fall below the levels required by the agreement. Although we do not depend on MFIN as a source of funding, as a wholly owned subsidiary, in the event that we require capital from MFIN, there is no guarantee that MFIN will be able or will agree to provide it.

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.

The Bank was formed in 2002 to provide a low-cost source of funds in connection with MFIN's key lending businesses at the time, including its Medallion loan portfolio. Since that time, we have expanded and changed our strategy and pursued new business lines on more than one occasion. In 2004, we began originating consumer loans used to purchase RVs, boats and trailers and, in 2012, we expanded our consumer lending activities by adding a home improvement consumer finance business. We have also reduced our activities or exited businesses over the course of our operating history, including our exit from the asset-based lending business with a portfolio sale in September 2016 and our transition away from strategies relating to Medallion loans, which we ceased originating in September 2014.

In addition, in July 2019, we announced that John Taylor had joined the Bank to oversee a new division that will handle the build-out of a new Strategic Partnership Program, through which the Bank will partner with other companies offering consumer loans to customers. The Strategic Partnership Program is in the early stages of development, and its future impact on our financial condition and results of operations is currently unknown. In addition, potential legal and regulatory risks associated with the entry into this line of business are currently 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 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 expect to have increased compliance costs associated with the

Strategic Partnership Program, which could have an adverse impact on our results of operations. In addition, potential legal and regulatory risks associated with the entry into this line of business are currently 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 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. Development of the Strategic Partnership Program could change, possibly materially, Medallion Bank's exposure to operational risk events, including failure to comply with applicable legal or regulatory requirements.

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 such new business initiatives may expose us to new and enhanced risks, including new credit-related, compliance, fraud, market and operational risks, and different and potentially greater regulatory scrutiny of such new activities and assets. In addition, changes in our strategy and pursuit of new business lines could bring us into contact, directly or indirectly, with customers that are not within our traditional customer base and expose us to new 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.

Risks Related to the Regulatory Oversight of Our Business

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, not for the protection of our security holders, such as investors in the Series F Preferred Stock. We are subject to regulation and supervision by the FDIC and the Utah Department of Financial Institutions (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 us and MFIN, restrictions on dividends and establishment of new offices. As long as we remain well-capitalized under federal regulatory standards, there are no restrictions on the rates we may pay on brokered deposits. 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 our business, financial condition or results of operations.

Since the 2007-2009 recession, federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, have undergone substantial review and change. In particular, the Dodd-Frank Act drastically revised the laws and regulations under which we operate. Financial institutions generally have also been subjected to increased 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.

Changes in laws, regulations, or policies may adversely affect our business.

The post-financial crisis era has been marked by an increase in regulation, regulatory intensity, and enforcement. We are unable to predict the ways in which this change in the regulatory environment could impact our business models or objectives. The laws and regulations governing our lending, servicing, and debt collection activities or the regulatory or enforcement environment at the federal level or in any of the states in which we operate may change at any time which may have an adverse effect on our business.

We expect, however, to see an increase over time in regulatory scrutiny and enforcement in the area of consumer financial products regulation, both as a result of recent regulatory scrutiny and related enforcement actions in the area of consumer protection, and the establishment of the Consumer Financial Protection Bureau (the "CFPB"), by the Dodd-Frank Act. The CFPB is responsible for interpreting and enforcing a broad range of consumer protection laws that govern the provision of deposit accounts and the making of loans, including certain of the loans we provide to our customers. While our size currently falls below the threshold that would give the CFPB direct authority over us, our existing bank supervisors may pursue similar policies and make similar information requests to those of the CFPB with respect to consumer financial products and other matters within the scope of the CFPB's authority. Despite recent efforts to alleviate the impact of such regulatory changes, we believe that regulatory reforms and increased regulatory supervision related to consumer protection, together with provisions of the Dodd-Frank Act, may increase our cost of doing business, impose new restrictions on the way in which we conduct our business, or add significant operational constraints that might impair our profitability.

We are unable to predict how these or any other future legislative proposals or programs will be administered or implemented or in what form, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our results of operations and financial condition.

Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that 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.

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 2010, the FDIC increased the deposit insurance fund's target reserve ratio to 2.0% of insured deposits following the Dodd-Frank Act's elimination of the 1.5% cap on the insurance fund's reserve ratio and put in place a restoration plan to restore the deposit insurance fund to its 1.35% minimum reserve ratio mandated by the Dodd-Frank Act by September 30, 2020. The FDIC reported that the deposit insurance fund reserve ratio was 1.40% as of June 2019. Additional increases in assessment rates may be required in the future to achieve this targeted reserve ratio. Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations.

Non-compliance with the USA PATRIOT Act, the Bank Secrecy Act or other laws and regulations could result in fines or sanctions against us.

The USA PATRIOT Act of 2001 and the Bank Secrecy Act 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 the U.S. Department of the Treasury's ("U.S. Treasury") Office of Financial Crimes Enforcement Network ("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 Bank Secrecy Act 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. During the last several years, a number of banking institutions have received large fines for non-compliance with these laws and regulations. Although we have policies and procedures designed to assist in compliance with the Bank Secrecy Act 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.

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 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 safeguards appropriate based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws 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. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level, by the Federal Trade Commission, as well as at the state level.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology 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 increasing regulatory requirements and attention.

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 increasingly demanding regulatory requirements and attention by our federal and state bank regulators. Recent regulation requires us to enhance our due diligence, ongoing monitoring and control over our third-party vendors and other ongoing third-party business relationships. In certain cases, we may 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.

Risks Related to Our Series F Preferred Stock

Shares of the Series F Preferred Stock are not insured deposits.

Shares of the Series F Preferred Stock are not bank deposits and are not insured or guaranteed by the FDIC or any other government agency. An investment in the Series F Preferred Stock has risks, and you may lose your entire investment.

Because there has been no established public trading market for our preferred stock, an active trading market in the Series F Preferred Stock may not develop or be sustained and the Series F Preferred Stock may trade below the public offering price.

Before this offering, our preferred stock was not listed on any exchange or displayed on any electronic communications network. As a result, there has been no trading activity in the preferred stock. We have applied to list the Series F Preferred Stock for trading on NASDAQ Capital Market. However, even if the Series F Preferred Stock is successfully listed for trading on NASDAQ Capital Market, a trading market for the Series F Preferred Stock may not develop. If an active trading market does not develop, you may have difficulty selling your shares of the Series F Preferred Stock at an attractive price, or at all. The public offering price for the shares of Series F Preferred Stock will be determined through negotiations between us and the underwriters and thus may not be indicative of the market price for the Series F Preferred Stock after this offering. Consequently, you may not be able to resell your shares of Series F Preferred Stock above the public offering price, or at all, and may suffer a loss on your investment.

Our performance, general market conditions and unpredictable factors could adversely affect the market price for the Series F Preferred Stock, which could result in rapid and substantial losses for our shareholders.

Even if an active trading market develops, the market price of the Series F Preferred Stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume on the Series F Preferred Stock may fluctuate and cause significant price variations to occur. If the market price of the Series F Preferred Stock declines significantly, you may be unable to resell your shares of Series F Preferred Stock at or above your purchase price, if at all.

We cannot assure you that the market price of the Series F Preferred Stock will not fluctuate or decline significantly in the future. Several factors, many of which are beyond our control, could negatively affect the price of the Series F Preferred Stock, or result in fluctuations in the price or trading volume of the Series F Preferred Stock. Factors that might influence the market price of the Series F Preferred Stock include:

- whether we declare or fail to declare dividends on the Series F Preferred Stock from time to time;
- our operating performance, financial condition and prospects, or the operating performance, financial condition and prospects of our competitors;
- actual or potential litigation and governmental investigations;
- our creditworthiness;
- the ratings given to us or our securities by credit rating agencies, including the ratings given to the Series F Preferred Stock;
- prevailing interest rates;
- publication of research reports about us or the financial services industry in general;
- developments in the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing and developments with respect to financial institutions generally;

- failure of securities analysts to cover our preferred stock after this offering;
- additions or departures of our key personnel;
- adverse market reactions to any indebtedness we may incur or securities we may issue in the future;
- actions by MFIN, our controlling shareholder;
- the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

In addition, the condition in the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market price for the Series F Preferred Stock. Accordingly, the shares of Series F Preferred Stock that an investor purchases, whether in this offering or in the secondary market, may trade at a discount to their cost. If any of the foregoing occurs, it could cause the price of the Series F Preferred Stock to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

You should not rely on indicative or historical data concerning the Secured Overnight Financing Rate.

In the following discussion of the Secured Overnight Financing Rate, when we refer to SOFR-linked Preferred Stock, we mean the Series F Preferred Stock at any time when the dividend rate on the Series F Preferred Stock is or will be determined based on the Secured Overnight Financing Rate, including Three-Month Term SOFR.

The Secured Overnight Financing Rate is published by the Federal Reserve Bank of New York ("FRBNY") and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. FRBNY reports that the Secured Overnight Financing Rate includes all trades in the Broad General Collateral Rate, plus bilateral U.S. Treasury repurchase agreement ("repo") transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "FICC"), a subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). The Secured Overnight Financing Rate is filtered by FRBNY to remove a portion of the foregoing transactions considered to be "specials." According to FRBNY, "specials" are repos for specific-issue collateral which take place at cash-lending rates below those for general collateral repos because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

FRBNY reports that the Secured Overnight Financing Rate is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon, which currently acts as the clearing bank for the tri-party repo market, as well as General Collateral Finance Repo transaction data and data on bilateral U.S. Treasury repo transactions cleared through the FICC's delivery-versus-payment service.

FRBNY states that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. FRBNY currently publishes the Secured Overnight Financing Rate daily on its website at https://apps.newyorkfed.org/markets/autorates/sofr. FRBNY states on its publication page for the Secured Overnight Financing Rate that use of the Secured Overnight Financing Rate is subject to important disclaimers, limitations and indemnification obligations, including that FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of the Secured Overnight Financing Rate at any time without notice.

FRBNY started publishing the Secured Overnight Financing Rate in April 2018. FRBNY has also started publishing historical indicative Secured Overnight Financing Rates dating back to 2014, although this historical indicative data inherently involves assumptions, estimates and approximations. You should not rely on this historical indicative data or on any historical changes or trends in the Secured Overnight Financing Rate as an indicator of the future performance of the Secured Overnight Financing Rate.

The Secured Overnight Financing Rate may be more volatile than other benchmark or market rates.

Since the initial publication of the Secured Overnight Financing Rate, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and the Secured Overnight Financing Rate over time may bear little or no relation to the historical actual or historical indicative data. In addition, the return on and value of the SOFR-linked Preferred Stock may fluctuate more than floating rate securities that are linked to less volatile rates.

Changes in the Secured Overnight Financing Rate could adversely affect the amount of dividends that accrue on the SOFR-linked Preferred Stock and the trading prices for the SOFR-linked Preferred Stock.

Because the Secured Overnight Financing Rate is published by FRBNY based on data received from other sources, we have no control over its determination, calculation or publication. There can be no assurance that the Secured Overnight Financing Rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the SOFR-linked Preferred Stock. If the manner in which the Secured Overnight Financing Rate is calculated is changed, that change may result in a reduction in the amount of dividends that accrues on the SOFR-linked Preferred Stock, which may adversely affect the trading prices of the SOFR-linked Preferred Stock. In addition, the dividend rate on the SOFR-linked Preferred Stock for any day will not be adjusted for any modification or amendment to the Secured Overnight Financing Rate for that day that FRBNY may publish if the dividend rate for that day has already been determined prior to such publication. Further, if the benchmark rate on the SOFR-linked Preferred Stock during the floating rate period for any dividend period declines to zero or becomes negative, dividends will only accrue on the SOFR-linked Preferred Stock at a rate equal to the spread of 6.46% per annum with respect to that dividend period.

The Secured Overnight Financing Rate differs fundamentally from, and may not be a comparable substitute for, U.S. dollar LIBOR.

In June 2017, the Alternative Reference Rates Committee (the "ARRC") convened by the Board of Governors of the Federal Reserve System and FRBNY announced the Secured Overnight Financing Rate as its recommended alternative to the London interbank offered rate for U.S. dollar obligations ("U.S. dollar LIBOR"). However, because the Secured Overnight Financing Rate is a broad U.S. Treasury repo financing rate that represents overnight secured funding transactions, it differs fundamentally from U.S. dollar LIBOR. For example, the Secured Overnight Financing Rate is a secured overnight rate, while U.S. dollar LIBOR is an unsecured rate that represents interbank funding over different maturities. In addition, because the Secured Overnight Financing Rate is a transaction-based rate, it is backward-looking, whereas U.S. dollar LIBOR is forward-looking. Because of these and other differences, there can be no assurance that the Secured Overnight Financing Rate will perform in the same way as U.S. dollar LIBOR would have done at any time, and there is no guarantee that it is a comparable substitute for U.S. dollar LIBOR.

Any failure of the Secured Overnight Financing Rate to gain market acceptance could adversely affect the trading prices of the SOFR-linked Preferred Stock.

The Secured Overnight Financing Rate may fail to gain market acceptance. The Secured Overnight Financing Rate was developed for use in certain U.S. dollar derivatives and other financial contracts as an alternative to U.S. dollar LIBOR in part because it is considered to be a good representation of general funding conditions in the overnight U.S. Treasury repo market. However, as a rate based on transactions secured by U.S. Treasury securities, it does not measure bank-specific credit risk and, as a result, is less likely to correlate with the unsecured short-term funding costs of banks. This may mean that market participants would not consider the Secured Overnight Financing Rate to be a suitable substitute or successor for all of the purposes for which U.S. dollar LIBOR historically has been used (including, without limitation, as a representation of the unsecured short-term funding costs of banks), which may, in turn, lessen its market acceptance. Any failure of the Secured Overnight Financing Rate to gain market acceptance could adversely affect the return on, value of and market for the SOFR-linked Preferred Stock.

Any market for the SOFR-linked Preferred Stock may be illiquid or unpredictable.

An established trading market for the SOFR-linked Preferred Stock may never develop or may not be very liquid. Market terms for securities that are linked to the Secured Overnight Financing Rate, such as the spread over the base rate reflected in the dividend rate provisions, may evolve over time, and as a result, trading prices of the SOFR-linked Preferred Stock may be lower than those of later-issued securities that are linked to the Secured Overnight Financing Rate. Similarly, if the Secured Overnight Financing Rate does not prove to be widely used in securities that are similar or comparable to the SOFR-linked Preferred Stock, the trading price of the SOFR-linked Preferred Stock may be lower than those of securities that are linked to rates that are more widely used. You may not be able to sell the SOFR-linked Preferred Stock at all or may not be able to sell the SOFR-linked Preferred Stock at prices that will provide you with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. The manner of adoption or application of reference rates based on the Secured Overnight Financing Rate in the bond and equity markets may differ materially compared with the application and adoption of the Secured Overnight Financing Rate in other markets, such as the derivatives and loan markets. You should carefully consider how any potential inconsistencies between the adoption of reference rates based on the Secured Overnight Financing Rate across these markets may impact any hedging or other financial arrangements which you may put in place in connection with any acquisition, holding or disposal of the SOFR-linked Preferred Stock.

The dividend rate for the Series F Preferred Stock during the floating rate period may be determined based on a rate other than Three-Month Term SOFR.

Under the terms of the Series F Preferred Stock, the dividend rate on the Series F Preferred Stock for each dividend period during the floating rate period will be based on Three-Month Term SOFR, a forward-looking term rate for a tenor of three months that will be based on the Secured Overnight Financing Rate. Three-Month Term SOFR does not currently exist and is currently being developed under the sponsorship of the ARRC. There is no assurance that the development of Three-Month Term SOFR, or any other forward-looking term rate based on the Secured Overnight Financing Rate, will be completed. Uncertainty surrounding the development of forward-looking term rates based on the Secured Overnight Financing Rate could have a material adverse effect on the return on, value of and market for the Series F Preferred Stock. If, at the commencement of the floating rate period for the Series F Preferred Stock, the Relevant Governmental Body (as defined below) has not selected or recommended a forward-looking term rate for a tenor of three months based on the Secured Overnight Financing Rate, the development of a forward-looking term rate for a tenor of three months based on the Secured Overnight Financing Rate that has been recommended or selected by the Relevant Governmental Body is not complete or we or our designee determine that the use of a forward-looking rate for a tenor of three months based on the Secured Overnight Financing Rate is not administratively feasible, then the next-available Benchmark Replacement under the benchmark transition provisions will be used to determine the dividend rate on the Series F Preferred Stock during the floating rate period (unless a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to that next-available Benchmark Replacement).

Under the terms of the Series F Preferred Stock, we and our designee are expressly authorized to make determinations, decisions or elections with respect to technical, administrative or operational matters that we or our designee decide are appropriate to reflect the use of Three-Month Term SOFR as the dividend rate basis for the Series F Preferred Stock, which are defined in the terms of the Series F Preferred Stock as "Three-Month Term SOFR Conventions." For example, assuming that a form of Three-Month Term SOFR is developed, it is not currently known how or by whom rates for Three-Month Term SOFR will be published. Accordingly, we or our designee will need to determine and to instruct the calculation agent concerning the manner and timing for its determination of the applicable Three-Month Term SOFR during the floating rate period. Our or our designee's determination and implementation of any Three-Month Term SOFR Conventions could result in adverse consequences to the amount of dividends that accrues on the Series F Preferred Stock during the floating rate period, which could adversely affect the return on, value of and market for the Series F Preferred Stock.

Any Benchmark Replacement may not be the economic equivalent of Three-Month Term SOFR.

Under the benchmark transition provisions of the Series F Preferred Stock, if we or our designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to

Three-Month Term SOFR, then the dividend rate on the Series F Preferred Stock during the floating rate period will be determined using the next-available Benchmark Replacement (which may include a related Benchmark Replacement Adjustment). However, the Benchmark Replacement may not be the economic equivalent of Three-Month Term SOFR. For example, Compounded SOFR, the first available Benchmark Replacement, is the compounded average of the daily Secured Overnight Financing Rates calculated in arrears, while Three-Month Term SOFR is intended to be a forward-looking rate with a tenor of three months. In addition, very limited market precedent exists for securities that use Compounded SOFR as the rate basis, and the method for calculating Compounded SOFR in those precedents varies. Further, the ISDA Fallback Rate, which is another Benchmark Replacement, has not yet been established and may change over time.

The implementation of Benchmark Replacement Conforming Changes could adversely affect the amount of dividends that accrue on the Series F Preferred Stock and the trading prices for the Series F Preferred Stock.

Under the benchmark transition provisions of the Series F Preferred Stock, if a particular Benchmark Replacement or Benchmark Replacement Adjustment cannot be determined, then the next-available Benchmark Replacement or Benchmark Replacement Adjustment will apply. These replacement rates and adjustments may be selected or formulated by (i) the Relevant Governmental Body (such as the ARRC), (ii) ISDA or (iii) in certain circumstances, us or our designee. In addition, the benchmark transition provisions expressly authorize us or our designee to make certain changes, which are defined in the terms of the Series F Preferred Stock as "Benchmark Replacement Conforming Changes," with respect to, among other things, the determination of dividend periods, and the timing and frequency of determining rates and making payments of dividends. The application of a Benchmark Replacement and Benchmark Replacement Adjustment, and any implementation of Benchmark Replacement Conforming Changes, could result in adverse consequences to the amount of dividends that accrues on the Series F Preferred Stock during the floating rate period, which could adversely affect the return on, value of and market for the Series F Preferred Stock. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to the then-current Benchmark that it is replacing, or that any Benchmark Replacement will produce the economic equivalent of the then-current Benchmark that it is replacing.

We or an affiliate of ours will or could have authority to make determinations and elections that could affect the return on, value of and market for the Series F Preferred Stock.

In connection with the use of any Benchmark, including Three-Month Term SOFR or any Benchmark Replacement, we may at any time and from time to time, and in our sole discretion, (i) designate any affiliate of ours, any underwriter for the Series F Preferred Stock, any affiliate of any such underwriter or any other person to make one or more determinations, decisions or elections on a temporary or permanent basis, (ii) determine to provide that any determination, decision or election to be made by a designee will be made after consultation with us and subject to the condition that our designee will not make any such determination, decision or election to which we reasonably object and (iii) revoke any such designation. Any person so designated in accordance with the immediately preceding sentence will be a "designee" for purposes of making the Three-Month Term SOFR Conventions and/or the benchmark transition provisions for so long as such designation remains in effect.

Under the terms of the Series F Preferred Stock, we or our designee may make certain determinations, decisions and elections with respect to the dividend rate on the Series F Preferred Stock during the floating rate period, and we will also make any determination, decision or election required to be made by our designee that our designee fails to make. Any such determination, decision or election will be made by us, in our sole discretion, or by our designee, in accordance with the terms of the Series F Preferred Stock, and any such determination, decision or election that we or our designee makes could affect the amount of dividends that accrues on the Series F Preferred Stock during the floating rate period. For example, we or our designee are expressly authorized to determine and implement Three-Month Term SOFR Conventions in order to reflect the use of Three-Month Term SOFR as the Benchmark for the floating rate period. In addition, if we or our designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, then we or our designee will determine, among other things, the Benchmark Replacement Conforming Changes. Any exercise of discretion by us under the terms of the Series F Preferred Stock, including any discretion exercised by us or by a designee, could present a conflict of interest. In making the required determinations, decisions and elections, we or the designee may have economic interests that are adverse to the interest of the holders of the Series F Preferred Stock, and those determinations, decisions or elections could have a material adverse effect on the return on, value of and market for the Series F

Preferred Stock. All determinations, decisions or elections by us or by our designee under the terms of the Series F Preferred Stock will be conclusive and binding absent manifest error.

We have broad discretion in the use of the net proceeds from this offering, and our use of those proceeds may not yield a favorable return on your investment.

We intend to use the net proceeds generated by this offering to support our organic growth and for other general corporate purposes that may include, but are not limited to, the retirement of outstanding preferred stock, working capital and other general purposes. Our management has broad discretion over how these proceeds are to be used and could spend the proceeds in ways with which you may not agree. In addition, we may not use the proceeds of this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the proceeds, and we cannot predict how long it will take to deploy the proceeds.

Securities analysts may not initiate coverage or continue to cover the Series F Preferred Stock.

The trading market for the Series F Preferred Stock will depend in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may not cover us or the Series F Preferred Stock. If securities analysts do not cover us or the Series F Preferred Stock, the lack of research coverage may adversely affect the market price for the Series F Preferred Stock. If we are covered by securities analysts, and the Series F Preferred Stock is the subject of an unfavorable report, the price of the Series F Preferred Stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of the Series F Preferred Stock to decline.

You are not entitled to receive dividends unless declared by us, and dividends are not cumulative.

Dividends on the Series F Preferred Stock are not cumulative. If our Board (or a duly authorized committee thereof) does not declare a dividend on the Series F Preferred Stock for any dividend period, including if prevented from doing so by bank regulators or applicable bank regulatory requirements (including rules and regulations regarding capital adequacy), you will not be entitled to receive any such dividend, and any such undeclared and unpaid dividend will not accumulate or be payable. We will have no obligation to pay dividends for a dividend period after the dividend payment date for that period if our Board (or a duly authorized committee thereof) has not declared such dividend before the related dividend payment date, whether or not dividends are declared for any subsequent dividend period with respect to the Series F Preferred Stock or any other preferred stock we may issue and whether or not funds are or subsequently become available.

As an FDIC-insured, Utah-chartered industrial bank supervised and regulated by the Utah DFI and the FDIC, our ability to declare and pay dividends and redeem the Series F Preferred Stock depends on certain federal and state regulatory considerations. In particular, Utah law permits us to declare dividends (i) only out of our net profits, after providing for all expenses, losses, interest and taxes accrued or due from the Bank and, (ii) for each period, only *after* we have transferred at least 10% of our net profits before dividends for the period to a surplus fund. We are required to make this transfer of 10% of our net profits prior to any dividend until the surplus reaches 100% of our capital stock. As of September 2019, our dividend surplus fund exceeded 100% of our capital stock.

In addition, the comprehensive capital framework for U.S. banking organizations, as implemented by the FDIC, imposes on banks the need to maintain more and higher quality regulatory capital than has historically been the case. These capital requirements could adversely affect our ability to pay dividends or may result in additional limitations on our ability to pay dividends or redeem the Series F Preferred Stock. Under the FDIC's capital rules, dividends on the Series F Preferred Stock may only be paid out of our net income, retained earnings or surplus related to other additional tier 1 capital instruments. In addition, the FDIC's capital rules include a capital conservation buffer was fully phased in as of January 1, 2019. The buffer can be satisfied only with CET1 capital. If our risk-based capital ratios do not satisfy minimum requirements plus the capital conservation buffer, we will face graduated constraints on, among other things, capital distributions (including dividends on the Series F Preferred Stock) based on the amount of the shortfall and the amount of our eligible retained income (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income). In addition, if payment of dividends on Series F Preferred Stock for any dividend period would cause us to fail to comply with any applicable law or regulation, we will not declare or pay a dividend for such dividend period. In such a case, holders of the Series F Preferred Stock will not be entitled to receive any dividend for that dividend period, and the unpaid dividend will cease to accrue or be payable.

Our Board (or a duly authorized committee thereof) could also determine that it would be in our best interest to pay less than the full amount of stated dividends or no dividends on the Series F Preferred Stock for any dividend period, even at a time when sufficient funds were available to make the payment. In making this determination, our Board (or a duly authorized committee thereof) would consider all the factors it considered relevant, which we expect would include our financial condition and capital needs, the impact of current or pending legislation and regulations and general economic conditions.

The Series F Preferred Stock is a new issue of securities and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares.

The Series F Preferred Stock is a new issue of securities with no established trading market. Since the Series F Preferred Stock has no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the Series F Preferred Stock on NASDAQ Capital Market under the symbol "MBNKP." If the application is approved, trading of the Series F Preferred Stock on NASDAQ Capital Market is expected to begin within 30 days after the date of initial delivery of the Series F Preferred Stock. However, an active trading market on NASDAQ Capital Market for the Series F Preferred Stock may not develop or, even if it develops, may not last, in which case the trading price of the Series F Preferred Stock could be adversely affected, the difference between bid and asked prices could be substantial and your ability to transfer shares of Series F Preferred Stock will be limited. The delisting of the Series F Preferred Stock would have similar consequences on the market price and liquidity of the Series F Preferred Stock as described above, and investors are subject to the risk that the Series F Preferred Stock ceases to be listed on a securities exchange whether because we decide to delist the securities voluntarily or otherwise. The underwriters have advised us that they intend to make a market in the Series F Preferred Stock; however, they are not obligated to do so and may discontinue any market making in the Series F Preferred Stock at any time in their sole discretion.

Therefore, we cannot assure you that a liquid trading market for the Series F Preferred Stock will develop or be maintained, that you will be able to sell your shares of Series F Preferred Stock at a particular time or that the price you receive when you sell will be favorable.

Investors should not expect us to redeem the Series F Preferred Stock on the date it becomes redeemable or on any particular date afterwards, and any redemption is subject to FDIC approval.

The Series F Preferred Stock is a perpetual equity security, and as such, it has no maturity or mandatory redemption date and is not redeemable at the option of investors. By its terms, we may redeem the Series F Preferred Stock at our option (i) either in whole or in part, from time to time, on any dividend payment date on or after April 1, 2025, or (ii) in whole but not in part, at any time within 90 days following a regulatory capital treatment event (as defined in "Description of Series F Preferred Stock—Redemption"). Any decision we may make at any time to propose a redemption of the Series F Preferred Stock will depend upon, among other things, our evaluation of our capital position, including for bank regulatory capital ratio purposes, the composition of our shareholders' equity and general market conditions at that time. Our right to redeem the Series F Preferred Stock is subject to an important limitation. Under the FDIA and the FDIC's current risk-based capital rules applicable to us, any redemption of the Series F Preferred Stock is subject to prior approval of the FDIC. There can be no assurance that the FDIC will approve any redemption of the Series F Preferred Stock that we may propose.

As a result of our obligations to creditors and holders of securities ranking equal to the Series F Preferred Stock, we may not be able to make dividend or liquidation payments to you.

The Series F Preferred Stock ranks:

- junior to our deposits, borrowings and any other obligations to our creditors upon our liquidation;

- equal to our shares of preferred stock, including our Series E Preferred Stock, issued on a parity basis with regard to payment of dividends (except as provided below) and amounts due upon liquidation, dissolution or winding-up; and

- senior to our common stock with regard to payment of dividends and amounts due upon liquidation, dissolution or winding-up.

Payment of amounts due on the Series F Preferred Stock will be subordinated to all of our existing and future deposits and other debt. Upon our liquidation, our obligations to our depositors and creditors would rank senior to the Series F Preferred Stock. We may also in the future issue shares of preferred stock that rank senior to the Series F Preferred Stock as to dividend and liquidation payments, subject to the requisite consent of the holders of the Series F Preferred Stock and other preferred stock ranking on a parity with our Series F Preferred Stock, as described under "Description of Series F Preferred Stock—Voting Rights."

We may issue additional Series F Preferred Stock and/or shares of another class or series of preferred stock ranking on a parity with the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up. Upon declaration of a dividend, or upon our liquidation, dissolution or winding-up, we are required to pay the holders of any preferred stock issued on a parity basis with the Series F Preferred Stock at the same time and in the same proportions as we are required to pay the holders of the Series F Preferred Stock. Consequently, if we do not have sufficient funds to pay scheduled dividends to the holders of the preferred stock issued on a parity basis and the Series F Preferred Stock, we may not declare or pay a portion of the scheduled dividends. Similarly, upon our liquidation, dissolution or winding-up, if we do not have sufficient funds to pay the full liquidation preference to the holders of the preferred stock issued on a parity basis and the Series F Preferred Stock, you may receive less than the liquidation preference of your shares.

At September 2019, we had $26,303,000 of Series E Preferred Stock issued and outstanding.

If we are not paying full dividends on the Series E Preferred Stock, we will not be able to pay dividends on the Series F Preferred Stock.

The terms of our outstanding Series E Preferred Stock prohibit us from declaring or paying any dividends or distributions on our common stock, any other junior stock and any parity stock, including the Series F Preferred Stock, at any time when we have not declared and paid in full dividends on the Series E Preferred Stock. Therefore, if we are not paying full dividends on any outstanding shares of Series E Preferred Stock, we will not be able to pay any dividends on the Series F Preferred Stock. See "Description of Capital Stock—Preferred Stock—Series E Preferred Stock" for additional information regarding the terms of our Series E Preferred Stock.

A downgrade, suspension or withdrawal of any rating assigned by a rating agency to us or our securities, including the Series F Preferred Stock, could cause the liquidity or trading price of the shares of Series F Preferred Stock to decline significantly.

Real or anticipated changes in the credit ratings assigned to the Series F Preferred Stock or our credit ratings generally could affect the trading price of the shares of Series F Preferred Stock. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the financial services industry as a whole and may change their credit rating for us and our securities, including the Series F Preferred Stock, based on their overall view of our industry. A future downgrade, withdrawal, or the announcement of a possible downgrade or withdrawal in the ratings assigned to the Series F Preferred Stock, us or our other securities, or any perceived decrease in our creditworthiness could cause the trading price of the shares of Series F Preferred Stock to decline significantly.

For this offering, we selected only Egan-Jones Rating Co. to rate the Series F Preferred Stock. Had we selected other rating agencies to rate the Series F Preferred Stock, the rating that such other rating agencies would ultimately have assigned to the Series F Preferred Stock may have been lower than the rating issued by Egan-Jones

Rating Co. A rating agency not requested or engaged by us to provide a rating may nonetheless issue an unsolicited rating and, if one does, it may be lower than any current rating of our securities. A rating agency might be more likely to issue an unsolicited rating if it was not selected after having had discussions with us. The issuance of unsolicited ratings that are lower than any current ratings of the Series F Preferred Stock could cause the trading price of the shares of Series F Preferred Stock to decline significantly.

Holders of the Series F Preferred Stock have extremely limited voting rights.

The terms of the Series F Preferred Stock generally provide that, except as otherwise required by law, the holders of the Series F Preferred Stock are only entitled to vote in the following limited circumstances: (i) to approve the creation of any class or series of shares that ranks, as to dividends or distribution of assets, senior to the Series F Preferred Stock; or (ii) to alter or change the provisions of our Amended and Restated Articles of Incorporation (the "Articles"), the articles of amendment governing the Series F Preferred Stock or our Amended and Restated Bylaws (the "Bylaws") so as to adversely affect the voting powers, preferences or special rights of the holders of the Series F Preferred Stock. If we fail to pay (whether or not declared) the full amount of the stated cash dividends on the Series F Preferred Stock with respect to any six dividend periods (whether or not consecutive), holders of the Series F Preferred Stock voting as a single class together with holders of any other shares upon which like voting rights have been conferred and are exercisable, will be entitled to elect two directors to serve on the Board (unless the number of directors has already been increased by two as a result of our failure to declare, pay or set aside dividends on other series of preferred stock with like voting rights) until we have paid or declared and set aside for payment full dividends on the Series F Preferred Stock for at least four consecutive dividend periods.

We may issue additional shares of Series F Preferred Stock, securities convertible or exchangeable for Series F Preferred Stock or a new series of preferred stock that ranks equally with the Series F Preferred Stock, and thereby materially and adversely affect the price of the Series F Preferred Stock.

We are not restricted from authorizing or issuing additional shares of Series F Preferred Stock, securities convertible or exchangeable for Series F Preferred Stock, or a new series of preferred stock that ranks equally with the Series F Preferred Stock. We have no obligation to consider the interest of the holders of the Series F Preferred Stock in engaging in any such offering or transaction. If we issue such additional securities, it may materially and adversely affect the price of the Series F Preferred Stock.

We are subject to extensive regulation, and ownership of the Series F Preferred Stock may have regulatory implications for holders thereof.

Although we do not believe that the Series F Preferred Stock are currently considered "voting securities" for purposes of the federal banking laws and regulations, if they were to become "voting securities," whether because we have missed six dividend payments and, as a result, holders of the Series F Preferred Stock have the right to elect directors, or for other reasons, (a) any holder (or group of holders acting in concert) may need regulatory approval to retain 10% or more of the Series F Preferred Stock and (b) any person may be required to obtain the prior approval of the Utah DFI before acquiring "control" of us, as defined in Utah statutes and regulations. See "Supervision and Regulation—Change in Bank Control." Holders of shares of the Series F Preferred Stock should consult their own counsel with regard to regulatory implications.

Fulfilling our public company financial reporting and other regulatory obligations and transitioning to a public company will be expensive and time consuming and may strain our resources.

As a public company, we will be subject to the reporting requirements of the Exchange Act and will be required to implement specific corporate governance practices and adhere to a variety of reporting requirements under Sarbanes-Oxley and the related rules and regulations of the SEC and FDIC, as well as the rules of NASDAQ. The Exchange Act will require us to file annual, quarterly and current reports with respect to our business and financial condition. Sarbanes-Oxley will require, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Compliance with these requirements will place additional demands on our legal, accounting, finance and investor relations staff and on our accounting, financial and information systems and will increase our legal and accounting compliance costs as well as our compensation expense as we may be required to hire additional legal, accounting, tax, finance and investor relations staff. As a public company we may also need to enhance our investor relations and corporate communications functions. These additional efforts may strain our resources and divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition or results of operations. We expect to incur additional incremental ongoing and one-time expenses in connection with our transition to a public company. The actual amount of the incremental expenses we will incur may be higher, perhaps significantly, from our current estimates, including as a result of additional costs we may incur that we have not currently anticipated.

In accordance with Section 404 of Sarbanes-Oxley, our management will be required to conduct an annual assessment of the effectiveness of our internal control over financial reporting and include a report on these internal controls in the annual reports we will file with the FDIC on Form 10-K. Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls until the later of the year following the first annual report required to be filed with the FDIC and the date on which we are no longer an "emerging growth company." When required, this process will require significant documentation of policies, procedures and systems, review of that documentation by our internal auditing and accounting staff and our outside independent registered public accounting firm, and testing of our internal control over financial reporting by our internal auditing and accounting staff and our outside independent registered public accounting firm. Although we are currently subject to similar requirements under the FDIC's regulations for state nonmember banks with total assets of $1 billion or more, such as us, the process required by Section 404 of Sarbanes-Oxley will involve additional time and attention, may strain our internal resources, and will increase our operating costs. We may experience higher than anticipated operating expenses and outside auditor fees during the implementation of these changes and thereafter. If our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Series F Preferred Stock could be negatively affected, and we could become subject to investigations by NASDAQ, the SEC, the FDIC or other regulatory authorities, which could require additional financial and management resources.

If we are not able to implement the requirements of Section 404 of Sarbanes-Oxley in a timely and capable manner, we may be subject to adverse regulatory consequences and there could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material adverse effect on our business, financial condition or results of operations.

The financial reporting resources we have put in place may not be sufficient to ensure the accuracy of the additional information we are required to disclose as a publicly listed company.

As a result of this offering, we will become a publicly listed company. As such we will be subject to the heightened financial reporting standards under GAAP and SEC and FDIC rules, including more extensive levels of disclosure, which require enhancements to the design and operation of our internal control over financial reporting.

If we are unable to meet the demands that will be placed upon us as a public company, including the requirements of Sarbanes-Oxley, we may be unable to accurately report our financial results, or report them within the timeframes required by law or stock exchange regulations. Failure to comply with Sarbanes-Oxley, when and as applicable, could also potentially subject us to sanctions or investigations by the SEC, FDIC or other regulatory authorities. If material weaknesses or other deficiencies occur, our ability to accurately and timely report our financial position could be impaired, which could result in late filings of our annual and quarterly reports under the Exchange Act, restatements of our combined financial statements, a decline in the price of our Series F Preferred Stock, suspension or delisting of our Series F Preferred Stock from NASDAQ Capital Market, and could have a material adverse effect on our business, results of operations or financial condition. Even if we are able to report our financial statements accurately and in a timely manner, any failure in our efforts to implement the improvements or disclosure of material weaknesses in our future filings with the FDIC could cause our reputation to be harmed and our stock price to decline significantly.

In addition, the JOBS Act provides that, so long as we qualify as an "emerging growth company," we will be exempt from the provisions of Section 404(b) of Sarbanes-Oxley, which would require that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. We may take advantage of this exemption so long as we qualify as an "emerging growth company."

We are an emerging growth company within the meaning of the Exchange Act and because we have decided to take advantage of certain exemptions from various reporting and other requirements applicable to emerging growth companies, our Series F Preferred Stock could be less attractive to investors.

For as long as we remain an "emerging growth company," as defined in the JOBS Act, we will have the option to take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404(b) of Sarbanes-Oxley, reduced disclosure obligations regarding executive compensation in our registration statements, periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We have elected to, and expect to continue to, take advantage of certain of these and other exemptions until we are no longer an emerging growth company. In particular, we have elected to use the extended transition period for complying with new or revised accounting standards, which means that the financial statements included in this offering circular and in our future public filings may not be comparable to the financial statements of companies that comply with effective dates for new or revised accounting standards applicable to public companies that are not "smaller reporting companies," as that term is defined in the regulations of the SEC.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1.07 billion or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of an offering of common stock by us pursuant to an effective registration statement, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt, and (iv) the end of the first fiscal year in which (A) the market value of our equity securities that are held by non-affiliates exceeds $700 million as of June 30 of that year, (B) we have been a public reporting company under the Exchange Act for at least twelve calendar months and (C) we have filed at least one annual report on Form 10-K.

As long as MFIN owns a majority of our common stock, we will rely on certain exemptions from the corporate governance requirements of NASDAQ available for "controlled companies."

Upon the completion of this offering, we will be a "controlled company" within the meaning of the corporate governance listing standards of NASDAQ because MFIN will continue to own 100% of our outstanding common stock. As a controlled company, we expect to elect not to comply with the corporate governance requirements of NASDAQ requiring a fully independent corporate governance and nominating committee and a fully independent compensation committee. Upon completion of this offering, we expect that two of our seven directors will not qualify as "independent directors" under the applicable rules of NASDAQ. As a result, you will not have certain of the protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those more fully described under "Risk Factors," beginning on page 19 of this offering circular or the following:

- The concentration of our business in consumer lending, which carries a high risk of loss and could be adversely affected by an economic downturn;
- Our dependence on the credit performance of our loans;
- Our reliance on our relationships with dealerships, contractors and FSPs;
- Our use of brokered deposit sources for our deposit-gathering activities;
- Changes in taxicab and for-hire vehicle industries, which have resulted in increased competition and have resulted in losses in our Medallion loan portfolio;
- Decreases in the value of our Medallion loan collateral;
- Our dependence on our senior management team for our future success;
- The sufficiency of our allowance for loan losses to cover losses on our loans;
- Competition with other lenders;
- Our access to sources of liquidity and capital to address our liquidity needs;
- Our determinations with respect to sales of loans we may conduct and the impact of such sales on our retained portfolios;
- A reduction in demand for our products and failure by us to adapt to such reduction;
- Our pursuit of new business initiatives and strategies, including our pursuit of our Strategic Partnership Program;
- Changes in laws, regulations, or policies that apply to us; and
- The one-time and incremental costs of operating as a public company.

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

USE OF PROCEEDS

We intend to use the proceeds to us generated by this offering, approximately $36,800,000 after deducting the underwriters' discounts and commissions and estimated offering expenses payable by us, for general corporate purposes, which may include, among other things, increasing our capital levels, growing our consumer loan portfolios or redeeming some or all of our outstanding Series E Preferred Stock. Any determination to seek to redeem some or all of the Series E Preferred Stock would be based on our actual and anticipated capital levels and capital deployment opportunities. Under the FDIA and the capital rules applicable to us, any redemption of the Series E Preferred Stock is subject to the prior approval of the FDIC and there can be no assurance that such approval would be provided.

RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our ratio of earnings to fixed charges and our ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods shown below is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2019	2018	2018	2017	2016
	(unaudited)						
				(dollars in thousands)			
Earnings:							
Net income before taxes	$ 11,907	$ 14,887	$ 17,086	$ 4,518	$ 9,238	$ 19,646	$ 1,636
Fixed charges	6,037	5,097	16,508	12,968	17,968	13,958	11,837
Total earnings	17,944	19,984	33,594	17,486	27,206	33,604	13,473
Fixed charges:							
Interest expense on deposits and borrowings	6,003	5,064	16,409	12,879	17,844	13,869	11,762
Interest factor in rent expense	34	33	99	89	124	89	75
Total fixed charges	6,037	5,097	16,508	12,968	17,968	13,958	11,837
Preferred stock dividend requirements	592	592	1,776	1,775	2,367	2,367	2,250
Total combined fixed charges and preferred stock dividends	$ 6,629	$ 5,689	$ 18,284	$ 14,743	$ 20,335	$ 16,325	$ 14,087
Ratio of earnings to fixed charges	2.97	3.92	2.04	1.35	1.51	2.41	1.14
Ratio of earnings to combined fixed charges and preferred stock dividends	2.71	3.51	1.84	1.19	1.34	2.06	0.96

CAPITALIZATION

The following table sets forth our capitalization and capital ratios as of September 2019 on an actual basis and as adjusted to give effect to (i) the sale of 1,600,000 shares of Series F Preferred Stock by us in this offering (assuming the underwriters do not exercise their option to purchase additional shares) at a public offering price of $25 per share, after underwriting discounts and estimated offering expenses payable by us and (ii) the application of the estimated proceeds from this offering as described in "Use of Proceeds," assuming the Series E Preferred Stock is not redeemed. You should read this table in conjunction with our financial statements and the notes thereto included elsewhere in this offering circular.

	As of September 30, 2019	
	Actual	As Adjusted
	(dollars in thousands)	
Debt		
Borrowings	$ 4,000	$ 4,000
Shareholder's Equity		
Preferred Stock, Senior Non-Cumulative Perpetual Preferred Stock, Series E, $1.00 par value, $1,000 liquidation amount per share; 26,303 shares authorized, issued and outstanding	26,303	26,303
Preferred Stock, Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, $1.00 par value, $25 liquidation amount per share; no shares authorized and issued and outstanding, actual; 1,840,000 shares authorized, 1,600,000 shares issued and outstanding, as adjusted	—	36,800
Common Stock, par value $1.00 per share, 7,000,000 shares authorized, 1,000,000 shares issued and outstanding	1,000	1,000
Additional paid-in capital	77,500	77,500
Retained earnings	75,080	75,080
Accumulated other comprehensive income (loss)	406	406
Total shareholder's equity	$ 180,289	$ 217,089
Capital Ratios		
Tier 1 Capital (to average assets)	15.91%	19.16%
Common Equity Tier 1 (to risk-weighted assets)	13.71%	13.71%
Tier 1 Capital (to risk-weighted assets)	16.06%	19.34%
Total Capital (to risk-weighted assets)	17.36%	20.64%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes thereto presented elsewhere in this offering circular. In addition to historical information, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Such statements are subject to risks and uncertainties that could cause our actual results to differ materially. See "Cautionary Note Regarding Forward-Looking Statements." For a more complete discussion of the factors that could affect our future results, see "Risk Factors" beginning on page 19.

Introduction and Business Overview

We are a Utah-chartered, FDIC-insured industrial bank headquartered in Salt Lake City, Utah. Formed in 2002, we are a wholly owned subsidiary of MFIN, a commercial finance company. We specialize in providing consumer loans through dealers for the purchase of RVs, boats and trailers and through contractors for the purchase of home improvements such as replacement windows and roofs. Prior to September 2014, we originated taxicab medallion loans but have since transitioned away from this aspect of our business and reinforced our strategic focus on our growing consumer lending segments. We continue to refinance existing Medallion loans in our portfolio as they mature.

In addition to our current activities, we recently announced a new Strategic Partnership Program, through which the Bank will partner with other companies offering loans and other financial services to their customers. The Strategic Partnership Program is in the early stages of development, and we currently expect to launch our initial partnerships and begin associated activities in the first half of 2020.

As of September 2019, we had total assets of $1.2 billion including a loan portfolio of $1.0 billion. Consumer loans made up 89.0% of our loan portfolio as of September 2019, $693.5 million of which was Recreation loans and $235.3 million of which was Home Improvement loans. Our Medallion loan portfolio decreased 26.3% between December 2018 and September 2019 to $113.2 million, reflecting the Bank's strategy of steadily reducing exposure to this asset type. Equity capital was $180.3 million as of September 2019, and pre-tax income was $11.9 million and $17.1 million, and after-tax net income was $9.3 million and $13.7 million, for the three and nine months ended September 2019, respectively. Equity capital was $167.0 million as of December 2018, and pre-tax income and after-tax net income were $9.2 million and $5.7 million, respectively, for the year ended December 2018. We have been profitable every year since we began operating, including during the 2007-2009 recession.

From time to time since 2016, we have sold loans to third parties in order to manage the size of our balance sheet, keep our capital ratios at targeted levels, and generate gains on sale that help compensate for current Medallion loan provisions and charge-offs. We have not conducted any loan sales to date in 2019. In the future, we may again sell loans when loan production is high and/or secondary market demand offers attractive gains on sale.

Our business is funded primarily through time certificates of deposit originated nationally through a variety of brokered deposit relationships, which offer a low-cost source of funding compared to credit facilities and other funding sources utilized by non-bank lending businesses. We do not originate deposits directly from retail customers and we have no branch operations, which contributes to our low efficiency ratio.

Results of Operations

The following is a discussion and analysis of our results of operations for the three months ended September 2019 compared to the three months ended September 2018, the nine months ended September 2019 compared to the nine months ended September 2018, the year ended December 2018 compared to the year ended December 2017, and the year ended December 2017 compared to the year ended December 2016.

Key Elements for Three Months Ended September 2019 compared to Three Months Ended September 2018

Below are key elements of our performance for the three months ended September 2019 compared to the three months ended September 2018. Our recent results reflect continued strong performance in our consumer lending segments, partially offset by losses in our Medallion loan portfolio, which we are actively addressing through aggressive portfolio management.

- Net income was the second-highest for any quarter in our history, and the highest for any quarter in which no loan sale premiums were recognized due to increased net interest income from our Recreation Lending and Home Improvement Lending segments and a reduced number of Medallion loan impairments. Without a loan sale comparable to that in September 2018, net income decreased 13.4% to $9.3 million, driven by lower gains on sale and higher provision for loan losses, partially offset by higher net interest income.

- Loan origination volumes increased by 8.5% to $125.3 million for the three months ended September 2019, driven by higher volumes in both our Home Improvement Lending and Recreation Lending segments.

- Net interest income increased 3.9% to $27.1 million for the three months ended September 2019, primarily due to a higher average Recreation loan portfolio balance reflecting loan origination growth and the absence of loan sales during the quarter.

- Medallion loans outstanding declined to $113.2 million at September 2019 through a combination of loan charge-offs and payment amortization. The Medallion loan portfolio net of loan loss reserves decreased to $85.0 million at September 2019.

- Our provision for loan losses increased by $0.7 million, or 10.6%, for the three months ended September 2019, primarily due to higher Recreation loan provisions reflecting portfolio growth and increasing delinquency and loss rates, and partially offset by smaller loan provisions for Medallion loans and Home Improvement loans.

Key Elements for Nine Months Ended September 2019 compared to Nine Months Ended September 2018

Below are key elements of our performance for the nine months ended September 2019 compared to the nine months ended September 2018. Our year to date results reflect continued strong performance in our consumer lending segments, partially offset by losses in our Medallion loan portfolio, which we are actively addressing through aggressive portfolio management practices.

- Net income increased significantly to $13.7 million, driven by higher net interest income, lower provisions related to our Medallion loan portfolio, partially offset by increasing provisions for our Recreation loan portfolio, and partially offset by lower non-interest income and higher non-interest expense.

- Loan origination volumes increased 5.5% to $351.6 million for the nine months ended September 2019, driven by higher volumes in both our Home Improvement and Recreation Lending segments.

- Net interest income increased 3.6% to $76.5 million for the nine months ended September 2019, primarily due to a higher average Recreation loan portfolio balance reflecting loan origination growth.

- Our efficiency ratio improved slightly to 33.03% for the nine months ended September 2019, a decrease of 47 basis points compared to the efficiency ratio for the nine months ended September 2018. The improved efficiency ratio is primarily due to an increase in net interest income and an increase in non-interest income resulting from a lower level of write-downs of taxi medallion values.

- Medallion loans outstanding declined by 35.2% to $113.2 million at September 2019 through a combination of loan charge-offs and payment amortization. The Medallion loan portfolio net of loan loss reserves decreased to $85.0 million at September 2019.

- Loan delinquencies 30 days or greater remained at 6.0% of period-end loan portfolio balances at September 2019 largely due to the smaller size of the Medallion loan portfolio partially offset by increases in Recreation loan delinquency reflecting higher delinquency rates and growth in the Recreation loan portfolio.

- Our net charge-off rate decreased 49 basis points to 4.7% for the nine months ended September 2019. Our provision for loan losses decreased by $6.7 million, or 17.1%, for the nine months ended September 2019, primarily due to a lower loan loss reserve for our Medallion loan portfolio and partially offset by higher consumer loan provisions reflecting portfolio growth and rising delinquency and loss rates in our Recreation loan portfolio.

- Our Tier 1 capital was $179.9 million and our Tier 1 leverage ratio increased to 15.9% at September 2019 as a result of earnings due to increased net interest income and reduced loan provision, partially offset by balance sheet growth.

Key Elements for 2018 compared to 2017

Below are key elements of our performance for the year ended December 2018 compared to the year ended December 2017. Results for the year reflected strong performance in our consumer lending segments partially offset by losses in our Medallion loan portfolio, which we actively addressed through aggressive portfolio management practices.

- Net income remained well below historical levels but increased 24.4% to $5.7 million for the year ended December 2018, driven by lower income tax provisions and partially offset by lower non-interest income.

- Loan origination volumes decreased 5.1% to $408.4 million during 2018 compared to 2017, primarily driven by lower volumes in our Home Improvement Lending segment and partially offset by increased volumes in our Recreation Lending segment.

- Net interest income increased 0.8% to $98.2 million for the year ended December 2018, primarily due to a higher average Recreation loan portfolio balance because of loan origination growth, which was partially offset by a whole loan sale in September 2018 that reduced the sizes of the Recreation and Home Improvement loan portfolios.

- Our efficiency ratio worsened to 32.5% for the year ended December 2018, an increase of 4.6 percentage points over the efficiency ratio for the year ended December 2017, primarily due to investments in corporate infrastructure and new business initiatives.

- Medallion loans outstanding declined by 31.0% to $153.7 million at December 2018 through a combination of loan charge-offs and payment amortization. The Medallion loan portfolio net of loan loss reserves decreased to $117.6 million at year end 2018.

- Loan delinquencies 30 days or greater decreased by 131 basis points to 5.7% of period-end loan portfolio balances at December 2018 largely due to Medallion loans becoming delinquent at a slower rate than loan charge-offs.

- Our net charge-off rate increased 130 basis points to 5.60% for the year ended December 2018 as Medallion loans were charged off following prior period impairment. Our provision for loan losses decreased by $0.6 million, or 1.2%, for the year ended December 2018, primarily due to a lower loan loss reserve for our Medallion loan portfolio, partially offset by higher consumer loan provisions reflecting portfolio growth and higher delinquency and loss rates, particularly for Recreation loans.

- Our Tier 1 capital increased by $4.1 million as a result of growth in our consumer loan portfolio. Our Tier 1 leverage ratio increased to 15.8% as a result of capital growth and the whole loan sale executed in September 2018.

Key Elements for 2017 compared to 2016

Below are key elements of our performance for the year ended December 2017 compared to the year ended December 2016. Results for the year reflected continued strong performance in our consumer lending segments offset by losses in our Medallion loan portfolio, which we actively addressed through aggressive portfolio management practices.

- Net income remained well below historical levels but increased 132.1% to $4.6 million for the year ended December 2017, driven by higher net interest income and lower provision for loan losses (in particular lower provisions related to our Medallion loan portfolio) but offset by higher income taxes due to the Tax Cuts and Jobs Act. Our pre-tax income was $19.6 million in 2017; the Tax Cuts and Jobs Act reduced our net income by $7.4 million due to a deferred tax asset write-down, a non-recurring event.

- Loan origination volumes increased 10.7% to $430.6 million during 2017 compared to 2016, primarily driven by higher volumes in our Recreation Lending segment.

- Net interest income increased 6.2% to $97.4 million for the year ended December 2017, primarily due to a higher average Recreation loan portfolio balance because of loan origination growth, which was partially offset by whole loan sales in March and December 2017 that reduced the sizes of the Recreation and Home Improvement loan portfolios.

- Our efficiency ratio increased to 27.9% for the year ended December 2017, an increase of 2.5 percentage points over the efficiency ratio for the year ended December 2016.

- Medallion loans outstanding declined by 25.2% to $222.8 million at December 2017 through a combination of loan charge-offs and payment amortization. The Medallion loan portfolio net of loan loss reserves decreased to $180.4 million at year end 2017.

- Loan delinquencies 30 days or greater decreased by 205 basis points to 7.0% of period-end loan portfolio balances, at December 2017 largely due to Medallion loans becoming delinquent at a slower rate than loan charge-offs.

- Our net charge-off rate increased 52 basis points to 4.3% for the year ended December 2017. Our provision for loan losses decreased by $18.2 million, or 26.2%, for the year ended December 2017, primarily due to a lower loan loss reserve for our Medallion loan portfolio, partially offset by higher consumer loan provisions reflecting portfolio growth, particularly in Recreation loans.

- Our Tier 1 capital increased by $7.3 million but our Tier 1 leverage ratio remained at 14.5% as a result of higher average assets from growth in our consumer loan portfolio, offset by the whole loan sales executed in March and December 2017 and loan charge-offs and payment amortization in our Medallion loan portfolio.

Financial Performance

Net Income

Net income for the three and nine months ended September 2019 was $9.3 million and $13.7 million compared to $10.7 million and $3.2 million for the three and nine months ended September 2018. The decrease in net income for the three months ended September 2019 over 2018 was the result of lower gains on sale in the absence of a consumer loan sale comparable to that in September 2018, partially offset by higher net interest income. The increase in net income for the nine months ended September 2019 compared to 2018 was due to an increase in net interest income related to consumer loan portfolio growth, lower provisions for loan losses as the Medallion loan portfolio reduced in size, and higher non-interest income as the value of taxi cab medallions stabilized and write-downs of repossessed collateral were reduced.

Net income for the year ended December 2018 was $5.7 million compared to $4.6 million for the year ended December 2017 and $2.0 million for the year ended December 2016. The increase in net income during 2018 over 2017 was primarily due to a reduction in income tax expense due to the effects of the Tax Cuts and Jobs Act of 2017 and partially offset by reduced non-interest income as we wrote down the value of taxi medallion collateral.

The increase in net income during 2017 compared to 2016 was largely the result of a decrease in the provision for loan losses, increased net interest income reflecting higher average Recreation loans outstanding, and gains on sale from whole loan sales to a third party in March and December 2017, partially offset by an increase in income tax expense due to the revaluation of our deferred tax asset due to the Tax Cuts and Jobs Act, the latter being a non-recurring event. The reduction in loan loss provision was due to the smaller size of the Medallion loan portfolio and a change in the related provisioning methodology. See "Provision for Loan Losses" for a more detailed explanation of the methodology change.

The returns on average shareholders' equity and average total assets for the year ended December 2018 were 3.5% and 0.5%, respectively, compared to 2.7% and 0.4%, respectively, for the year ended December 2017 and 1.2% and 0.2% for the year ended December 2016.

Table 4 – Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2019	2018	2018	2017	2016
	(unaudited)						
	(dollars in thousands)						
Interest income	$ 33,113	$ 31,148	$ 92,877	$ 86,667	$ 116,073	$111,281	$ 103,454
Interest expense	6,003	5,064	16,409	12,879	17,844	13,869	11,762
Net interest income	27,110	26,084	76,468	73,788	98,229	97,412	91,692
Provision for loan losses	7,316	6,617	32,701	39,449	50,673	51,282	69,466
Net interest income after provision for loan losses	19,794	19,467	43,767	34,339	47,556	46,130	22,226
Non-interest income	32	2,976	(2,125)	(7,675)	(9,439)	1,025	3,691
Non-interest expense	7,919	7,556	24,556	22,146	28,879	27,509	24,281
Earnings before provision for income taxes	11,907	14,887	17,086	4,518	9,238	19,646	1,636
Provision for income taxes	2,621	4,162	3,338	1,274	3,572	15,093	(326)
Net earnings	$ 9,286	$ 10,725	$ 13,748	$ 3,244	$ 5,666	$ 4,553	$ 1,962

Other Financial and Statistical Data

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

	As of and For the Nine Months Ended September 30,		As of and For the Year Ended December 31,					
	2019		2018		2017		2016	
	$	%	$	%	$	%	$	%
	(unaudited)							
			(dollars in thousands)					
Return on assets		1.70%		0.54%		0.42%		0.18%
Return on equity		10.66%		3.51%		2.71%		1.15%
Equity to assets		15.55%		16.33%		15.24%		15.05%
Net interest margin[1]		9.69%		9.44%		9.08%		8.36%
Non-interest expense as a % of average loan receivables		3.37%		3.05%		2.77%		2.37%
Efficiency ratio		33.03%		32.53%		27.95%		25.46%
Effective income tax rate[2]		19.54%		38.66%		76.82%		N.M.
Loan receivables at period-end								
Recreation	$ 693,488		$ 580,790		$ 517,347		$ 468,741	
Home Improvement	235,349		187,419		175,942		239,783	
Medallion	113,249		153,742		222,806		298,059	
Other	1,846		1,886		1,044		944	
Total loan receivables	1,043,932		923,837		917,139		1,007,527	
Deposits	962,987		848,040		906,748		908,442	
Borrowings	4,000		—		—		—	
Total Shareholder's Equity	180,289		166,995		164,230		161,885	
Average active accounts								
Recreation	633,032		567,007		527,846		445,572	
Home Improvement	207,849		189,944		207,947		219,069	
Medallion	132,883		188,027		256,090		331,626	
Other	1,866		2,371		1,250		28,502	
Federal Funds Invested	34,464		49,340		41,468		34,755	
Securities available for sale	44,630		44,288		38,608		37,341	
Net charge-offs								
Recreation[3]	13,271	2.80%	15,428	2.72%	11,824	2.24%	8,959	2.01%
Home Improvement	610	0.39%	1,682	0.89%	2,046	0.98%	2,143	0.98%
Medallion	20,384	20.51%	36,845	19.60%	28,834	11.26%	27,646	8.34%
Other	(2)	(0.12%)	(894)	(37.72%)	(20)	(1.63%)	(20)	(0.08%)
Allowance for loan losses as a % of period-end loan receivables								
Recreation	(26,476)	3.82%	(20,437)	3.52%	(17,950)	3.47%	(15,890)	3.39%
Home Improvement	(3,585)	1.52%	(3,556)	1.90%	(3,079)	1.75%	(4,196)	1.75%
Medallion	(28,484)	25.15%	(36,116)	23.49%	(42,384)	19.02%	(34,729)	11.65%
Other	(28)	1.50%	(28)	1.50%	(3)	0.28%	(4)	0.37%
30+ days past due as a % of period-end loan receivables								
Recreation	32,928	4.75%	30,851	5.31%	25,518	4.93%	21,328	4.55%
Home Improvement	1,209	0.51%	1,171	0.62%	1,498	0.85%	1,223	0.51%
Medallion	31,207	27.56%	20,453	13.30%	37,196	16.69%	68,613	23.02%
Other	—	—%	—	—%	—	—%	—	—%

Notes

(1) Margin improvements primarily reflect a changing mix of assets toward higher-yielding Recreation loans, which rose to 66.4% of the loan portfolio at September 2019 from 46.5% in 2016. See "Segment Results."

(2) The lower effective income tax rate in 2018 and 2019 is due to the ongoing effects of the Tax Cuts and Jobs Act.

(3) The increase in net charge-offs for Recreation loans is due in part to sales of prime-credit loans to third parties in 2016, 2017 and 2018 which changed the credit quality mix in that portfolio. See "Loan Portfolios—Credit Quality."

Table 5 — Average Balance Sheet

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

	As of and For the Nine Months Ended September 30, 2019		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(unaudited) (dollars in thousands)		
Assets			
Interest-earning assets:			
Interest-earning cash and equivalents	$ 34,464	$ 434	1.68%
Securities available for sale	44,630	882	2.64%
Loan receivables:			
Recreation	633,032	73,192	15.46%
Home Improvement	207,849	14,514	9.34%
Medallion	132,883	3,726	3.75%
Other	1,866	129	9.27%
Total loan receivables	975,630	91,561	12.55%
Allowance for loan losses(1)	(58,989)		
Net loan receivables	916,641		
Total interest-earning assets	$1,054,724	$ 92,877	11.77%
Non-interest-earning assets:			
Cash and due from banks	130		
Accrued interest receivable	7,335		
Loan origination fees	16,065		
Repossessed inventory – recreation	1,149		
Repossessed inventory – taxi medallion(2)	28,978		
Other assets held in bankruptcy	—		
Deferred and other tax assets, net	10,496		
Other assets	21,573		
Total assets	$1,081,461		
Interest-bearing liabilities:			
Interest-bearing deposit accounts	898,563	16,409	2.44%
Borrowings	400	—	0.00%
Total interest-bearing liabilities	$ 898,963	$ 16,409	2.44%
Non-interest-bearing liabilities:			
Accrued interest payable	1,981		
Other liabilities	7,292		
Due to affiliates	647		
Dividends payable	178		
Taxes payable	—		
Shareholder's Equity	172,401		
Total liabilities and Equity	$1,081,461		
Interest rate spread			9.33%
Net interest income		$ 76,468	
Net interest margin			9.69%

Notes

(1) The decrease in the allowance for loan losses is mostly due to the reduced level of Medallion loan receivables.

(2) The increase in taxi medallion repossessed inventory is a function of charging off Medallion loans to the collateral value. See "Critical Accounting Estimates – Allowance for Loan Losses."

	As of and For the Year Ended December 31,								
	2018			2017			2016		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(dollars in thousands)								
Assets									
Interest-earning assets:									
Interest-earning cash and equivalents	$ 49,340	$ 631	1.28%	$ 41,468	$ 401	0.97%	$ 34,755	$ 131	0.38%
Securities available for sale	44,288	1,103	2.49%	38,608	887	2.30%	37,341	842	2.26%
Loan receivables:									
Recreation	567,007	89,663	15.81%	527,846	82,083	15.55%	445,572	68,947	15.47%
Home Improvement	189,944	18,035	9.49%	207,947	19,867	9.55%	219,069	21,264	9.71%
Medallion	188,027	6,348	3.38%	256,090	7,994	3.12%	331,626	10,393	3.13%
Other[1]	2,371	293	12.36%	1,250	49	3.97%	28,502	1,877	6.58%
Total loan receivables[2]	947,349	114,339	12.07%	993,133	109,993	11.08%	1,024,769	102,481	10.00%
Allowance for loan losses[3]	(65,385)			(53,424)			(38,309)		
Net loan receivables[2]	881,964			939,709			986,460		
Total interest-earning assets	$ 1,040,977	$ 116,073	11.15%	$ 1,073,209	$ 111,281	10.37%	$1,096,865	$ 103,454	9.43%
Non-interest-earning assets:									
Cash and due from banks	128			205			137		
Accrued interest receivable	6,809			6,408			5,890		
Loan origination fees	13,223			12,423			12,105		
Repossessed inventory – recreation	1,159			1,148			1,189		
Repossessed inventory – taxi medallion[4]	26,021			15,541			—		
Other assets held in bankruptcy[5]	4,764			6,069			6,637		
Deferred and other tax assets, net	14,842			16,868			8,487		
Other assets	11,864			7,326			6,345		
Total assets	$ 1,054,400			$ 1,085,773			$ 1,099,346		
Interest-bearing liabilities:									
Interest-bearing deposit accounts	884,567	17,837	2.02%	910,038	13,864	1.52%	921,595	11,752	1.28%
Borrowings	1,000	7	0.78%	615	5	0.84%	1,154	10	0.88%
Total interest-bearing liabilities	$ 885,567	$ 17,844	2.02%	$ 910,653	$ 13,869	1.52%	$922,749	$ 11,762	1.27%
Non-interest-bearing liabilities:									
Accrued interest payable	1,628			1,205			1,075		
Other liabilities	4,943			4,619			3,721		
Due to affiliates	671			1,026			1,604		
Dividends payable	182			182			231		
Taxes payable	—			—			—		
Shareholder's Equity	161,409			168,088			169,966		
Total liabilities and Equity	$ 1,054,400			$ 1,085,773			$ 1,099,346		
Interest rate spread			9.14%			8.85%			8.16%
Net interest income		$ 98,229			$ 97,412			$ 91,692	
Net interest margin			9.44%			9.08%			8.36%

Notes

(1) See "Other" in "Segment Results" for an explanation of the decline in Other loan receivables from 2015 to 2016, particularly the impact of the sale of the asset-based loan portfolio in September 2016.

(2) The reduction in loan receivables between 2016 and 2017 reflects whole loan sales executed in March and December 2017.

(3) The increase in the allowance for loan losses is due to the changing weighting of the loan portfolio toward consumer loans, plus elevated delinquency and loss rates in the Medallion loan portfolio and to a lesser extent the Recreation loan portfolio. See "Segment Results," "Provision for Loan Losses" and "Allowance for Loan Losses."

(4) The increase in taxi medallion repossessed inventory is a function of charging off Medallion loans to the collateral value. See "Critical Accounting Estimates – Allowance for Loan Losses."

(5) "Other assets held in bankruptcy" included amounts associated with litigation over participations in former asset-based loans. This litigation concluded on December 12, 2018.

Table 6 – Changes in Interest Income and Interest Expense

	Nine Months Ended September, 2019 vs. 2018			Year Ended December 31, 2018 vs. 2017			Year Ended December 31, 2017 vs. 2016		
	Increase (Decrease) Due to Change In			Increase (Decrease) Due to Change In			Increase (Decrease) Due to Change In		
	Average Volume	Average Yield/ Rate	Net Change	Average Volume	Average Yield/ Rate	Net Change	Average Volume	Average Yield/ Rate	Net Change
	(dollars in thousands)								
Interest-earning assets:									
Interest-earning cash and equivalents	$ (231)	$ 344	$ 85	$ 101	$ 128	$ 229	$ 65	$ 205	$ 270
Securities available for sale..............	18	74	68	141	75	216	29	16	45
Loan receivables:									
Recreation..	10,808	(2,125)	6,494	6,193	16,772	22,965	12,794	341	13,135
Home Improvement	1,483	(416)	798	(1,709)	6,028	4,319	(1,063)	(335)	(1,397)
Medallion...	(2,358)	792	(1,171)	(2,300)	3,757	1,457	(2,358)	(37)	(2,396)
Other..	(60)	(31)	(68)	139	(43)	96	(1,081)	(746)	(1,827)
Total loan receivables.........................	9,873	(1,780)	6,053	2,322	26,515	28,837	8,292	(777)	7,515
Change in interest income from total interest-earning assets	$ 9,660	$ (1,362)	$ 6,206	$ 2,564	$ 26,718	$ 29,282	$ 8,386	$ (556)	$ 7,830
Interest-bearing liabilities:									
Interest-bearing deposit accounts......	233	4,497	3,538	(514)	4,486	3,973	(176)	2,288	2,112
Borrowings	—	(10)	(8)	3	(0)	3	(5)	(1)	(5)
Change in interest expense from total interest-bearing liabilities..............	233	4,487	3,530	(511)	4,486	3,975	(181)	2,287	2,107
Total change in net interest income....	$ 9,427	(5,849)	$ 2,676	$ 3,074	$ 22,232	$ 25,306	$ 8,567	$ (2,844)	$ 5,723

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities, and typically constitutes a substantial majority of our total revenue. For the three and nine months ended September 2019, net interest income was $27.1 million and $76.5 million compared to $26.1 million and $73.8 million for the three and nine months ended September 2018, respectively. For the year ended December 2018, net interest income was $98.2 million compared to $97.4 million and $91.7 million for the years ended December 2017 and December 2016, respectively. The following sections provide a description of the component parts of net interest income.

Interest Income

Interest income is comprised of interest and fees on loans, which includes discounts paid by dealers, contractors and FSPs (hereafter referred to as "partners") to compensate us for all or part of the promotional financing provided to their customers, and interest on cash and equivalents and investment securities. We include interest and fees on loans and any past due interest and fees deemed to be collectible. Fees on loans and certain direct loan origination costs are deferred and amortized over the expected life of the loan to better match income and expense in accordance with U.S. generally accepted accounting principles. Both fees and costs are captured in interest and fees on loans, with fees increasing yield and costs decreasing yield. See "Note 1. Organization and summary of significant accounting policies" in the annual audited financial statements included elsewhere in this offering circular for additional information on our revenue recognition policy for interest income.

Interest income increased by $2.0 million, or 6.3% for the three months ended September 2019 over 2018, driven primarily by a higher average Recreation loan portfolio balance. Interest income increased by $6.2 million, or 7.2%, for the nine months ended September 2019 over the nine months ended September 2018, largely due to a higher average Recreation loan portfolio balance.

The yield on our average loans outstanding increased to 12.6% as of September 2019 compared to 12.0% as of September 2018. The yield increase was primarily due to an increase in the percentage of interest-earning assets attributable to Recreation loans and a decrease in the relative percentage of Medallion loans, and a change in the mix of Recreation loans resulting from a sale of prime credit whole loans in September 2018.

Interest income increased by $4.8 million, or 4.3%, for the year ended December 2018 and $7.8 million, or 7.6%, for the year ended December 2017, driven primarily by the growth in our Recreation loans and the changing mix in the loan portfolio toward consumer loans as the Medallion loan portfolio reduced in size.

The yield on our average loans outstanding increased to 12.1% for the year ended December 2018 compared to 11.1% for the year ended December 2017 and 10.0% for the year ended December 2016. The yield increases for both years were primarily due to an increase in the percentage of interest-earning assets attributable to Recreation loans, a decrease in the relative percentage of Medallion loans, and the sale in September 2016 of $40 million in lower-yielding (5%) asset-based loans.

Interest Expense

Interest expense is incurred on our interest-bearing time deposit accounts, all of which are acquired through deposit brokers. Interest expense also includes interest incurred on other borrowings, which was not material for the three and nine months ended September 2019 or the years ended December 2018, 2017 and 2016. Interest expense increased by $0.9 million, or 18.5%, and $3.5 million, or 27.4%, for the three and nine months ended September 2019 compared to the three and nine months ended September 2018, respectively, driven both by growth in our deposit liabilities and increases in our overall cost of funds as market interest rates rose and existing time deposits matured and were replaced. Our cost of funds increased to 2.3% as of September 2019 compared to 1.8% as of September 2018.

Interest expense increased by $4.0 million, or 28.7%, for the year ended December 2018 compared to the year ended December 2017, and $2.1 million, or 17.9%, for the year ended December 2017 compared to the year ended December 2016, driven both by growth in our deposit liabilities and increases in our overall cost of funds as market interest rates rose and existing time deposits matured and were replaced. Our cost of funds increased to 2.1% for the year ended December 2018 compared to 1.5% for the year ended December 2017 and 1.3% for the year ended December 2016.

Provision for Loan Losses

The provision for loan losses is a charge to earnings to maintain the allowance for loan losses, a balance sheet item, at a level consistent with incurred or expected loan losses as of the reporting date. Our provision for loan losses was $7.3 million for the three months ended September 2019, compared to $6.6 million for the three months ended September 2018, an increase of $0.7 million, or 10.6%. This increase was largely due to higher provisions associated with growth and increased delinquency and loss rates in the Recreation loan portfolio partially offset by a reduced rate of Medallion loan portfolio deterioration. The provision for loan losses was $32.7 million for the nine months ended September 2019, compared to $39.4 million for the nine months ended September 2018, a decrease of $6.7 million, or 17.0%. This decrease was due to lower provisions for the Medallion loan portfolio that were partially offset by higher provisions due to Recreation loan portfolio growth.

Our provision for loan losses was $50.7 million for the year ended December 2018, compared to $51.3 million for the prior year, a decrease of $0.6 million, or 1.2%. The decrease was due to lower Medallion loan provisions partially offset by higher consumer loan provisions. The 2017 provision for loan losses decreased $18.2 million, or 26.2%, compared to the $69.5 million provision for the year ended December 2016. This decrease was largely due to a reduction in size of the Medallion loan portfolio, a change in the related provisioning methodology as described below, and offset by continued deterioration of the Medallion loan portfolio and higher provisions associated with growth in the Recreation loan portfolio.

Management expects provisions for the Medallion loan portfolio to remain elevated so long as taxi fare income and market values of taxi medallions are depressed. The Recreation and Home Improvement loan portfolio provisions may increase or decrease based on loan growth and changes in portfolio loan performance that indicate increased or decreased inherent risk. In 2019, the provisions for the Recreation loan portfolio increased due to growth and increased delinquency and loss in the Recreation loan portfolio.

Medallion Valuation Methodology and Loan Provisions

Management uses different valuation methodologies for performing and nonperforming Medallion loans. Performing Medallion loans are carried at book value and are offset by a general reserve, consistent with U.S. generally accepted accounting principles. For nonperforming Medallion loans, management uses recent market transfers, a discounted cash flow model or a weighted combination of the two, to estimate the value of taxi medallions for each jurisdiction. As Medallion loans are impaired, the estimated value is used to calculate the appropriate provision for those impaired loans. Management used a weighting of market transfers and discounted cash flow values during 2017 because it was not possible to conclude whether recent transactions were orderly or not given the extent of the decrease in the average values. During 2018 and 2019, management used market transfers to estimate the value of taxi medallions because the number of transfers during both years was an indication of a more liquid market. Prior to 2017, the Bank charged off Medallion loans to zero when they became impaired. The transition from charging off Medallion loans to zero to the methodology consistent with practices for repossessed collateral described above contributed to the reduced loan loss provision in 2017 compared to 2016. See "Critical Accounting Estimates" for details.

Of the collateral for our Medallion loans, New York City (both fleet and individual) taxi medallions experienced the greatest percentage decline in value in 2018, a 42.5% drop to $186,400 from a value of $324,000 at December 2017. As of September 2019, management assigned New York medallions a value of $175,000, which is a 6.1% decline over the value as of December 2018. As of September 2019, management estimated the value of Chicago taxi medallions at approximately $25,000, a decline of 10.7% over the value as of December 2018. As of December 2018, management estimated the value of Chicago taxi medallions at approximately $28,000, a decline of 41.7% over the value as of December 2017.

During 2016, the Bank significantly reduced its exposure within its Chicago Medallion loan portfolio by fully charging off $13.2 million of Chicago Medallion loans, the related provision for which is included in the 2016 total provision for loan losses.

Management's estimated value for New York City (fleet) taxi medallions declined 41.1% during 2017, from $550,000 to $324,000. New York City (individual) taxi medallions declined 35.2% to the same $324,000 in 2017 from $500,000 at December 2016. At December 2017, management's estimated value of the taxi medallions securing the Chicago Medallion loans was $48,000, which represented a decline of 20.0% from management's estimated value of $60,000 at December 2016. During 2017, the Taxi & Limousine Commission eliminated the distinction between fleet and individual medallions, which caused us to assign the same value to both types of New York medallions after that change.

Recreation and Home Improvement Loan Provisions

The provision for Recreation loans for the three months ended September 2019 was $6.6 million compared to $3.3 million for the three months ended September 2018, largely reflecting loan portfolio growth and an increase in the allowance level for the Recreation loan portfolio in September 2019. The provision for Recreation loans for the nine months ended September 2019 was $19.3 million compared to $13.0 million for the nine months ended September 2018, largely reflecting loan portfolio growth and an increase in the allowance level for the Recreation loan portfolio in September 2019. The provision for Recreation loans was $17.9 million in 2018, compared to $13.9 million in 2017 and largely reflecting loan portfolio growth.

The provision for Home Improvement loans in the three months ended September 2019 was a credit of $653,000, compared to a credit of $279,000 in the three months ended September 2018. The decrease was due to a change in the allowance level for the Home Improvement loan portfolio in September 2019 which was larger than the effect of the September 2018 loan sale and also offset portfolio growth. The provision for Home Improvement loans in the nine months ended September 2019 was $640,000 compared to $1.4 million in the nine months ended September 2018. The decrease was due to a change in the reserve level for Home Improvement loans in September 2019 which was larger than the effect of the September 2018 loan sale and also offset portfolio growth. The Home

Improvement loan provision was $2.2 million in 2018, compared to $928,000 in 2017. The increase reflected a smaller number of loan sales, which offset the impact of portfolio growth.

The expected loan loss rates that produced our 2017 allowance for Recreation and Home Improvement loans were consistent with prior periods, and thus provisions were a simple calculation based on net loan portfolio growth and actual loan losses. In 2018, we further segmented our Home Improvement loans and modified the expected loss rates, plus increased the expected loss rates for some types of Recreation loans based on recent experience. Provisions for 2018 reflected the changes in assumptions, net loan portfolio growth and actual loan losses. Provisions for 2019 largely reflected loan portfolio growth and changes in loan loss rates, in particular rising loss rates in the Recreation loan portfolio and falling loss rates in the Home Improvement loan portfolio.

For additional information about the provision for loan losses and the allowance, see the discussion of asset quality and the allowance for loan losses below, as well as in “Note 3. Loans and allowance for loan losses” in the annual audited financial statements and the interim unaudited financial statements included elsewhere in this offering circular.

Non-Interest Income

For the three months ended September 2019, non-interest income was $32,000, a decrease of $2.9 million when compared with the three months ended September 2018. The decrease in non-interest income was the result of a $2.9 million gain on sale related to the sale of whole consumer loans in September 2018 that did not reoccur in 2019.

For the nine months ended September 2019, non-interest income was a loss of $2.1 million, a significant increase of $5.5 million when compared with the nine months ended September 2018. The increase in non-interest income was the result of a $8.4 million decrease in loss on sale of repossessed loan collateral, mostly associated with write-downs of taxi medallion values, and partially offset by a $2.9 million decrease in gain on sale associated with a sale of whole consumer loans in September 2018 that did not reoccur in 2019. The loss on sale of repossessed loan collateral occurs as we mark to market value the repossessed taxi medallion collateral, which appears in our interim unaudited financial statements as $30.8 million of the $32.0 million in “Loan collateral in process of foreclosure” at September 2019.

For the year ended December 2018, non-interest income was a loss of $9.4 million, a decrease of $10.5 million when compared with 2017. The decrease in non-interest income was the result of loss on sale of repossessed collateral driven by a $10.6 million loss on sale recorded in March 2018, partially offset by a $2.9 million gain on sale associated with the sale of whole consumer loans in September 2018. The loss on sale of repossessed loan collateral occurs as we mark to market value the repossessed taxi medallion collateral, which appears in our annual audited financial statements as $27.2 million of the $28.7 million in “Loan collateral in process of foreclosure” at December 2018.

For the year ended December 2017, non-interest income was $1.0 million, a decrease of $2.7 million, or 72.2%, when compared with 2016. The decrease in non-interest income was the result of a $6.3 million increase in loss on sale of repossessed loan collateral, partially offset by an increase of $3.8 million in net gain on sale associated with sales of whole consumer loans in March and December 2017. The loss on sale of repossessed loan collateral occurs as we mark to market value the repossessed taxi medallion collateral, which appears in our annual audited financial statements as $26.2 million of the $27.7 million in “Loan collateral in process of foreclosure” at December 2017.

As a portfolio lender, we generally seek to earn net interest income over gains on sale, and factors that affect our decision to engage in loan sales include the availability and attractiveness of sale opportunities and our balance sheet management strategies. It is possible that loan sales of the sizes and types executed in 2017 and 2018 may not be pursued in future periods.

Non-Interest Expense

Non-interest expense increased $363,000, or 4.8%, to $7.9 million for the three months ended September 2019 from $7.6 million for the three months ended September 2018. This increase was primarily driven by higher salaries and higher business development costs from MFIN, and partially offset by a $311,000 reduction in regulatory fees.

Non-interest expense increased $2.4 million, or 10.9%, to $24.6 million for the nine months ended September 2019 from $22.1 million for the nine months ended September 2018. This increase was primarily driven by higher legal expenses related to Medallion loan collections, higher salaries and benefits costs, higher business development costs from MFIN, and partially offset by a $311,000 reduction in regulatory fees.

Non-interest expense increased $1.4 million, or 5.0%, to $28.9 million for the year ended December 2018 from $27.5 million for the year ended December 2017. This increase was primarily driven by higher salaries, higher legal expenses related to Medallion loan collection, and higher information technology costs.

Non-interest expense increased $3.2 million, or 13.3%, to $27.5 million for the year ended December 2017 from $24.3 million for the year ended December 2016. This increase was primarily driven by a write-down of an other asset held in bankruptcy as well as higher expenses for regulatory fees. See "Note 3. Loans and allowance for loan losses" in the annual audited financial statements and the interim unaudited financial statements included elsewhere in this offering circular for additional information regarding the other asset held in bankruptcy.

Table 7 – Non-Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2019	2018	2018	2017	2016
	(unaudited)						
	(dollars in thousands)						
Loan servicing	$ 2,704	$ 2,618	$ 7,881	$ 7,684	$ 10,211	$ 9,833	$ 9,324
Regulatory fees	268	580	1,196	1,775	2,349	2,410	1,287
Salary and benefits	2,295	1,985	6,547	5,768	7,709	6,575	5,784
Write-down of other assets (asset based)	—	—	—	—	(891)	1,476	—
Write-off goodwill	—	—	—	—	—	—	776
Other	2,652	2,373	8,932	6,919	9,501	7,215	7,110
Total	$ 7,919	$ 7,556	$ 24,556	$ 22,146	$ 28,879	$ 27,509	$ 24,281

Transactions with Affiliates

We are a wholly owned subsidiary of MFIN, a commercial finance company. MFIN formed the Bank in 2002 to provide it with a low-cost source of funding for MFIN's medallion lending business, and the Bank originated new Medallion loans referred to it by MFIN until September 2014. Medallion loans were referred by MFIN to its subsidiaries based on various factors. For example, loans that were not eligible for investment by MFIN-owned funds licensed by the U.S. Small Business Administration under the Small Business Investment Company ("SBIC") program due to net worth and other characteristics of the borrower were allocated to the Bank and certain of its non-SBIC affiliates. We currently focus on growing our consumer lending segments while we reduce our exposure to Medallion loans. Although we no longer originate new Medallion loans, we continue to refinance Medallion loans in our portfolio as those loans mature.

We benefit from services we receive from MFIN and certain other affiliates. In 2010, MFIN formed MSC to provide loan servicing, collection and other customer services to the Bank pursuant to a loan servicing agreement. The services provided by MSC to the Bank include services in connection with the liquidation of our Medallion loan portfolio. In addition, the Bank historically received loan origination and marketing services from Medallion Funding LLC, a wholly owned small business investment company subsidiary of MFIN. We also receive certain corporate services, including support for business development, capital raises, human resources and legal, from MFIN pursuant to a corporate services agreement. Business development costs vary from year to year and we expect that pattern to continue in response to the types of new business opportunities that are available to us. We expect servicing and collection costs to remain relatively high as a result of ongoing servicing and workouts associated with the Medallion loan portfolio. Costs related to human resources services will depend on the number of employees at the Bank, and costs for legal support will vary from period to period depending on the projects active at the time. Information technology services shifted away from MFIN to in-house and third-party resources in the three months ended September 2018.

In the three months ended September 2019, the Bank compensated MFIN for loan servicing in the amount of $1.2 million, which was a decrease of $110,000 over the related compensation in the three months ended September 2018. This was due to a decrease in servicing and collection activity associated with Medallion loans during the period. We compensated MFIN in the amount of $288,000 for corporate services in the three months ended September 2019, an increase of 60.9% over the related compensation in the three months ended September 2018. This was due to an increase in business development and human resources costs and partially offset by legal support costs during the quarter.

In the nine months ended September 2019, we compensated MFIN for loan servicing in the amount of $3.6 million, which was a decrease of $274,000 compared to the related compensation in the nine months ended September 2019. We compensated MFIN in the amount of $741,000 for corporate services in the nine months ended September 2019, an increase of 17.1% over the related compensation in the nine months ended September 2018. This was due to an increase in business development and human resources costs and partially offset by information technology and legal support costs during the year.

In 2018, we compensated MFIN for loan servicing in the amount of $5.2 million, which was a decrease of $82,000 over the related compensation in 2017. This was due to a decrease in servicing and collection activity associated with Medallion loans during the year. We compensated MFIN in the amount of $849,000 for corporate services in 2018, a decrease of 1.8% over the related compensation in 2017. This was due to a decrease in business development costs during the year.

In 2017, we compensated MFIN for loan servicing in the amount of $5.3 million, which was an increase of $414,000 over the related compensation in 2016. This was due to an increase in servicing and collection activity associated with Medallion loans during the year. We compensated MFIN in the amount of $865,000 for corporate services in 2017, a decrease of 14.0% over the related compensation in 2016. This was due to a decrease in business development costs during the year. See “Certain Relationships and Related-Person Transactions” for further information about these arrangements.

Provision for Income Taxes

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

As a consolidated entity with MFIN for tax purposes beginning January 1, 2017, the Bank makes its estimated tax payments to MFIN instead of directly to the Internal Revenue Service (the “IRS”). This change has not resulted in a material financial impact on the Bank.

We recognized income tax expense for the nine months ended September 2019 of $3.3 million reflecting an effective tax rate of 19.5%. The low effective tax rate was due to a settlement with the State of Utah related to prior tax years that reduced taxes owed for 2019.

In the year ended December 2018, we recognized income tax expense of $3.6 million reflecting an effective tax rate of 38.7%. The elevated effective tax rate was due to a $600,000 additional provision taken in the fourth quarter associated with the anticipated settlement of tax litigation with the State of Utah resulting from a refund request in the amount of $2.1 million filed by the Bank in 2013. The litigation, which followed from the State of Utah's denial of the refund request in 2015, settled in the second quarter of 2019.

We recognized income tax expense for the year ended December 2017 of $15.1 million reflecting an effective tax rate of 76.8%. On December 20, 2017, the U.S. Congress passed the Tax Cut and Jobs Act of 2017 which was signed by the President on December 22. The Act reduced the federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the change in tax law, it was necessary for us to recalculate our deferred tax asset at lower enacted rates, which resulted in a one-time increase to our income tax expense by $7.4 million for the year ended December 2017. In the year ended December 2016, we had no income tax expense and instead recorded a benefit of $326,000 due to an over-accrual of state tax expense from the prior year.

Segment Results

Based on our internal operating structure, we determined our operations are organized into four reportable segments representing our three core businesses – Recreation Lending, Home Improvement Lending and Medallion Lending – and an Other segment. As we grow and continue to increase our focus on consumer lending while working out our Medallion loan portfolio, we will continually monitor our segment composition, including to account for our new Strategic Partnership Program, which we currently expect will initially be included within our Other segment. Because we have not originated new Medallion loans since September 2014 and intend, over the long term, to exit that business, we expect to transition to three reporting segments, Recreation Lending, Home Improvement Lending and Other, once activities relating to Medallion Lending cease to meet the criteria for a reporting segment.

Our Recreation Lending segment is a consumer finance business working with third-party dealers and FSPs for the purpose of financing RVs, boats and other consumer recreational equipment. The Home Improvement Lending segment differs in that it works with contractors and FSPs in order to finance residential home improvements. The Medallion Lending segment was active until September 2014 and is now a liquidating portfolio of commercial loans with taxi medallions as the collateral. The Other segment consists of our remaining operations, including loans that are not Recreation, Home Improvement or Medallion loans and in prior years consisted predominantly of asset-based loans before we sold that portfolio to another bank in 2016. The primary factors considered in determining the reportable segments for our core businesses include the nature of the underlying collateral financed, the resources used to provide the products and services to our partners, and our internal operating structure.

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

Recreation Lending

The Recreation Lending segment is a high-growth prime and non-prime consumer finance business which is a significant source of income for the Bank, accounting for 79.1% and 78.8% of our gross interest income for the three and nine months ended September 2019, 77.4% and 77.0% for the three and nine months ended September 2018, and 77.2%, 73.8%, and 66.6% of our interest income for the years ended December 2018, 2017, and 2016, respectively. The loans are secured primarily by RVs, boats and trailers.

Table 8 – Recreation Lending Income Statement

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(unaudited)						
	(dollars in thousands)						
Gross interest income	$ 27,929	$ 25,556	$ 77,934	$ 70,642	$ 94,920	$ 86,649	$ 72,976
Amortization of loan origination costs	(1,723)	(1,433)	(4,743)	(3,944)	(5,257)	(4,566)	(4,028)
Other fees and costs	2	1,728	6	1,734	1,736	2,546	1,127
Interest expense	(3,740)	(2,825)	(10,041)	(7,250)	(10,084)	(7,244)	(5,208)
Provision for loan losses	(6,607)	(3,297)	(19,311)	(12,964)	(17,915)	(13,884)	(11,212)
Servicing fees	(1,824)	(1,629)	(5,342)	(4,721)	(6,304)	(5,374)	(4,624)
Salaries	(1,435)	(1,197)	(4,075)	(3,422)	(4,611)	(3,581)	(2,807)
Direct	(313)	(290)	(973)	(958)	(1,175)	(999)	(763)
Overhead	(978)	(961)	(3,589)	(2,825)	(3,894)	(3,104)	(2,014)
Net income before taxes	$ 11,311	$ 15,652	$ 29,866	$ 36,292	$ 47,416	$ 50,443	$ 43,447
Average loans outstanding	$678,038	$ 599,950	$633,032	$ 563,118	$ 567,007	$527,846	$ 445,572
(as a % of average loans outstanding)							
Gross interest income	16.34%	16.90%	16.46%	16.77%	16.74%	16.42%	16.38%
Amortization of loan origination costs	(1.01%)	(0.95%)	(1.00%)	(0.94%)	(0.93%)	(0.87%)	(0.90%)
Other fees and costs	0.00%	1.14%	0.00%	0.41%	0.31%	0.48%	0.25%
Interest expense	(2.19%)	(1.87%)	(2.12%)	(1.72%)	(1.78%)	(1.37%)	(1.17%)
Provision for loan losses	(3.87%)	(2.18%)	(4.08%)	(3.08%)	(3.16%)	(2.63%)	(2.52%)
Servicing fees	(1.07%)	(1.08%)	(1.13%)	(1.12%)	(1.11%)	(1.02%)	(1.04%)
Salaries	(0.84%)	(0.79%)	(0.86%)	(0.81%)	(0.81%)	(0.68%)	(0.63%)
Direct	(0.18%)	(0.19%)	(0.21%)	(0.23%)	(0.21%)	(0.19%)	(0.17%)
Overhead	(0.57%)	(0.64%)	(0.76%)	(0.67%)	(0.69%)	(0.59%)	(0.45%)
Net income before taxes	6.62%	10.35%	6.31%	8.62%	8.36%	9.56%	9.75%

Net income before taxes decreased $4.3 million to $11.3 million for the three months ended September 2019 over 2018, mostly due to a $1.7 million reduction in gain on sale associated with a one-time whole loan sale of Recreation loans in September 2018 and an increase in the level of allowance for loan loss. Net income before taxes decreased $6.4 million to $29.9 million for the nine months ended September 2019 over 2018, mostly due to an increase in the level of the allowance for loan loss and a reduction in gain on sale of $1.7 million from a one-time whole loan sale of Recreation loans in September 2018.

Net income before taxes decreased $3.0 million to $47.4 million in 2018 over 2017 due to an increase in provision for loan loss and partly offset by increases in net interest income.

Net income before taxes for the Recreation Lending segment increased $7.0 million to $50.4 million in 2017 over 2016, mostly due to portfolio growth and gain on sale of $2.5 million from a whole loan sale of Recreation loans in December 2017.

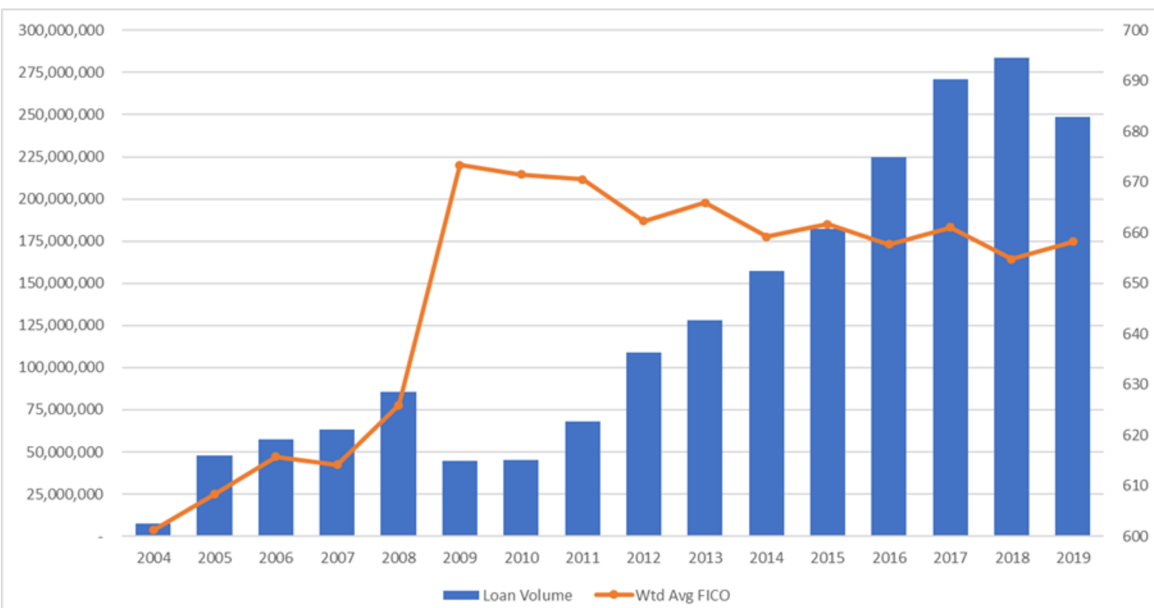
Table 9 – Recreation Lending Gain on Sale

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2019	2018	2018	2017	2016
	(unaudited)						
	(dollars in thousands)						
Sold	$ —	$ 55,979	$ —	$ 55,979	$ 55,979	$ 67,689	$ 40,984
Premium	—	3,191	—	3,191	3,191	3,858	1,844
Gain on Sale	—	1,725	—	1,725	1,725	2,528	1,089
% of Income	—%	6.67%	—%	2.52%	1.89%	2.99%	1.55%
Total Income	$ 26,208	$ 25,851	$ 73,198	$ 68,432	$ 91,398	$ 84,629	$ 70,075

As of December 2018, loans originated in connection with Recreation Lending have grown at a compound annual growth rate of 15.8% since 2014 and 24.1% since 2004. In addition to offering prime-credit financing, we specialize in helping recreation product dealerships finance customers with past credit challenges, including bankruptcy, tax liens, collections and other credit issues. The proportion of Recreation loans funded that are prime credit increased dramatically in 2009 as a result of financial crisis-related market disruptions, as indicated by the chart below, then declined somewhat in recent quarters as competition increased for prime credit loans. As of September 2019, the weighted average FICO score was 647 for this portfolio.

The following chart shows the volume of Recreation loans funded for each year since the inception of our Recreation Lending business in 2004, along with the average FICO score at the time of origination for the loans funded that year.

Chart 9 – Recreation Lending Volume and Weighted Average FICO Score



Recreation loans represented $693.5 million, or 66.4%, of the Bank's loan portfolio as of September 2019, up from $580.8 million, or 62.9%, of the Bank's loan portfolio as of December 2018, which was up from $517.3 million, or 56.4%, as of December 2017. The gross yield of our Recreation loan portfolio was 16.46% for the nine months ended September 2019, compared to 16.74%, 16.42%, and 16.38% as of December 2018, 2017, and 2016, respectively. Approximately 3.6% of our new loan originations in the nine months ended September 2019 are from our top ten dealer relationships and an additional 25.4% are from our top three FSP relationships.

The Recreation loan portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $13,800. The weighted average maturity of our loans outstanding is 8.7 years. Our Recreation Lending net charge-offs for the nine months ended September 2019 and the years ended 2018, 2017, and 2016 were 2.80%, 2.72%, 2.24%, and 2.01% of average loans outstanding, respectively. The increase in net charge-offs in our Recreation Lending segment from 2016 through September 2019 is due in part to sales of prime-credit loans to a third party in 2016, 2017 and 2018, which changed the credit quality mix in the Recreation loan portfolio and reduced the average performing loans outstanding. Although net charge-offs have recently increased, in light of the portfolio's non-prime characteristics, they have been stable and low compared to historical levels, and were 6.10% or less during the 2007-2009 recession.

Our Recreation Lending provisions for loan losses for the nine months ended September 2019 and the years ended 2018, 2017, and 2016 were 4.08%, 3.16%, 2.63%, and 2.52% of average loans outstanding, respectively. This increase was largely associated with growth and increased delinquency and loss in the Recreation loan portfolio.

Home Improvement Lending

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

Table 10 – Home Improvement Lending Income Statement

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2019	2018	2018	2017	2016
	(unaudited)						
	(dollars in thousands)						
Gross interest income	$ 4,923	$ 4,697	$ 13,454	$ 12,772	$ 16,722	$ 18,725	$ 20,628
Amortization of loan origination costs	368	295	1,060	944	1,313	1,142	636
Other fees and costs	5	1,192	13	1,202	1,203	4,677	2,298
Interest expense	(1,230)	(956)	(3,285)	(2,396)	(3,325)	(2,604)	(2,372)
Provision for loan losses	653	279	(640)	(1,366)	(2,159)	(928)	(2,650)
Servicing fees	(322)	(273)	(966)	(861)	(1,157)	(1,115)	(1,029)
Salaries	(752)	(653)	(2,110)	(1,890)	(2,519)	(2,323)	(2,143)
Direct	(136)	(151)	(414)	(455)	(597)	(525)	(507)
Overhead	(255)	(270)	(977)	(826)	(1,108)	(1,035)	(755)
Net income before taxes	$ 3,254	$ 4,160	$ 6,135	$ 7,124	$ 8,373	$ 16,014	$ 14,106
Average loans outstanding	$ 224,950	$ 201,436	$ 207,849	$ 191,967	$ 189,944	$ 207,947	$ 219,069
(as a % of average loans outstanding)							
Gross interest income	8.68%	9.25%	8.65%	8.90%	8.80%	9.00%	9.42%
Amortization of loan origination costs	0.65%	0.58%	0.68%	0.66%	0.69%	0.55%	0.29%
Other fees and costs	0.01%	2.35%	0.01%	0.84%	0.63%	2.25%	1.05%
Interest expense	(2.17%)	(1.88%)	(2.11%)	(1.67%)	(1.75%)	(1.25%)	(1.08%)
Provision for loan losses	1.15%	0.55%	(0.41%)	(0.95%)	(1.14%)	(0.45%)	(1.21%)
Servicing fees	(0.57%)	(0.54%)	(0.62%)	(0.60%)	(0.61%)	(0.54%)	(0.47%)
Salaries	(1.33%)	(1.29%)	(1.36%)	(1.32%)	(1.33%)	(1.12%)	(0.98%)
Direct	(0.24%)	(0.30%)	(0.27%)	(0.32%)	(0.31%)	(0.25%)	(0.23%)
Overhead	(0.45%)	(0.53%)	(0.63%)	(0.57%)	(0.58%)	(0.50%)	(0.34%)
Net income before taxes	5.74%	8.19%	3.95%	4.96%	4.41%	7.70%	6.44%

Net income before taxes decreased $0.9 million to $3.3 million in the three months ended September 2019 over 2018, mostly due to a reduction of $1.2 million in gain on sale due to a one-time whole loan sale of $45.0 million in September 2018, partly offset by higher net interest income due to portfolio growth. Net income before taxes decreased $1.0 million to $6.1 million in the nine months ended September 2019 over 2018, mostly due to a reduction of $1.2 million in gain on sale due to a one-time whole loan sale of $45.0 million in September 2018, partly offset by higher net interest income due to portfolio growth.

Net income before taxes decreased $7.6 million to $8.4 million in 2018 over 2017, due to lower average loans outstanding and a significant reduction in gain on sale.

Net income before taxes for the Home Improvement Lending segment increased $1.9 million to $16.0 million in 2017 over 2016, mostly due to the gains of $4.6 million on whole loan sales of $93.9 million and $59.7 million in March and December 2017, respectively.

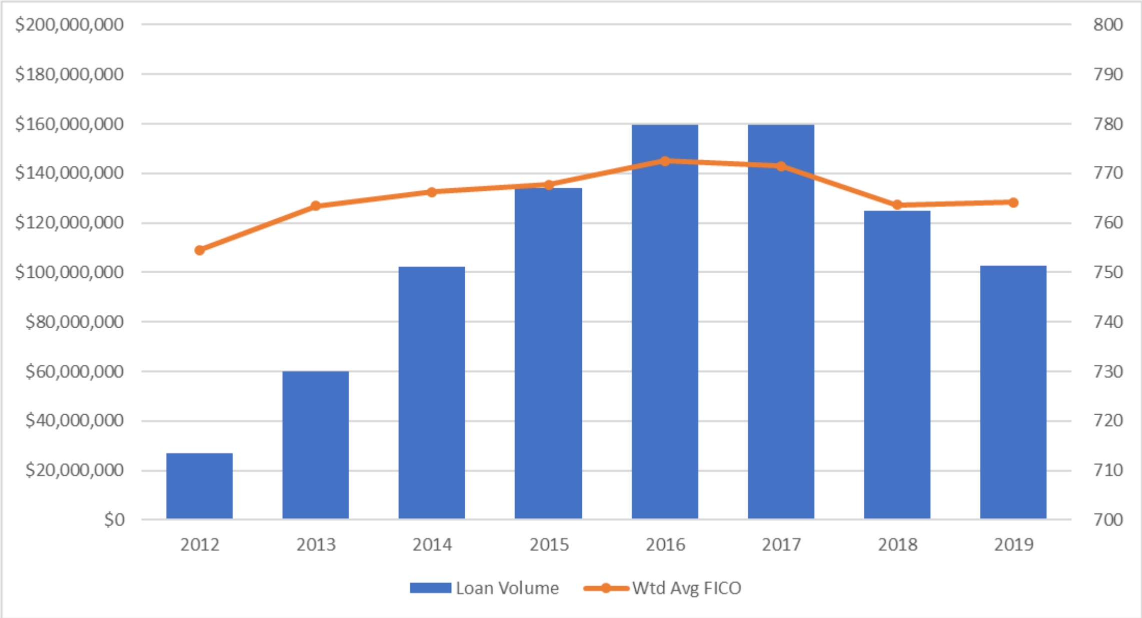
Table 11 – Home Improvement Lending Gain on Sale

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
	(unaudited)						
	(dollars in thousands)						
Sold	$ —	$ 44,909	$ —	$ 44,909	$ 44,909	$153,564	$ 56,527
Premium	—	1,841	—	1,841	1,841	6,795	2,544
Gain on Sale	—	1,188	—	1,189	1,189	4,634	2,239
% of Income	—%	19.22%	—%	7.97%	6.18%	18.88%	9.50%
Total Income	$ 5,296	$ 6,185	$ 14,526	$ 14,918	$ 19,238	$ 24,543	$ 23,562

Home Improvement loans represented $235.3 million, or 22.5%, of the Bank's loan portfolios as of September 2019, up from $187.4 million, or 20.3%, of the Bank's loan portfolios as of December 2018, which was up from $175.9 million, or 19.2%, of the Bank's loan portfolios as of December 2017 and from $239.8 million, or 23.8%, as of December 2016. As of December 2018, loans originated in connection with Home Improvement Lending have grown at a compound annual growth rate of 5.2% since 2014 and 29.2% since 2012, which is the year in which the segment originated its first loan. The relatively low growth rate since 2016 reflects whole loan sales of Home Improvement loans in June 2016, March 2017, December 2017 and September 2018, plus increased competition for prime credit home improvement loans. Home Improvement Lending provides us with high-quality assets; as of September 2019, the average FICO score in this portfolio was 758. The gross yield of the Home Improvement Lending portfolio was 8.65% for the nine months ended September 2019, compared to 8.80%, 9.00%, and 9.42% for the years ended December 2018, 2017, and 2016, respectively. The decline in yield between 2016 and 2019 reflects competitive pricing pressure in the home improvement finance niche and a change in loan product origination mix.

The following chart shows the volume of Home Improvement loans funded for each year since the inception of our Home Improvement Lending business in 2012, along with the average FICO score at the time of origination for the loans funded that year.

Chart 10 – Home Improvement Lending Volume and Weighted Average FICO Score



The Bank currently has relationships with approximately 700 contractors and FSPs. Approximately 40.0% of Home Improvement Lending's new loan originations in the nine months ended September 2019 are from our top ten contractors.

The average term of our loans outstanding is 10.2 years as of September 2019 and the average loan size is approximately $14,400. Our Home Improvement Lending net charge-offs for the nine months ended September 2019 and the years ended 2018, 2017, 2016 were 0.39%, 0.89%, 0.98%, and 0.98% of average loans outstanding, respectively. Since we commenced our Home Improvement lending business in early 2012, annual net charge-offs have not exceeded 1.12%. Geographic dispersion of the Home Improvement loan portfolio supplements credit quality in reducing risk.

Medallion Lending

Until September 2014, we originated loans to finance the purchase of taxicab medallions in connection with MFIN's business. However, due to the dramatic impact of ride-sharing companies like Uber and Lyft on taxi fare volumes and medallion values, we transitioned away from this aspect of our business and focused our strategy on growing our consumer lending segments. We continue to refinance Medallion loans as they mature given the lack of alternative financing for such borrowers. All loans associated with our Medallion loan portfolio are secured by taxi cab medallions and guaranteed by the medallion owners.

Table 12 – Medallion Lending Income Statement

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
	(unaudited)						
	(dollars in thousands)						
Gross interest income	$ 1,176	$ 1,550	$ 3,721	$ 4,921	$ 6,377	$ 8,085	$ 10,576
Amortization of loan origination costs	(1)	(1)	5	(24)	(23)	(91)	(183)
Other fees and costs	24	55	(2,144)	(10,615)	(12,365)	(6,203)	72
Interest expense	(598)	(840)	(1,922)	(2,229)	(3,022)	(2,964)	(3,298)
Provision for loan losses	(1,362)	(3,600)	(12,752)	(25,096)	(30,576)	(36,490)	(56,239)
Servicing fees	(1,202)	(1,311)	(3,616)	(3,892)	(5,158)	(5,273)	(4,861)
Salaries	(106)	(130)	(341)	(436)	(559)	(610)	(700)
Direct	(429)	(381)	(1,405)	(798)	(1,316)	(313)	(953)
Overhead	(139)	(239)	(677)	(828)	(1,082)	(1,381)	(1,365)
Net income before taxes	$ (2,637)	$ (4,897)	$ (19,131)	$ (38,997)	$ (47,724)	$(45,240)	$ (56,951)
Average loans outstanding	$ 118,532	$ 179,791	$ 132,883	$ 195,757	$ 188,027	$256,090	$ 331,626
(as a % of average loans outstanding)							
Gross interest income	3.94%	3.46%	3.74%	3.36%	3.39%	3.16%	3.19%
Amortization of loan origination costs	—%	—%	0.01%	(0.02%)	(0.01%)	(0.04%)	(0.06%)
Other fees and costs	0.08%	0.12%	(2.16%)	(7.25%)	(6.58%)	(2.42%)	0.02%
Interest expense	(2.00%)	(1.85%)	(1.93%)	(1.52%)	(1.61%)	(1.16%)	(0.99%)
Provision for loan losses	(4.56%)	(7.94%)	(12.83%)	(17.14%)	(16.26%)	(14.25%)	(16.96%)
Servicing fees	(4.02%)	(2.89%)	(3.64%)	(2.66%)	(2.74%)	(2.06%)	(1.47%)
Salaries	(0.35%)	(0.29%)	(0.34%)	(0.30%)	(0.30%)	(0.24%)	(0.21%)
Direct	(1.43%)	(0.84%)	(1.41%)	(0.55%)	(0.70%)	(0.12%)	(0.29%)
Overhead	(0.47%)	(0.53%)	(0.68%)	(0.56%)	(0.58%)	(0.54%)	(0.41%)
Net income before taxes	(8.83%)	(10.81%)	(19.25%)	(26.63%)	(25.38%)	(17.67%)	(17.17%)

The net loss before taxes for our Medallion Lending segment improved $2.3 million to a loss of $2.6 million for the three months ended September 2019, compared to a net loss before taxes of $4.9 million for the three months ended September 2018, due to a reduced rate of Medallion loan portfolio deterioration and stabilizing taxi medallion values. The net loss before taxes for our Medallion Lending segment decreased $19.9 million to a loss of $19.1 million for the nine months ended September 2019, compared to a net loss before taxes of $39.0 million for the nine months ended September 2018, mostly due to stabilization of the market for medallion values and a reduced rate of Medallion loan portfolio deterioration.

The net loss before taxes for our Medallion Lending segment increased $2.5 million to a loss of $47.7 million for 2018, compared to a net loss before taxes of $45.2 million for 2017, due to higher charge-offs and increased provisioning as we experienced Medallion loan deterioration, and lower net interest income as the portfolio reduced in size.

The net loss before taxes for our Medallion Lending segment improved $11.7 million to a loss of $45.2 million for 2017, compared to a net loss before taxes of $57.0 million for 2016, due to lower charge-offs and provisions reflecting the declining size of the Medallion loan portfolio and a change in provisioning and charge-off methodology.

The Medallion loan portfolio is declining as a result of charge-offs and amortization payments. Our Medallion loan portfolio declined from $393.9 million at its peak in July 2014 to $113.2 million, $153.7 million, $222.8 million, and $298.1 million, as of September 2019 and December 2018, 2017, and 2016, respectively.

Through conservative portfolio management practices, particularly since 2016, we aggressively built loan loss reserves to 25.15% of the outstanding portfolio and charged off a total of $117.5 million, and the Medallion loan portfolio has shrunk to 9.8% of our total assets, down from a high point of 46.9% as of December 2011. See “Critical Accounting Estimates” elsewhere in this document for a discussion of our allowance methodology.

We expect to have elevated losses in this portfolio even as taxi medallion values are stabilizing, and, even if values remain stable or slowly increase, elevated loan losses may continue for some time.

Table 13 – Medallion Loan Portfolio Composition by Jurisdiction and Year

	As of September 30, 2019	As of December 31, 2018	2017	2016
		(dollars in thousands)		
New York	$ 108,671	$ 146,063	$ 199,177	$ 246,341
Newark	3,570	4,255	6,086	6,454
Chicago	551	2,876	16,812	41,604
Other	457	548	731	3,660
Total	$ 113,249	$ 153,742	$ 222,806	$ 298,059

Other

The Other segment includes our portfolio of loans that are not Recreation, Home Improvement or Medallion loans, as well as cash, investments and net non-interest earning assets. Prior to September 2016, we managed a portfolio of asset-based loans originated in partnership with MFIN. In September 2016, because of limited portfolio growth and increased competition for credits, MFIN arranged the sale of all asset-based loans on our behalf, substantially reducing the loan portfolio size of this segment. We currently expect that our new Strategic Partnership Program will initially form part of our Other segment.

Net loss decreased $8,000 to a net loss of $21,000 in the three months ended September 2019 over 2018, mostly due to a reduction in legal expenses following the settlement of litigation in December 2018 related to an other asset held in bankruptcy. Net income increased $117,000 to $216,000 in the nine months ended September 2019 over 2018, mostly due to a reduction in legal expenses and write-downs related to litigation involving a third-party finance company which sold various participations in asset-based loans to the Bank and which became the subject of an involuntary bankruptcy petition filed by its bank lenders. The litigation concluded on December 12, 2018, when the bankruptcy court entered an order confirming the third-party finance company’s plan of liquidation.

Net income for the Other segment increased $2.7 million to $1.2 million in 2018 over 2017, mostly due to a gain of $891,000 and a reduction in write-downs and legal expenses related to the other asset held in bankruptcy, which settled in December 2018.

Net income for the Other segment decreased $2.6 million to a net loss of $1.6 million in 2017 over the $1.0 million in net income in 2016, mostly due to increased legal expenses related to the other asset held in bankruptcy, which settled in December 2018.

Other loans represented $1.8 million, or 0.18%, of the Bank’s loan portfolios as of September 2019, down from $1.9 million, or 0.20%, as of December 2018 and up from $1.0 million, or 0.12%, as of December 2017 and $0.9 million, or 0.10%, in December 2016. The increase in Other in 2018 was due to a new real estate loan made as part of a Medallion loan workout and a reduction in Community Reinvestment Act loans.

Investment Securities

All of the Bank's investment securities were classified as available-for-sale at September 2019 and December 2018, 2017, and 2016, and are reported in our financial statements at fair value. We maintain a portfolio of investment securities consisting of U.S. Treasuries and agency securities for liquidity purposes, and state and municipal securities held to comply with the Community Reinvestment Act.

Table 14 – Investment Securities Portfolio Amortized Cost and Fair Value

	As of September 30, 2019		As of December 31, 2018		2017		2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(unaudited)		(dollars in thousands)					
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 34,431	$ 34,935	$ 32,184	$ 31,456	$ 32,749	$ 32,442	$ 27,619	$ 27,169
State and municipalities	12,279	12,487	14,239	13,868	11,098	11,036	10,039	9,692
Total	$ 46,710	$ 47,422	$ 46,423	$ 45,324	$ 43,847	$ 43,478	$ 37,658	$ 36,861

Unrealized gains and losses, net of the related tax effect, on available-for-sale securities that are not other-than-temporarily impaired are excluded from earnings and are reported as a separate component of comprehensive income (loss) until realized. As of September 2019 and December 2018, 2017, and 2016, our investment securities had gross unrealized gains of $830,000, $50,000, $99,000, and $99,000, respectively, and gross unrealized losses of $118,000, $1.1 million, $468,000, and $896,000, respectively.

Table 15 – Investment Securities Portfolio Maturity Distribution

	As of September 30, 2019				
	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due After 10 Years	Total
	(unaudited) (dollars in thousands)				
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ —	$ 12,252	$ 10,387	$ 12,296	$ 34,935
State and municipalities	35	245	29	12,178	12,487
Total	$ 35	$ 12,497	$ 10,416	$ 24,474	$ 47,422

	As of December 31, 2018				
	Due in 1 Year or Less	Due After 1 through 5 Years	Due After 5 through 10 Years	Due After 10 Years	Total
	(dollars in thousands)				
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 1	$ 8,478	$ 11,178	$ 11,799	$ 31,456
State and municipalities	25	356	40	13,447	13,868
Total	$ 26	$ 8,834	$ 11,218	$ 25,246	$ 45,324

As of September 2019 and December 2018, we did not hold investments in any single issuer with an aggregate book value that exceeded 10% of equity.

Loan Portfolios

Total loans increased by $120 million to $1.04 billion as of September 2019, from $0.92 billion as of December 2018, as a result of Recreation and Home Improvement loan growth, partially offset by the continued reduction in Medallion loan balances. Total loans increased by $6.7 million in 2018 from $917.1 million as of December 2017 due to the reduction in Medallion loan balances and whole consumer loan sales, partially offset by consumer loan growth. Our total loan-to-deposit ratio decreased to 108.0% as of September 2019 from 108.9% as of December 2018, after increasing from 101.1% as of December 2017. The recent decline in the loan-to-deposit ratio as of September 2019 is largely due to higher levels of capital and increased cash held for liquidity purposes.

Table 16 – Loan Receivables

	As of September 30, 2019		As of December 31, 2018		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)		(dollars in thousands)					
Loan receivables								
Recreation	$ 693,488	66.43%	$ 580,790	62.87%	$ 517,347	56.41%	$ 468,741	46.52%
Home Improvement	235,349	22.54%	187,419	20.29%	175,942	19.18%	239,783	23.80%
Medallion	113,249	10.85%	153,742	16.64%	222,806	24.29%	298,059	29.58%
Other	1,846	0.18%	1,886	0.20%	1,044	0.12%	944	0.10%
Total	$1,043,932	100.00%	$ 923,837	100.00%	$ 917,139	100.00%	$1,007,527	100.00%

As of September 2019 and December 2018, the Recreation loan portfolio represented 66.4% and 62.9% of outstanding loan balances, while our Home Improvement loan portfolio represented 22.5% and 20.3%, and Medallion loan portfolio represented 10.8% and 16.6% of outstanding loan balances, respectively. The Home Improvement loans, which had been growing as a percentage of our loan balances, shrunk in the year ended December 2017 relative to the year ended December 2016 due to the March and December 2017 whole loan sales.

Because of high prepayment speeds due both to early pay-downs and payoffs, the average life associated with our consumer loan portfolios is significantly shorter than the average maturity. The average life of our Recreation Lending loans is projected to be approximately 37 months while the average life of our Home Improvement loans is projected to be approximately 33 months. Our calculations use the contractual amortization amount plus projected loan losses and monthly prepayment speeds consistent with our experience over the prior 12 months for both portfolios. In the case of Recreation loans, the projected monthly loss assumption is 280 basis points and the prepayment speed assumption is 1.72% per month. For Home Improvement loans, the projected monthly loss assumption is 39 basis points and the prepayment speed assumption is 2.26% per month. For comparison, the average maturity is based on the contractual terms of the loans in each portfolio.

Table 17 – Months to Maturity by Portfolio

	As of September 30, 2019 — Months to Maturity									
	0-3 Months	4-6 Months	7-12 Months	13-24 Months	25-36 Months	37-48 Months	49-60 Months	60+ Months	Total	Average Life (Months)
	(dollars in thousands)									
Recreation	$ 52,481	$ 48,384	$ 88,491	$ 143,749	$ 107,946	$ 78,908	$ 56,843	$ 116,687	$ 693,488	37
Home Improvement	21,863	20,405	35,677	53,973	36,521	24,442	16,144	26,324	235,349	33
Medallion	42,604	18,982	8,460	28,124	3,884	4,899	6,296	—	113,249	
Other	1,846	—	—	—	—	—	—	—	1,846	
Total	$ 118,794	$ 87,770	$ 132,628	$ 225,846	$ 148,351	$ 108,250	$ 79,282	$ 143,011	$ 1,043,932	

Credit Quality

For consumer loans, we consider the borrower's payment history and current payment performance as leading indicators of credit quality. Recreation, Home Improvement and Medallion loans are considered nonperforming generally when they become 90 days delinquent based on contractual terms, at which time the accrual of interest income is discontinued, when classified as a Troubled Debt Restructuring ("TDR"), or when otherwise impaired.

Table 18 – Loan Portfolios by Performance Status

	Performing	Non-performing	Total
	(dollars in thousands)		
As of September 30, 2019 (unaudited)			
Recreation (unaudited)	$ 686,602	$ 6,886	$ 693,488
Home Improvement (unaudited)	235,106	243	235,349
Medallion (unaudited)	101,162	12,087	113,249
Other (unaudited)	1,846	—	1,846
Total (unaudited)	$1,024,716	$ 19,216	1,043,932
As of December 31, 2018			
Recreation	$ 575,165	$ 5,625	$ 580,790
Home Improvement	187,282	137	187,419
Medallion	126,677	27,065	153,742
Other	1,886	—	1,886
Total	$ 891,010	$ 32,827	$ 923,837
As of December 31, 2017			
Recreation	$ 512,219	$ 5,128	$ 517,347
Home Improvement	175,580	362	175,942
Medallion	176,081	46,725	222,806
Other	1,044	—	1,044
Total	$ 864,924	$ 52,215	$ 917,139
As of December 31, 2016			
Recreation	$ 464,574	$ 4,167	$ 468,741
Home Improvement	239,542	241	239,783
Medallion	242,239	55,820	298,059
Other	944	—	944
Total	$ 947,299	$ 60,228	$ 1,007,527

The increase in the percentage and absolute value of nonperforming Recreation and Home Improvement loans in December 2017 was a consequence of the whole loan sales in March and December 2017, and of an overall increase in consumer loan origination volumes and modest decline in credit performance for Recreation loans. The increase in consumer loan origination volumes, specifically the larger resulting portfolios, and the decline in credit performance for Recreation loans increases the amount of nonperforming loans. Since only performing loans were sold as part of the whole loan sales in September 2018 and March and December 2017, both the portfolio size relative to the level of nonperforming loans and the denominator of the nonperforming loan ratio were reduced.

For Medallion loans, we also assign individual credit ratings ranging from 1 (lowest risk) to 8 (highest risk and a designated charge-off) as an indicator of credit quality. For period-end numbers, the highest assigned rating for any loan will be a 7 because any 8-rated loans were charged off at month end. These ratings are based on specific risk factors, including (i) historical and projected financial results of the borrower, (ii) market conditions of the taxi industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, and (iv) the borrower's payment history with us.

Table 19 – Medallion Loans by Jurisdiction and Risk Rating

	Pass Rating 1-4	Special Mention Rating 5	Substandard Rating 6	Doubtful Rating 7	Non-rated	Total
As of September 30, 2019 (unaudited)						
Jurisdiction:						
New York (unaudited)	$ 52,377	$ 13,419	$ 42,874	$ —	$ 1	$ 108,671
Newark (unaudited)	1,775	234	1,263	—	298	3,570
Chicago (unaudited)	76	—	420	—	55	551
Other (unaudited)	52	348	57	—	—	457
Total (unaudited)	$ 54,280	$ 14,001	$ 44,614	$ —	$ 354	$ 113,249
As of December 31, 2018						
Jurisdiction:						
New York	$ 75,315	$ 25,008	$ 29,120	$ 2,060	$ 14,560	$ 146,063
Newark	2,311	238	1,706	—	—	4,255
Chicago	1,388	798	690	—	—	2,876
Other	366	135	47	—	—	548
Total	$ 79,380	$ 26,179	$ 31,563	$ 2,060	$ 14,560	$ 153,742
As of December 31, 2017						
Jurisdiction:						
New York	$ 142,443	$ 22,412	$ 29,850	$ 1,692	$ 2,780	$ 199,177
Newark	3,953	261	1,337	281	254	6,086
Chicago	4,315	2,000	10,401	—	96	16,812
Other	483	141	107	—	—	731
Total	$ 151,194	$ 24,814	$ 41,695	$ 1,973	$ 3,130	$ 222,806
As of December 31, 2016						
Jurisdiction:						
New York	$ 218,374	$ 7,021	$ 20,126	$ —	$ 820	$ 246,341
Newark	6,195	—	259	—	—	6,454
Chicago	17,309	1,278	22,921	—	96	41,604
Other	3,285	—	374	—	1	3,660
Total	$ 245,163	$ 8,299	$ 43,680	$ —	$ 917	$ 298,059

Impaired Loans and Troubled Debt Restructurings

Our loss mitigation strategies sometimes result in rate reductions, principal forgiveness, extensions or other actions, which may cause a related loan to be classified as a TDR and also be impaired. Loans classified as TDRs are recorded at their present value with impairment measured as the difference between the loan balance and the discounted present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan. Our allowance for loan losses on TDRs is generally measured based on the difference between the recorded loan receivable and the present value of the expected future cash flows.

Medallion loan TDRs are placed on nonaccrual status until the Bank believes repayment under the revised terms is reasonably assured and a sustained period of repayment performance has been achieved (typically six months for a monthly amortizing loan). For TDRs that are accruing interest, interest income is accounted for in the same manner as other accruing loans. The TDR classification remains on the loan until it is paid in full or liquidated. As TDRs, they are subject to analysis for specific reserves by calculating the fair value of the collateral less its estimated cost to sell.

Nonperforming Assets

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

Table 20 – Nonperforming Assets

	As of September 30, 2019	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
	(unaudited)			
	(dollars in thousands)			
Loans on nonaccrual:				
Recreation	$ 4,429	$ 5,625	$ 5,005	$ 3,938
Home Improvement	243	137	362	241
Medallion	2,745	12,439	9,734	36,121
Other	—	—	—	—
Total	$ 7,417	$ 18,201	$ 15,101	$ 40,300
Troubled debt restructured loans:				
Recreation[1]	$ 2,454	$ —	$ 123	$ 229
Home Improvement	—	—	—	—
Medallion	9,342	14,626	35,741	17,068
Other	—	—	—	—
Total	$ 11,796	$ 14,626	$ 35,864	$ 17,297
Other repossessed inventory - Recreation	$ 1,177	$ 1,503	$ 1,526	$ 1,197
Other repossessed inventory - Medallion	$ 30,814	$ 27,220	$ 26,181	$ —
Other assets held in bankruptcy	$ —	$ —	$ 5,161	$ 6,637
Total nonperforming assets	$ 51,204	$ 61,550	$ 83,833	$ 65,431
Asset Quality Ratios:				
Total nonaccrual loans to total loans	1.14%	2.36%	3.56%	5.16%
Total nonperforming assets to total assets	4.42%	6.02%	7.90%	6.33%
Allowance for loan losses to nonaccrual loans	492.28%	275.74%	194.10%	105.45%

(1) In 2019, we changed our accounting methodology for Chapter 13 Recreation loan bankruptcies, and we now account for such Recreation loans as TDRs. Prior to this change, such Recreation loans were placed on nonaccrual status, but were not treated as TDRs. The numbers for prior years have not been revised to reflect this change in accounting methodology.

Significant nonaccrual loans as of September 2019 and December 2018, included 13 and 32 Medallion loans totaling $5.1 million and $16.0 million, respectively, that reached 90 days or more in delinquency. Each nonaccrual Medallion loan is actively managed by the Bank, and each Medallion loan is tested for impairment each month. If the loan balance exceeds the value of the collateral less selling costs, a specific allocation is recorded to the allowance for loan losses for each such Medallion loan. The consumer loan allowance for loan losses does not include specific allocations for nonaccrual loans.

As of September 2019 and December 2018, loans past due 90 days or more included 6 and 20 Medallion loans totaling $2.3 million and $14.2 million, respectively, for which we are engaged in workout negotiations.

Our repossessed assets as of September 2019 and December 2018, 2017 and 2016 totaled $32.0 million, $28.7 million, $27.7 million, and $1.2 million, respectively. The increase was solely driven by the repossession of taxi medallions.

Delinquencies

Loan delinquencies of 30 days or more as a percentage of period-end loan balances outstanding decreased to 5.98% as of September 2019, as compared to 5.70% as of December 2018, 7.00% as of December 2017, and 9.05% as of December 2016. The 28 basis point increase in the nine months ended September 2019 was driven by an increase in delinquencies for the Medallion loan portfolio, partially offset by a decrease in delinquency for the Recreation and Home Improvement loan portfolios. The 130 basis point decrease in the year ended December 2018 compared to the year ended December 2017 was largely due to a decrease in Medallion loan delinquency as nonperforming Medallion loans were charged-off. The 205 basis point decrease in the year ended December 2017 compared to the year ended December 2016 was driven by a stabilizing rate of new Medallion loans becoming delinquent as nonperforming loans were charged off.

Table 21 - Delinquencies

	Current	30-59	60-89	90+	Total
	(dollars in thousands)				
As of September 30, 2019 (unaudited)					
Recreation (unaudited)	$ 660,560	$ 20,728	$ 7,491	$ 4,709	$ 693,488
Home Improvement (unaudited)	234,140	695	271	243	235,349
Medallion (unaudited)	82,042	27,944	921	2,342	113,249
Other (unaudited)	1,846	—	—	—	1,846
Total (unaudited)	$ 978,588	$ 49,367	$ 8,683	$ 7,294	$ 1,043,932
As of December 31, 2018					
Recreation	$ 549,939	$ 20,189	$ 6,395	$ 4,267	$ 580,790
Home Improvement	186,247	734	301	137	187,419
Medallion	133,289	5,448	839	14,166	153,742
Other	1,886	—	—	—	1,886
Total	$ 871,361	$ 26,371	$ 7,535	$ 18,570	$ 923,837
As of December 31, 2017					
Recreation	$ 491,829	$ 16,682	$ 5,196	$ 3,640	$ 517,347
Home Improvement	174,444	871	268	359	175,942
Medallion	185,610	13,859	10,809	12,528	222,806
Other	1,044	—	—	—	1,044
Total	$ 852,927	$ 31,412	$ 16,273	$ 16,527	$ 917,139
As of December 31, 2016					
Recreation	$ 447,413	$ 13,801	$ 4,622	$ 2,905	$ 468,741
Home Improvement	238,560	609	369	245	239,783
Medallion	229,445	7,910	21,930	38,774	298,059
Other	944	—	—	—	944
Total	$ 916,362	$ 22,320	$ 26,921	$ 41,924	$ 1,007,527

Net Charge-Offs

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

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

Table 22 – Ratio of Net Charge-Offs (Recoveries) to Average Loan Balances Outstanding

	Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2018	2017	2016
	(unaudited)				
Recreation	2.80%	2.52%	2.72%	2.24%	2.01%
Home Improvement	0.39%	0.83%	0.89%	0.98%	0.98%
Medallion	20.51%	17.18%	19.60%	11.26%	8.34%
Other	(0.12%)	(0.11%)	(37.72%)	(1.63%)	(0.08%)

Our net charge-offs during the three months ended September 2019 decreased to $8.4 million compared to $8.9 million in the three months ended September 2018. We recorded $4.0 million in total Medallion loan charge-offs for the three months ended September 2019, including $4.3 million in charge-offs in the New York Medallion loan portfolio and a net gain of $58,000 in the Chicago Medallion loan portfolio. The increase in Recreation loan charge-offs to $4.3 million in the three months ended September 2019 is due to portfolio growth and lower portfolio credit quality related to origination mix associated with whole loan sales.

Our net charge-offs during the nine months ended September 2019 decreased to $34.3 million compared to $36.9 million in the nine months ended September 2018. We recorded $20.4 million in total Medallion loan charge-offs for the nine months ended September 2019, $20.1 million in the New York Medallion loan portfolio and $525,000 in the Chicago Medallion loan portfolio. The increase in Recreation loan charge-offs to $13.3 million in the nine months ended September 2019 is due to portfolio growth and lower portfolio credit quality largely related to portfolio composition changes associated with whole loan sales.

Our net charge-offs during the year ended December 2018 increased to $53.1 million compared to $42.7 million in the year ended December 2017. We recorded $36.8 million in total Medallion loan charge-offs for the year ended December 2018, $27.7 million in the New York Medallion loan portfolio and $8.7 million in the Chicago Medallion loan portfolio. The increase in Recreation loan charge-offs to $15.4 million in the year ended December 2018 is due to portfolio growth and lower portfolio credit quality related to origination mix associated with whole loan sales.

Net charge-offs during the year ended December 2017 increased to $42.7 million compared to $38.7 million in the year ended December 2016, largely due to Medallion loan charge-offs of $28.8 million and Recreation loan charge-offs of $11.8 million.

Allowance for Loan Losses

The allowance is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolios and is based on management's continuing evaluation of the portfolio, the related risk characteristics, and the overall economic and environmental conditions affecting the portfolios. The estimation is inherently subjective as it requires measurements that are susceptible to significant revision as more information becomes available. As of September 2019 and December 2018, 2017, and 2016, our allowance totaled $58.6 million, $60.1 million, $63.4 million, and $54.8 million, respectively, which represented 5.61%, 6.51%, 6.91%, and 5.44% of total loans, respectively. The decrease in the allowance for loan losses as of September 2019 and December 2018 was primarily driven by an decrease in the size of the reserve for Medallion loans due to declines in the size of the portfolio and the amount of nonperforming loans, partially offset by higher provisions in the Recreation loan portfolio associated with growth and increased delinquency and loss in that portfolio.

For a summary of our accounting methodologies relating to the allowance for loan losses, see the Allowance for Loan Losses section of our significant accounting policies in "Note 1. Organization and summary of significant accounting policies” in the annual audited financial statements included elsewhere in this offering circular.

Annually, we analyze our allowance methodology to assess whether updates are necessary based on various considerations including current market conditions, portfolio trends and industry information. Historically, proxy loss factors based on current industry studies were utilized in the Medallion loan portfolio’s general reserve calculation.

Table 23 – Allowance for Loan Losses

	As of September 30, 2019			
	Loan Amount	%	Allowance Amount	Allowance as a % of Loan Amount
	(unaudited) (dollars in thousands)			
Loan receivables:				
Recreation	$ 693,488	66.43%	26,476	3.82%
Home Improvement	235,349	22.54%	3,585	1.52%
Medallion	113,249	10.85%	28,484	25.15%
Other	1,846	0.18%	28	1.50%
Total	$ 1,043,932	100.0%	$ 58,573	5.61%

	As of December 31,											
	2018				2017				2016			
	Loan Amount	%	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	%	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	%	Allowance Amount	Allowance as a % of Loan Amount
	(dollars in thousands)											
Loan receivables:												
Recreation	$ 580,790	62.87%	$ 20,437	3.52%	$ 517,347	56.41%	$ 17,950	3.47%	$ 468,741	46.52%	$ 15,890	3.39%
Home Improvement	187,419	20.29%	3,556	1.90%	175,942	19.18%	3,079	1.75%	239,783	23.80%	4,196	1.75%
Medallion	153,742	16.64%	36,116	23.49%	222,806	24.29%	42,384	19.02%	298,059	29.58%	34,729	11.65%
Other	1,886	0.20%	28	1.50%	1,044	0.12%	3	0.28%	944	0.10%	4	0.37%
Total	$ 923,837	100.00%	$ 60,137	6.51%	$ 917,139	100.00%	$ 63,416	6.91%	$ 1,007,527	100.00%	$ 54,819	5.44%

As of September 2019, the remaining New York Medallion loan portfolio balance was $108.7 million with an associated allowance of $27.1 million, leaving a net New York Medallion loan exposure of $81.6 million. As of September 2019, the remaining Chicago Medallion loan portfolio had a balance of $551,000 and an associated allowance of $512,000, leaving a net loan exposure of $39,000.

As of December 2018, the remaining New York Medallion loan portfolio balance was $146.0 million with an associated allowance of $33.1 million, leaving a net New York Medallion loan exposure of $112.9 million. As of December 2018, the remaining Chicago Medallion loan portfolio had a balance of $2.9 million and an associated allowance of $2.0 million, leaving a net loan exposure of $900,000.

Table 24 – Allowance by Loan Portfolio, Charge-Offs and Recoveries

	Nine Months Ended September 30,		Year Ended December 31,		
	2019	2018	2018	2017	2016
	(unaudited)				
	(dollars in thousands)				
Beginning balance - ALLL	$ 60,137	$ 63,416	$ 63,416	$ 54,819	$ 24,081
Charge-offs:					
Recreation	18,783	15,333	21,385	16,449	13,024
Home Improvement	1,971	2,065	2,850	3,160	2,724
Medallion	22,417	25,476	37,322	30,120	27,646
Other	—	—	—	—	1
Total charge-offs	$ 43,171	$ 42,874	$ 61,557	$ 49,729	$ 43,395
Recoveries:					
Recreation	$ 5,512	$ 4,737	$ 5,956	$ 4,624	$ 4,065
Home Improvement	1,360	870	1,168	1,114	580
Medallion	2,032	324	478	1,286	—
Other	2	2	3	21	22
Total recoveries	$ 8,906	$ 5,933	$ 7,605	$ 7,044	$ 4,667
Net charge-offs	$ 34,265	$ 36,942	$ 53,952	$ 42,684	$ 38,728
Provision	$ 32,701	$ 39,449	$ 50,673	$ 51,282	$ 69,466
Ending balance - ALLL	$ 58,573	$ 65,924	$ 60,137	$ 63,416	$ 54,819
Ratios:					
ALLL to total loans	5.61%	7.13%	6.51%	6.91%	5.44%
Net charge-offs to average loans	4.70%	5.18%	5.70%	4.30%	3.78%

Deferred Tax Asset

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

The net deferred tax asset was $14.7 million, $12.2 million and $14.6 million as of September 2019 and December 2018 and 2017, respectively, primarily due to changes in the provision for loan losses. The net deferred tax asset as of December 2017 decreased by $4.9 million over the $19.5 million value as of December 2016 primarily due to the enactment of the Tax Cuts and Jobs Act and the corresponding revaluation of our deferred tax assets.

Table 25 – Deferred Tax Asset

	As of September 30, 2019	As of December 31,		
		2018	2017	2016
	(unaudited)			
	(dollars in thousands)			
Provision for loan losses	$ 15,957	$ 15,252	$ 16,962	$ 23,408
Deferred loan acquisition costs	(4,892)	(3,708)	(2,899)	(4,812)
Unrealized gains on investments	(150)	339	141	327
Other	307	278	403	600
Net deferred tax asset	11,222	12,161	14,607	19,523
Prepaid (accrued) taxes	(2,760)	(513)	(4,426)	3,810
Net deferred tax and other assets	$ 8,462	$ 11,648	$ 10,181	$ 23,333

Funding, Liquidity and Capital Resources

We focus on liquidity and capital. Our funding, liquidity and capital policies are designed to ensure that the Bank has the liquidity and capital resources to support our daily operations, our expected business growth, potential risks associated with our lending activities, and our regulatory and policy requirements in a cost effective and prudent manner through expected and unexpected market environments.

Table 26 – Funding Sources

	Period Ended September 30, 2019			Period Ended December 31,								
				2018			2017			2016		
	(unaudited)											
	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate
	(dollars in thousands)											
Interest-bearing deposit accounts	$ 898,563	99.96%	2.44%	$ 884,567	99.89%	2.02%	$ 910,038	99.93%	1.52%	$ 921,595	99.87%	1.28%
Borrowings	400	0.04%	0.00%	1,000	0.11%	0.78%	615	0.07%	0.84%	1,154	0.13%	0.88%
Total interest-bearing liabilities	$ 898,963	100.0%	2.44%	$ 885,567	100.00%	2.02%	$ 910,653	100.00%	1.52%	$ 922,749	100.00%	1.28%

The increase in the average interest rate on interest-bearing deposits from 1.28% as of December 2016 to 1.52% as of December 2017, 2.02% as of December 2018, and 2.44% as of September 2019 is primarily due to increases in market rates for deposits.

Deposits

We obtain substantially all of the funding for our business through time certificates of deposit in amounts less than or equal to $100,000, originated nationally through a variety of deposit broker relationships. Brokered deposits offer a low-cost source of funding compared to credit facilities and other funding sources utilized by non-bank lending businesses. We monitor the term, maturity schedule and concentrations of our brokered deposits to manage our funding risk, and we regularly assess the Bank's liquidity position through stress tests. As of September 2019 and December 2018, the weighted average maturity of our time certificates of deposit was 718 days and 628 days, respectively. We maintain a minimum of ten active deposit broker relationships, which is intended to ensure that our funding is stable and consistent. We do not originate deposits directly from retail customers and we have no branch operations.

Our ability to use brokered deposits to fund our business is subject to the capitalization requirements set forth in the FDIC's regulatory framework. A bank may not accept or renew brokered deposits unless it is "well-capitalized" or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts or renews brokered deposits is subject to additional restrictions on the interest rates it may offer. See “Supervision and Regulation—Brokered Deposits.” As described below, we seek to maintain our capital ratios well above the quantitative thresholds for well-capitalized status.

Table 1 – Time Deposits by Maturity

	As of September 30, 2019	As of December 31, 2018
	(unaudited)	
	(dollars in thousands)	
Three months or less	$ 84,392	$ 72,280
Over three months through six months	66,100	110,012
Over six months through one year	197,893	143,598
Over one year	614,602	522,150
Total	$ 962,987	$ 848,040

Short-Term Borrowings

Our short-term borrowings consist of lines of credit offered by our correspondent banks to address temporary funding needs when it is not feasible to acquire time certificates of deposit through our network of brokers. As of September 2019 and December 2018, we had two active lines of credit with credit limits of $25.0 million and $20.0 million, giving us a total of $45.0 million in short-term borrowing capacity. As of December 2017, we had two active lines of credit with credit limits of $15.0 million and $10.0 million, giving us a total of $25.0 million in short-term borrowing capacity. The lines allow us to advance funds and leave them outstanding for as long as 14 days before we are required to retire the balances.

As of September 2019 and December 2018, 2017, and 2016, the amounts drawn on these lines of credit were $4.0 million, $0, $0, and $0, respectively. We used one of the facilities on one occasion in the nine months ended September 2019 for a total of 1 day with an outstanding balance of $4.0 million. We used one of the facilities on three occasions in the year ended December 2017 for a total of 13 days and an average balance of $9.4 million. The other facility operates as an overdraft sweep with our main operating account. Although we have tested this facility in the past, we did not use it in the nine months ended September 2019 or in the year ended December 2018.

Liquidity

We seek to ensure that we have adequate liquidity to sustain business operations, fund asset growth, and to meet regulatory expectations under normal and stress conditions. We maintain policies outlining the overall framework and general principles for managing liquidity risk, which is the responsibility of our Asset and Liability Committee. Those policies include a strategy of matching maturities of deposits and loans, maintaining cash and securities at a minimum of 5% of total assets, limiting net loans to 115% of total borrowings, and ensuring consistent access to a variety of funding sources. On a regular basis we perform liquidity stress testing and contingency planning as part of our liquidity management process. During such tests, we evaluate a range of stress scenarios including bank-specific and systemic events that could impact funding sources and our ability to meet liquidity needs.

We maintain a portfolio of cash and investment securities for liquidity purposes, which as of September 2019 and December 2018 had $80.7 million and $79.2 million of cash and equivalents and agency residential mortgage-backed securities compared to $153.6 million of liquid assets and investment securities as of December 2017. The decrease in cash and investments as of September 2019 and December 2018 compared to December 2017 was mostly due to a reduction in short-term liquidity subsequent to a December 2017 whole loan sale. As additional sources of liquidity, as of September 2019, we had an aggregate of $41.0 million of undrawn capacity in credit facilities from private lenders. As of December 2018, we had an aggregate of $45.0 million of undrawn capacity in credit facilities from private lenders. See “Short-Term Borrowings” for details about these credit facilities.

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

Capital and Payment of Dividends

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

In connection with the formation of the Bank, we agreed with the FDIC that we will maintain a Tier 1 leverage ratio of at least 15%, which is also well in excess of the 5% threshold for well-capitalized status.

The Bank is currently and has historically been capitalized in excess of minimum regulatory requirements. As of September 2019, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.7%, 16.1% and 17.4%, respectively, as of September 2019, and we had a Tier 1 capital to total assets leverage ratio of 15.9%. Our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 14.3%, 16.9% and 18.2%, respectively, as of December 2018, and we had a Tier 1 capital to total assets leverage ratio of 15.8% as of December 2018.

Table 3 – Capital Ratios

	As of September 30, 2019		As of December 31, 2018		Minimum Regulatory Requirements as of December 31, 2018	Minimum Regulatory Requirements as of September 30, 2019	Well-Capitalized Requirements
	Amount	Ratio	Amount	Ratio			
	(unaudited)						
				(dollars in thousands)			
Tier 1 leverage capital........	$ 179,883	15.9%	$ 167,911	15.8%	4.0%	4.0%	5.0%
CET1 risk-based capital	153,580	13.7%	141,608	14.3%	6.4%	7.0%	6.5%
Tier 1 risk-based capital	179,883	16.1%	167,911	16.9%	7.9%	8.5%	8.0%
Total risk-based capital	194,436	17.4%	180,917	18.2%	9.9%	10.5%	10.0%

Notes

The minimum risk-based ratios as of December 31, 2018 reflect the 75% phase-in of the capital conservation buffer of 2.5%, and the risk-based ratios as of September 31, 2019 reflect the capital conservation buffer of 2.5%. The "well-capitalized" requirements were the binding requirements for risk-based capital ratios as of December 2018 because of the transitional provisions then applicable to the capital conservation buffer and were the binding requirements for the Tier 1 leverage ratio as of both September 2019 and December 2018.

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

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

Since March 2016, we have not paid a dividend to MFIN, our sole common shareholder, as we conserve capital to absorb actual and potential losses in the Medallion loan portfolio. In March 2016, we paid a dividend of $3.0 million to MFIN, and MFIN made capital contributions to the Bank in an equal amount during the following quarter.

We paid dividends on our Series E Preferred Stock issued to the U.S. Treasury under the Small Business Lending Fund Program ("SBLF") of $592,000 and $1.8 million in the three and nine months ended September 2019, and $2.4 million, $2.4 million, and $2.3 million in the years ended December 2018, 2017, and 2016, respectively. The dividend rate of 9% will remain stable for so long as our Series E Preferred Stock remains outstanding. In addition, if the Bank is not "publicly traded" within the meaning of our Articles, then after July 21, 2021, so long as any share of the Series E Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common equity, any other shares of junior stock or parity stock. So long as our shares of Series F Preferred Stock are listed on NASDAQ or another securities exchange, they would not be negatively impacted by that restriction.

Basel III Requirements

In July 2013, the Federal Reserve, the FDIC and the OCC released final U.S. Basel III regulatory capital rules implementing the global regulatory capital reforms of Basel III. The final rules established a comprehensive capital framework that includes both the advanced approaches for the largest internationally active U.S. banks, formerly known as Basel II, and a standardized approach that applies to all depository institutions and depository institution holding companies not subject to the Federal Reserve's small bank holding company and savings and loan holding company policy statement.

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

A capital conservation buffer of 2.5% above these minimum ratios was fully phased in effective January 1, 2019. This capital conservation buffer is required for banking institutions to avoid restrictions on their ability to make capital distributions, including paying dividends. As of September 2019, the Bank's capital ratios were above the regulatory minimums that incorporated the 2.5% capital conservation buffer.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that require future cash payments. Our future cash payments associated with our contractual obligations at September 2019 are summarized below.

Table 27 – Contractual Obligations

(dollars in thousands)	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Brokered Certificate of Deposits	$ 348,385	$ 408,147	$ 206,455	$ 100	$ 963,087
Purchase Obligations	—	—	—	—	—
Lease Obligations	580	1,239	1,114	1,788	4,721
Total Contractual Obligations	$ 348,965	$ 409,386	$ 207,569	$ 1,888	$ 967,808

Off-Balance Sheet Arrangements and Unfunded Lending Commitments

We do not have any significant off-balance sheet arrangements, including guarantees of third-party obligations. Guarantees are contracts or indemnification agreements that contingently require us to make a guaranteed payment or perform an obligation to a third party based on certain trigger events. As of September 2019 and December 2018, we had not recorded any contingent liabilities in our financial statements related to any guarantees. As of September 2019 and December 2018, we had no unfunded lending commitments. In each of our segments, we make installment loans and do not offer credit facilities or other products that would commit us to providing credit in the future. Management does not currently enter into derivatives contracts associated with lending or hedging in the normal course of business.

Critical Accounting Estimates

We follow financial accounting and reporting policies that are in accordance with U.S. generally accepted accounting principles ("GAAP"). Some of these significant accounting policies require management to make difficult, subjective or complex judgments. The policies noted below, however, are deemed to be our "critical accounting policies" under the definition given to this term by the SEC: those 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 loan losses in future periods, and the inability to collect on outstanding loans could result in increased loan losses.

Allowance for Loan Losses

In analyzing the adequacy of the allowance for loan losses, the Bank uses historical delinquency and actual loss rates with a three-year look-back period for Medallion loans and a one-year look-back period for Recreation loans and Home Improvement 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. Performing loans are recorded at book value and the general reserve maintained to absorb expected losses consistent with GAAP.

The Recreation and Home Improvement loan portfolio reserves are calculated consistent with ASC 450, which is designed for homogeneous pools of loans. We segment the portfolios by risk profile in order to reach the necessary level of homogeneity. Our Medallion loans are analyzed on a more granular level, are segmented by jurisdiction, and are subject to specific reserves as required by ASC 310. All Medallion loans are assigned a credit grade using an 8-point grading system. The credit grading process is subjective and administered by the Bank's loan servicer, MFIN, under the oversight of the Bank's Chief Lending Officer and Loan Portfolio Review Committee.

All Medallion loans that reach 90 days or more delinquent are added to the Bank's impairment testing list, which necessitates booking a specific allowance reserve for those loans. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. We consider all nonaccrual loans to be impaired loans, and the related specific allowances for losses are determined on an individual basis. Impairment testing is done using the collateral method and, if a value deficiency is found, a specific reserve is booked to the allowance for loan losses.

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 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. In addition, reserve adequacy is also assessed by the Bank's internal audit function, which performs independent credit reviews and a validation of the allowance model.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related allowance for loan losses. These regulatory agencies may require us to increase our provision for loan and lease losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the allowance for loan losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

Medallion Loan Collateral Valuation

Taxi medallion collateral fair value is derived quarterly for each jurisdiction using recent market transfer activity, to the extent it is available, and a discounted cash flow model when there is a low volume of market transfer activity. Recent market transfers published by the jurisdiction are averaged to derive the transfer activity value. When analyzing transfer activity, Management does not consider transaction outliers in the average calculation nor transactions which are confirmed through third-party sources as not arms'-length. For the discounted cash flow model value, when produced, significant inputs include the discount rate, taxi fare/lease revenue and associated expenses such as vehicle costs, fuel, credit card processing fees, repair costs, and insurance premiums. A higher discount rate, lower taxi fare/lease revenue and higher associated expenses each produce a lower fair value. At period end, the transfer activity and, if produced, discounted cash flow values create the fair value range. If the transfer activity cannot be used on its own, a weight is ascribed to each value in order to determine the final market value.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk Management

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

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

Table 28 – Interest Rate Changes and Effect on Net Interest Income

If interest rates changed in parallel by the amounts below at August 31, 2019	The following estimated percentage increase/(decrease) to net interest income would result
Down 100 basis points	(0.48%)
Up 100 basis points	0.46%
Down 200 basis points	(2.62%)
Up 200 basis points	0.91%
Down 300 basis points	(4.97%)
Up 300 basis points	0.42%
Down 400 basis points	(7.23%)
Up 400 basis points	(1.03%)

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

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

Table 29 – Interest Rate Changes and Effect on EVE

If interest rates changed in parallel by:	**The following estimated percentage increase/(decrease) to EVE would result**	
	August 31, 2019	**August 31, 2018**
Down 100 basis points	0.31%	(6.14%)
Up 100 basis points	(0.49%)	(2.78%)
Down 200 basis points	6.20%	(4.48%)
Up 200 basis points	(1.38%)	(5.28%)
Down 300 basis points	15.83%	3.66%
Up 300 basis points	0.88%	(7.44%)
Down 400 basis points	25.93%	4.32%
Up 400 basis points	6.40%	(9.11%)

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

BUSINESS

General

We are a Utah-chartered, FDIC-insured industrial bank headquartered in Salt Lake City, Utah. We specialize in providing consumer loans for the purchase of RVs, boats and trailers and to finance home improvements such as replacement windows and roofs. Formed in 2002, we are a wholly owned subsidiary of MFIN, a commercial finance company. We have been profitable every year since we began operating, including during the 2007-2009 recession.

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

Prior to September 2014, we originated taxicab medallion loans but have since transitioned away from this aspect of our business and reinforced our strategic focus on our growing consumer lending segments. We continue to refinance existing Medallion loans in our portfolio as they mature, and the Medallion loan portfolio has declined in size to 9.8% of total assets as of September 2019 as loans are paid down and/or charged off.

As of September 2019, we had total assets of $1.2 billion, including a loan portfolio of $1.0 billion, equity capital of $180.3 million and pre-tax income for the nine months ended September 2019 of $17.1 million. We seek to maintain capital ratios in excess of those required for well-capitalized status under the FDIC's regulatory framework, including a 15% Total risk-based capital ratio, which is well above the 10% requirement for well-capitalized status. As a condition to receipt of FDIC insurance, we entered into the 2003 Capital Maintenance Agreement requiring us to maintain a 15% leverage ratio (Tier 1 capital to average assets), which is also well in excess of the 5% threshold for well-capitalized status.

We have retained an experienced and consistent management team with substantial consumer loan underwriting and risk management experience, particularly for credit-challenged borrowers. Effective underwriting of non-prime borrowers requires a high-touch, distinctive approach, and we believe our approach to credit underwriting distinguishes the Bank from other market participants that rely solely on automated or algorithmic credit decisions. The effectiveness of our underwriting and relationship management allowed us to remain profitable during the 2007-2009 recession and to expand market share immediately afterward and in the years since.

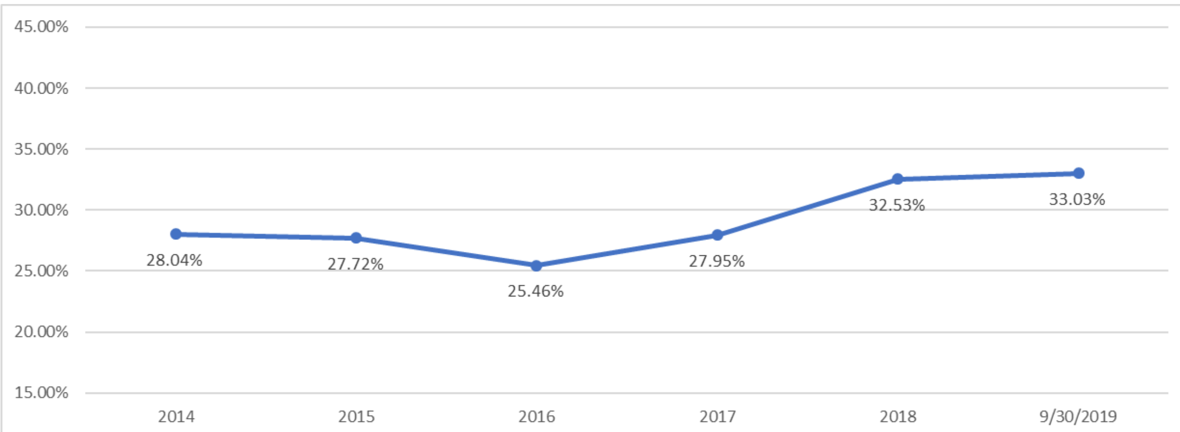
Our Competitive Strengths

Experienced Management Team with Deep Consumer Lending Experience. The executive managers on our leadership team average more than 25 years of experience in banking and non-bank consumer lending. This experience extends to sub-prime, prime and super-prime credit loan performance, regional and national platform lending, bank and finance company operations, and has been developed during strong economic times and recessions spanning the last four decades. We believe the depth of experience in our management team, as well as that of our long-term employees and Board, has been and will continue to be a driver of growth and a mitigator of risk. See "Management" for additional information about our leadership team.

Long-Term Value Orientation. We believe that banking at its best generates consistent earnings over a long period of time. To accomplish this objective, the Bank's management team engages in non-traditional financing businesses while conservatively executing its strategies. This enables us to produce high-yielding assets (the overall yield on our average loans outstanding was 12.6% at September 2019) while mitigating the risk of capital loss. We seek to remain conservative in our underwriting and pricing relative to the competition during the boom part of the credit cycle so that we avoid the mistakes made by peer lenders that become apparent during the bust part of the cycle. In addition to pursuing high-yielding assets and closely managing the quality of our loan portfolio, we seek to minimize our operating costs and maintain a high proportion of capital to total assets:

- *Low Operating Costs*: The Bank's efficiency ratio was 33.0% for the nine months ended September 2019 and 32.5%, 28.0% and 25.5% for the years ended December 2018, 2017 and 2016, respectively. The recent increases in the efficiency ratio reflect costs incurred in connection with investments in corporate infrastructure and new business initiatives. Our strong efficiency ratio is due to three primary factors: (1) we have no branch network for deposit gathering, (2) we outsource activities that are low in strategic value but high in staffing requirements (e.g., loan servicing) and (3) our consumer finance segments rely on dealer, contractor and FSP participation in the process (in contrast to the direct-to-consumer model).

Chart 8 – Efficiency Ratio



- *High Tier 1 Leverage Ratio*: As a condition to receipt of FDIC insurance, we entered into the 2003 Capital Maintenance Agreement requiring us to maintain a 15% leverage ratio (Tier 1 capital to average assets). This level of capital far exceeds the minimum requirement for capital adequacy purposes and is above the threshold for well-capitalized status under the FDIC's regulatory framework. It provides a substantial cushion against unexpected loss-producing events and mitigates the risk that we may be unable to satisfy the quantitative requirements for well-capitalized status.

Table 3 – Capital Ratios

	As of September 30, 2019		As of December 31, 2018		Minimum Regulatory Requirements as of December 31, 2018	Minimum Regulatory Requirements as of September 30, 2019	Well-Capitalized Requirements
	Amount	Ratio	Amount	Ratio			
	(unaudited)						
			(dollars in thousands)				
Tier 1 leverage capital........	$ 179,883	15.9%	$ 167,911	15.8%	4.0%	4.0%	5.0%
CET1 risk-based capital.....	153,580	13.7%	141,608	14.3%	6.4%	7.0%	6.5%
Tier 1 risk-based capital.....	179,883	16.1%	167,911	16.9%	7.9%	8.5%	8.0%
Total risk-based capital......	194,436	17.4%	180,917	18.2%	9.9%	10.5%	10.0%

Notes

The minimum risk-based ratios as of December 31, 2018 reflect the 75% phase-in of the capital conservation buffer of 2.5%, and the risk-based ratios as of September 31, 2019 reflect the capital conservation buffer of 2.5%. The "well-capitalized" requirements were the binding requirements for risk-based capital ratios as of December 2018 because of the transitional provisions then applicable to the capital conservation buffer and were the binding requirements for the Tier 1 leverage ratio as of both September 2019 and December 2018.

As of September 2019, our Tier 1 capital to total assets leverage ratio was 15.9%. See "Capitalization" for additional information.

- *Highly Profitable Nature of Consumer Loan Portfolios.* Our consumer loan portfolios continue to be strong and reliable sources of net income, from strong net interest income that we earn on loans in our portfolios, from a low level of loan losses associated with those portfolios, and from income that we earn on loans that we sell at a premium to third parties. The earnings from the consumer loan portfolios have substantially offset the impact of the liquidating Medallion loan portfolio.

Our Business Strategy

Our strategic plan, which we update annually and monitor consistently, reinforces our long-term value orientation. Our strategic plan is revised and re-drafted by the Bank's executive team in the fourth quarter of each year and presented to the Board for review in December and final approval in January. Progress related to the strategic plan is then reviewed quarterly by our Board. Adjustments to our plan are made as needed based on current circumstances. Key elements of our strategy include:

Providing a high-touch customer experience without sacrificing speed of delivery. The Bank is committed to establishing, building and maintaining relationships with our dealers, contractors and FSPs. We are dedicated to giving them an experience that is friendly and helpful, more than simply a transaction. This effort is balanced against necessary process automation that is designed to ensure we deliver our consumer finance services quickly and in a manner that facilitates the successful sale of goods and services.

Employing disciplined underwriting and maintaining rigorous portfolio monitoring. We have an extensive underwriting management and monitoring process which is reflected, in particular, in the performance of our consumer loan portfolios. Thorough analyses of our loan portfolios and underwriting practices, credit performance, loan quality, collateral mix and concentrations are regularly conducted. We emphasize the importance of credit and risk analysis in our underwriting process for new loans and the workout process for the Medallion loan portfolio.

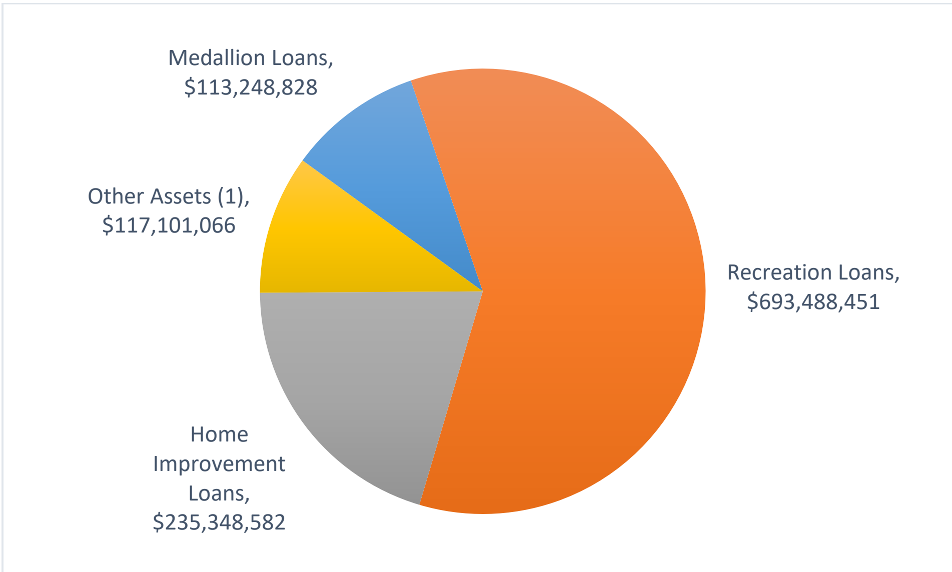
Investing in technology to remain relevant in a disrupted industry. Consumer lending and finance have been a focus of technology companies looking to disrupt the financial services industry. The Bank and its Board fully embrace a more technology-rich environment. We made several significant investments in technologies, technical tools and personnel in recent years and have recently accelerated that effort.

Providing an appealing work environment to assist in retaining top-performing employees. The Bank's two office locations in Salt Lake City, Utah and Bothell, Washington are currently positioned in high-growth, low-unemployment regions. To provide an appealing work environment, we have long pursued policies encouraging work/life balance. Additionally, we recently expanded our charitable activities beyond Community Reinvestment Act requirements to give employees opportunities to contribute to their communities while working at the Bank.

Our Business

Our primary business is consumer lending, all of which is conducted through third-party sellers of consumer goods and services in our Recreation Lending and Home Improvement Lending segments. As of September 2019, our Recreation Lending and Home Improvement Lending portfolios together were $928.8 million, representing 80.1% of our total assets, with a weighted average gross yield of 14.0% for the nine months ended September 2019. We work directly with dealerships, contractors and FSPs to offer quality financing for their customers, including those with past credit challenges. We specialize in providing consumer loans for the purchase of RVs, boats and trailers, and to finance home improvements as described further below. Business in the consumer lending segments is moderately seasonal, with the spring and summer quarters (the second and third quarters) being more active both for the purchase of recreation products and home improvements, which correspondingly results in higher origination volumes during those quarters. The degree to which our consumer loan businesses are seasonal also depends upon weather, with heavy winters making the business more seasonal as winters typically result in consumers making fewer purchases of recreation products and home improvements during the fall and winter quarters (the first and fourth quarters) and more of those purchases during the spring and summer quarters (the second and third quarters). Our third business segment, Medallion Lending, is shrinking and no longer part of our long-term strategy. Our portfolio of Medallion loans has been steadily decreasing in size over the past five years, declining $254.9 million, or 69.2%, since December 2014.

Chart 1 – Asset Mix as of September 2019



(1) All Other loans, cash, investments and non-interest earning assets, net of loan loss reserves.

We make consumer loans to borrowers in all 50 U.S. states, plus the District of Columbia, working with dealerships in 44 states in connection with our Recreation Lending segment and with contractors in 44 states in connection with our Home Improvement Lending segment. We have dedicated, regionally focused teams of dealer relationship managers and sales managers that provide dealers and contractors with the support and services they require to meet the needs of their customers. As of September 2019, we had 77 employees, with 64 working at our Salt Lake City, Utah headquarters, 10 based in our Bothell, Washington office, and 3 working remotely.

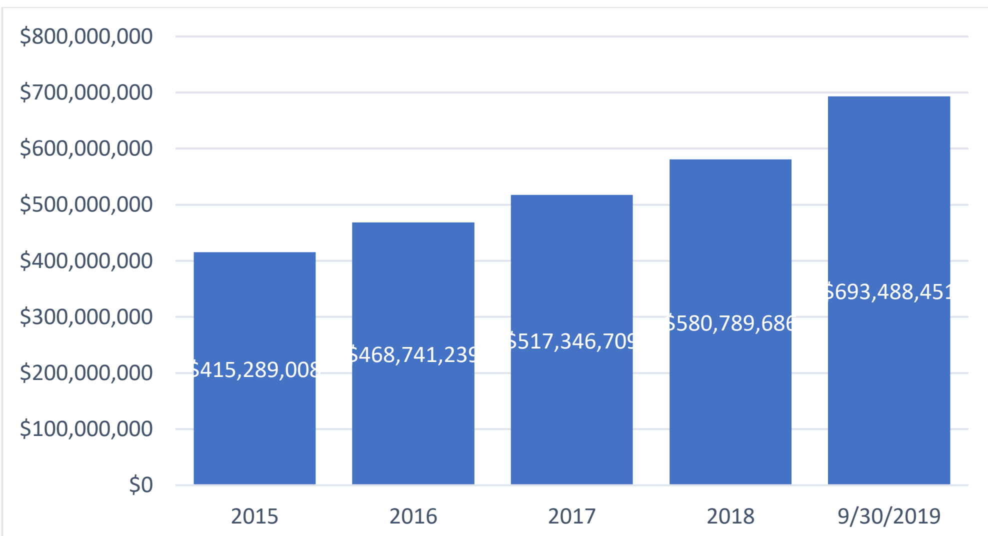
As a portfolio lender, we generally seek to earn net interest income. From time to time, we also engage in loan sales, the determinative factors for which include the availability and attractiveness of sale opportunities and our balance sheet management strategies.

In addition to our current activities, which we describe further below, we recently announced a new Strategic Partnership Program, through which the Bank will partner with non-banks offering loans and other financial services to their customers. The Strategic Partnership Program is in the early stages of development, and we currently expect to launch our initial partnerships and begin associated activities during 2020. Our activities are expected to be initially limited to originating loans or other receivables facilitated by our partners and selling those loans or receivables back to our partners without recourse within a specified period of origination, such as two or four business days. Revenues are expected to be derived primarily from contracted program fees paid to us by our partners and interest income earned while the loans or receivables remain on our books, offset by any transaction fees paid by us to our partners for their role in processing loan applications. We have incurred expenses associated with the development of the Strategic Partnership Program, and we expect to incur increased compliance costs associated with the Strategic Partnership Program, including as a result of new hires in dedicated program management and compliance roles. The scope of our activities may change over time as we further develop this line of business.

Recreation Lending. Our Recreation Lending segment is a high-growth business focused on originating prime and non-prime Recreation loans. The segment is a significant source of income, accounting for 78.8% of our interest income for the nine months ended September 2019 and 77.2% of our interest income for the year ended December 2018. As of December 2018, loans originated in connection with our Recreation Lending segment have grown at a compound annual growth rate of 24.1% since 2004. In addition to offering prime-credit financing, we specialize in helping recreation product dealerships finance customers with past credit challenges, including bankruptcy, tax liens, collections and other credit issues. Since year-end 2013, the concentration of prime credit loans (loans with FICO scores greater than or equal to 660) in the Recreation loan portfolio has decreased from 46.7% to 36.3% as of September 2019. As of September 2019, the weighted average FICO score was 647 for this portfolio. Our high-touch approach to customer service and significant management experience makes us a desirable partner for dealers in the recreation industry. All of our Recreation loans are serviced by a third-party loan servicer, and we have used the same loan servicer since the business's inception.

Recreation loans represented $693.5 million, or 66.4%, of our loan portfolio as of September 2019, up from $580.8 million, or 62.9%, as of December 2018, which was up from $517.3 million, or 56.4%, as of December 2017. The loans are secured primarily by RVs, boats and trailers with a small proportion of loans secured by other collateral such as autos, motorcycles and boat motors. During the nine months ended September 2019, we originated $248.8 million of Recreation loans, and during 2018, we originated $283.6 million. Portfolio growth in 2018 was slowed by a whole loan sale we consummated in September 2018, which was driven by, among other factors, our balance sheet management strategy. The loan sale was at a premium to par and totaled $56.0 million in Recreation loans, the income from which was $1.7 million, or 2.52%, of the Recreation Lending segment's net income during the nine months ended September 2018. Recreation Lending is both our largest and most profitable lending segment. The weighted average yield of our Recreation loan portfolio was 15.46% for the nine months ended September 2019, compared to 15.81%, 15.55% and 15.47% for the years ended December 2018, 2017, and 2016, respectively.

Chart 2 – Recreation Loans Outstanding

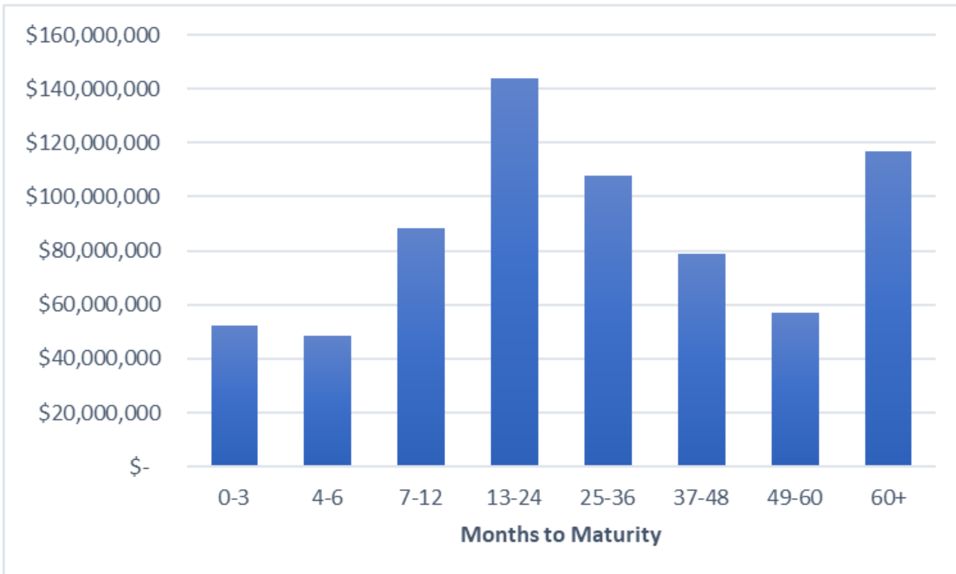


Our Recreation Lending business operates like a traditional indirect auto finance business. We maintain non-exclusive relationships with more than 3,200 dealers and FSPs, not all of which are active at any one time. FSPs are entities that provide F&I services to small dealers that do not have the desire 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 the Bank. We receive approximately half of our loan volume from dealers and the other half from FSPs. A dedicated sales team working from our Salt Lake City headquarters manages our relationships with dealers and FSPs. Approximately 3.6% of Recreation Lending's new loan originations for the nine months ended September 2019 were from our top ten dealer relationships and an additional 25.4% were from our top three FSP relationships.

The Recreation Lending portfolio consists of thousands of geographically distributed loans with an average loan size of approximately $13,800 as of September 2019. The loans are fixed rate loans with an average loan term at origination of approximately 10 years. The weighted average remaining term of our loans outstanding at September 2019 is 8.7 years. The size, geographic dispersion, source variety and collateral variety of the loans reduce risk to the Bank.

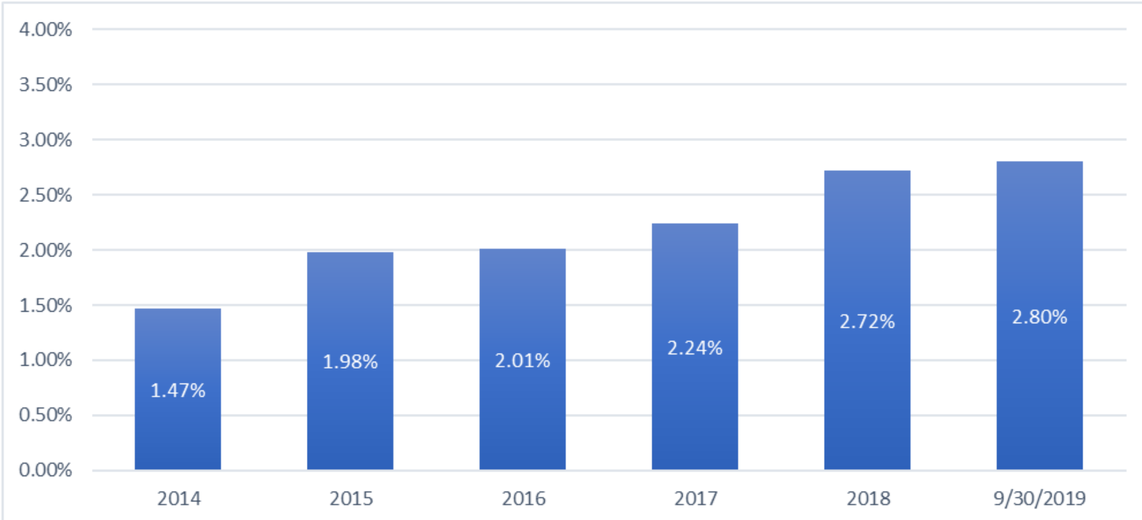
The following chart shows the estimated maturities, including the current prepayment expectations, for Recreation Loans:

Chart 3 – Recreation Loan Maturities at September 2019



Our Recreation Lending net charge-offs for the nine months ended September 2019 and the years ended December 2018, 2017 and 2016 were 2.80%, 2.72%, 2.24% and 2.01% of average loans outstanding, respectively. The increase in net charge-offs in our Recreation Lending segment from 2016 through September 2019 is due in part to sales of prime-credit loans to a third party in 2016, 2017 and 2018, which changed the credit quality mix in the Recreation loan portfolio and reduced the average performing loans outstanding. Although net charge-offs have recently increased, in light of the portfolio's non-prime characteristics, they have been stable and low compared to historical levels, and were 6.10% or less during the 2007-2009 recession.

Chart 11 – Recreation Loan Net Charge-Offs as a % of Average Loan Receivables



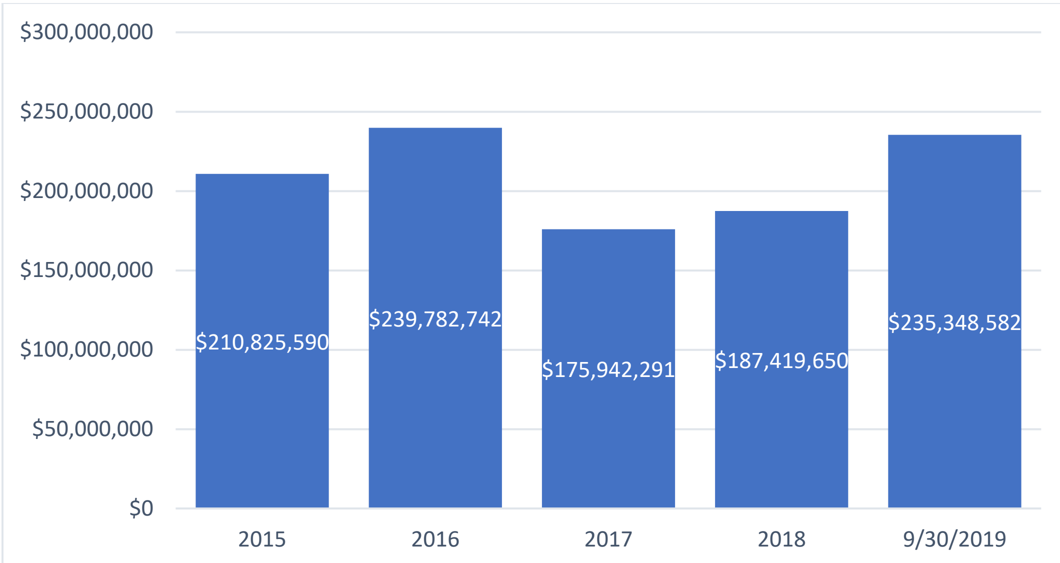
Loans 30 days or more past due were 4.75% of the Recreation loan portfolio as of September 2019, compared to 5.31%, 4.93%, and 4.55% as of December 2018, 2017, and 2016, respectively, and nonperforming loans were 0.99% of the Recreation loan portfolio as of September 2019, compared to 1.00%, 0.99%, and 0.89% as of December 2018, 2017, and 2016, respectively. The increased delinquency for Recreation loans in 2018 and 2017 is largely the result of the whole loan sales we consummated in September 2018 and December 2017, which reduced the outstanding balance for our Recreation loan portfolio without reducing the balance of delinquent loans. We maintain an allowance for Recreation loan losses that was $26.5 million, or 3.82%, of the Recreation loan portfolio as of September 2019. The recovery rates and typical time periods for repossessing and liquidating the collateral underlying our Recreation loans mitigates our exposure to loan losses in this portfolio. Our practice is to perfect security interests in the underlying collateral when possible, except when it is impractical given the small size of the loan or collateral perfection requirements in particular states. If state law permits titling of collateral, we typically perfect our interest via the titling process, which designates the Bank as a lienholder on the title for the collateral and thus facilitates the process for repossession under applicable state law. If a UCC filing is the only mechanism to perfect our interest in collateral, we record that UCC filing in state records.

Home Improvement Lending. We work directly with contractors and FSPs to offer flexible customer financing for window, siding and roof replacement, swimming pool installation and solar system installation, 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 represented $235.3 million, or 22.5%, of our loan portfolio as of September 2019, up from $187.4 million, or 20.3%, as of December 2018 and $175.9 million, or 19.2%, as of December 2017. The loans are secured by the personal property installed, and the security interest for some of these loans is perfected with a UCC fixture filing. During the nine months ended September 2019, we originated $102.8 million of Home Improvement loans, and during 2018, we originated $124.9 million. Portfolio growth was limited by a whole loan sale we consummated in September 2018. The loan sale was driven by, among other factors, our balance sheet management strategy. The loan sale was at a premium over par value and totaled $44.9 million in September 2018, the income from which was $1.2 million, or 7.97%, of the Home Improvement Lending segment’s net income during the nine months ended September 2018. Home Improvement Lending provides us with high-quality assets; as of September 2019, the weighted average FICO score in this portfolio was 758. It is our business with the most growth potential, though it operates in a market with substantial competition. The weighted average yield of the Home Improvement loan portfolio was 9.34% for the nine months ended September 2019, compared to 9.49%, 9.55% and 9.71% for the years ended December 2018, 2017, and 2016, respectively.

Home Improvement Lending operates in a manner similar to Recreation Lending, with a few key differences. We maintain a much smaller number of non-exclusive relationships; the Bank currently has relationships with approximately 700 contractors. 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.

Chart 4 – Home Improvement Loans Outstanding

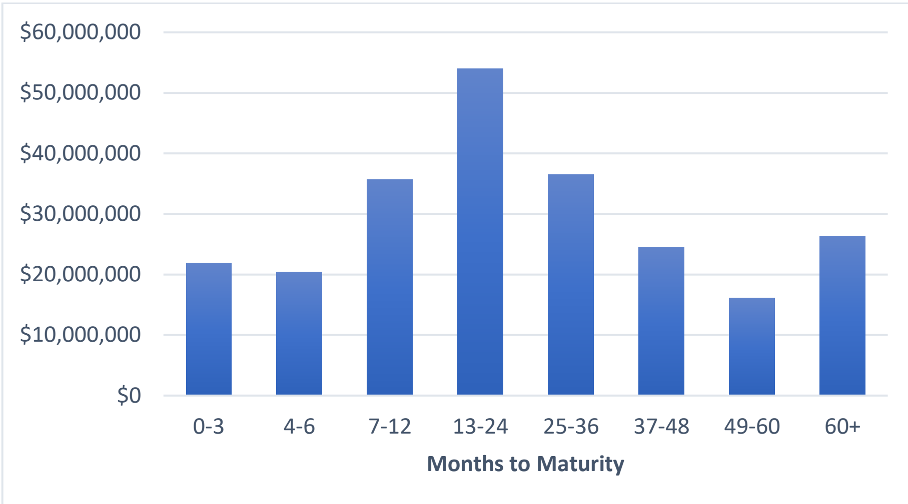


A large proportion of our home improvement-financed sales are facilitated by contractor salespeople with limited financing background rather than by contractor employees that provide F&I services. The result is contractor demand for financing services that facilitate an in-home transaction (e.g., information technology and extended operating hours) and additional support for the salesperson throughout the financing process. The Bank's contractor relationships are managed by a sales team with some employees located in the geographical regions served. Approximately 40.0% of Home Improvement Lending's new loan originations for the nine months ended September 2019 were from our top ten contractors.

We offer only fixed rate Home Improvement loans with an average loan term at origination of approximately 11 years. The weighted average remaining term of our loans outstanding is 10.2 years as of September 2019. The average size of the loans in our Home Improvement portfolio is approximately $14,400, and geographic dispersion, source variety and collateral variety of Home Improvement loans reduces risk.

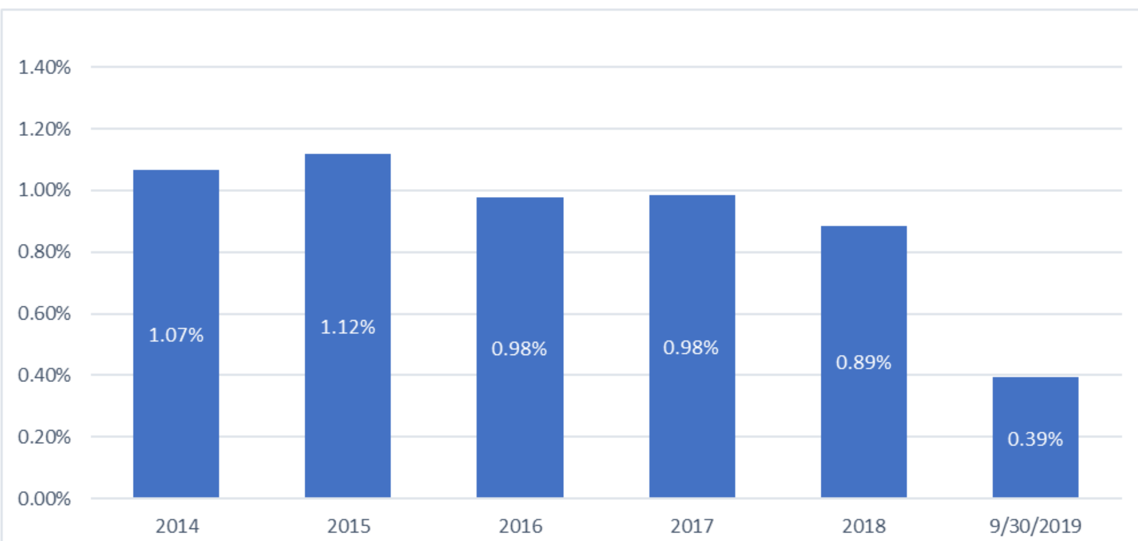
The following chart shows the estimated maturities, including the current prepayment expectations, for Home Improvement Loans:

Chart 5 – Home Improvement Loan Maturities at September 2019



Our Home Improvement Lending net charge-offs for the nine months ended September 2019 and the years ended December 2018, 2017 and 2016 were 0.39%, 0.89%, 0.98% and 0.98% of average loans outstanding, respectively. Since we commenced our Home Improvement lending business in early 2012, annual net charge-offs have not exceeded 1.12%.

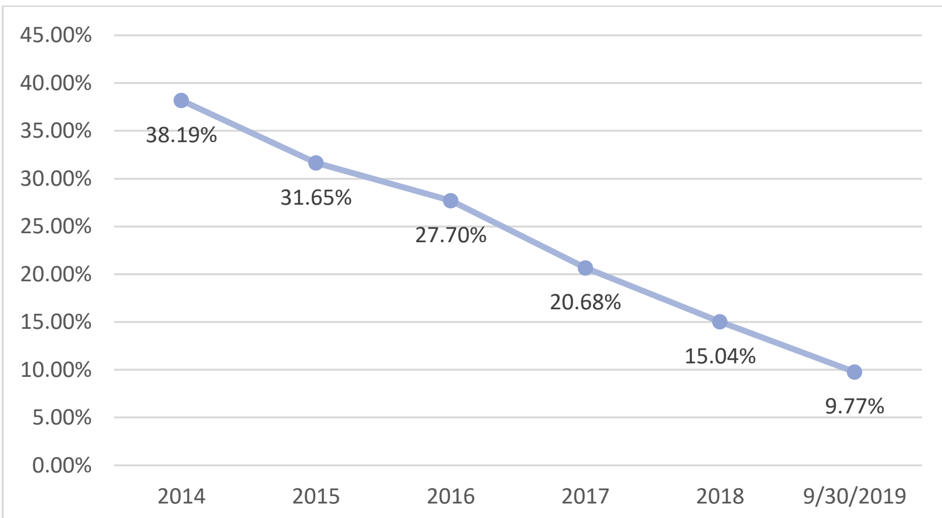
Chart 12 – Home Improvement Loan Net Charge-Offs as a % of Average Loan Receivables



A primary focus in the Home Improvement Lending segment is asset quality. Loans 30 days or more past due were 0.51% of the Home Improvement loan portfolio as of September 2019, compared to 0.62%, 0.85%, and 0.51% as of December 2018, 2017, and 2016, respectively, and nonperforming loans were 0.10% of the Home Improvement loan portfolio as of September 2019, compared to 0.07%, 0.21% and 0.10% as of December 2018, 2017 and 2016, respectively. The increased delinquency for Home Improvement loans at December 2017 was largely the result of a whole loan sale we consummated during December 2017 which reduced the outstanding balance for our Home Improvement loan portfolio without reducing the balance of delinquent loans. We maintain an allowance for Home Improvement loan losses that was $3.6 million, or 1.52%, of the Home Improvement loan portfolio as of September 2019. Losses in the Home Improvement loan portfolio are initially gross losses because recoveries are relatively slow, sometimes taking years to realize. This is due to the nature of the UCC fixture filing, which is our means of perfecting the security interest for Home Improvement loans. Recovery is generally realized upon the sale or refinance of the underlying real property. We obtain the right to file a UCC fixture filing in county records for all loans in the security agreement of our loan, but our practice is to record UCC fixture filings at origination for only those loans which finance swimming pools and solar system installations. We record UCC fixture filings after origination for loans without perfected collateral that become delinquent. The UCC fixture filing does not give us the right to foreclose and we do not repossess collateral. Instead, the UCC filing appears in real property records to notify lienholders of our interest in the personal property affixed to that real property.

Medallion Lending. Until September 2014, we originated loans to finance the purchase of taxicab medallions in connection with MFIN's business. However, we have since transitioned away from this aspect of our business and reinforced our strategic focus on growing our consumer lending segments. Our Medallion loan portfolio declined 69.2% from $368.2 million at December 2014 to $113.2 million as of September 2019.

Chart 6 – Medallion Loans as a Percentage of Total Assets



Per generally accepted accounting principles, performing Medallion loans are recorded in our portfolio at par value and we maintain a corresponding general loan loss reserve at the current level of expected losses within the portfolio. Nonperforming loans have specific reserves associated with them that are based on the estimated market asset value and net of disposition costs. For example, a performing New York Medallion loan with an outstanding principal amount of $500,000 would be on our books at $500,000 and a general loan loss reserve would exist for anticipated losses. A non-performing loan with the same outstanding principal amount would be recorded at the September 2019 market value of $175,000 minus estimated disposition costs, which we currently estimate at $5,500.

Table 29 – Medallion Loans by Performance Status and Jurisdiction

	As of September 30, 2019		
	Performing Loans		
	Total Balance	Average Balance per Medallion	General Reserve
	(dollars in thousands)		
Jurisdiction			
New York	$ 97,444	$ 329	22.24%
Chicago	166	28	100.00%

	Non-Performing Loans		
	Total Balance	Estimated Medallion Value	Specific Reserve
	(dollars in thousands)		
Jurisdiction			
New York	$ 11,227	$ 396	47.97%
Chicago	385	24	89.87%

Through conservative portfolio management practices, particularly since 2016, we aggressively built loan loss reserves to 25.2% of the Medallion loan portfolio and charged off a total of $117.5 million, and the Medallion loan portfolio has shrunk to 9.8% of our total assets, down from the high point of 46.9% as of December 2011.

Table 2 – Medallion Loan Balances, Provisions and Net Charge-Offs

	Nine Months Ended September 30, 2019	Year Ended December 31,		
		2018	2017	2016
	(unaudited)			
				(dollars in thousands)
Medallion Loan Balances	$ 113,249	$ 153,742	$ 222,806	$ 298,059
Provisions	12,752	30,576	36,490	56,239
Net Charge-Offs	20,384	36,845	28,834	27,646

MSC is our Medallion loan servicer and maintains offices in New York and Chicago, which are the jurisdictions of greatest historical Medallion loan concentration at the Bank. Although our Chicago Medallion loan exposure is now limited to $0.6 million, or 0.49%, of the Bank's total Medallion loan portfolio as of September 2019, New York Medallion loan balances remain relatively significant, at $108.7 million, or 96.0%, of the Bank's total Medallion loan portfolio as of September 2019. Medallion loans 30 or more days past due for the nine months ended September 2019 and December 2018, 2017, and 2016 were 27.6%, 13.3%, 16.7%, and 23.0% of the total Medallion loan portfolio, respectively, and nonperforming loans for the nine months ended September 2019 and December 2018, 2017, and 2016 were 10.67%, 17.60%, 20.97%, and 18.73% of the total Medallion loan portfolio, respectively. Our security interest in Medallion loans is the taxi cab medallion itself and is perfected in the jurisdiction issuing the medallion. For New York City, the body maintaining records of medallion security interests is the Taxi & Limousine Commission while for the City of Chicago, it is the Department of Business Affairs and Consumer Protection. Particularly for Medallion loan workouts, we frequently take additional collateral, including commercial or personal real estate, and always require and obtain guarantees from medallion owners.

We work with our borrowers to resolve their cash flow challenges as a result of the increased competition from ride-sharing companies. These efforts may include renewing Medallion loans at terms that are affordable for the medallion owner in exchange for additional collateral, such as commercial or personal real estate, and helping to identify potential buyers for medallions underlying troubled Medallion loans. Our Medallion Lending net charge-offs for the nine months ended September 2019 and the years ended December 2018, 2017 and 2016 were 20.51%, 19.60%, 11.26% and 8.34% of average loans outstanding, respectively.

We expect to experience elevated rates of loan losses in this portfolio even as medallion values are stabilizing, and, even if values remain stable or slowly increase, elevated loan losses may continue for some time. Recent events in New York City include the continuation of a moratorium on the issuance of new ride-share licenses and the imposition of a minimum wage for ride-share drivers. Management believes regulations like these indicate a potentially long-term leveling of the playing field between taxicab and ride-share companies, which may have a positive impact on medallion values.

Other. Our remaining operations, which are reported in our "Other" segment in the financial statements contained elsewhere in this offering circular, include loans that are not Recreation, Home Improvement or Medallion loans, as well as cash, investments and net non-interest earning assets. In prior years, the Other segment loan portfolio consisted predominantly of asset-based loans originated in partnership with MFIN before we sold that portfolio to another bank in 2016. Other loans represented $1.8 million, or 0.18%, of the Bank's loan portfolios as of September 2019, down from $1.9 million, or 0.20%, as of December 2018 and up from $1.0 million, or 0.12%, as of December 2017 and $0.9 million, or 0.10%, in December 2016.

Business Development, Relationship Management and Loan Origination

As of September 2019, 52 employees at the Bank were dedicated to dealer, contractor and FSP business development and relationship management, loan underwriting, and loan origination for our Recreation Lending and Home Improvement Lending segments. Our approaches to each of these aspects of our business are similar for our Recreation Lending and Home Improvement Lending segments and are described further below. Because we no longer originate new Medallion loans, we do not have analogous processes for that segment of our business.

Dealer relationship management and contractor sales management ("relationship management") employees split their time between business development and relationship management. We utilize established procedures for the review and vetting of potential dealers, contractors and FSPs interested in using our loan programs. Our primary interest is the assessment of character; we choose to work with successful companies that exhibit a commitment to their customers. Dealers, contractors and FSPs approved to offer Bank financing are onboarded and trained by our relationship management employees. After the relationship is established, these relationship management employees help manage the flow of business between the dealer, contractor or FSP and the Bank.

Loan applications are received, mostly via electronic means, by the lending team for the applicable business segment. Each loan application is processed initially by our loan origination system, which pulls credit reports, assesses the overall risk of the application, and assigns pricing. Automatic decisions are communicated in real time to the dealer, contractor or FSP submitting the application. We use automation to streamline decisions for applications clearly within or outside our underwriting parameters. For those applications that are unable to be automatically decisioned, an underwriter at the Bank will review the application using established underwriting procedures. An underwriter, depending on the authority level, may be permitted to make defined exceptions to our lending policies or procedures in order to approve a loan. Loan approvals, declines and counter-offers are each communicated to the dealer, contractor or FSP.

Following approval, loan processing activities take place at the Bank and in cooperation with the dealer contractor or FSP. These activities include the collection and clearing of loan stipulations, the verification of documents, and preparatory tasks for loan funding. When the final loan package is submitted to the Bank for disbursement, funding clerks verify the file is accurate and complete and prompt a payment by Automated Clearing House to the dealer, contractor or FSP on behalf of the borrower. The loan is simultaneously boarded to our loan servicer's system for ongoing servicing.

Sources of Funds

Since our inception, substantially all of our funding has been provided by FDIC-insured brokered certificates of deposit. We do not originate deposits directly from retail customers and we have no branch operations. Our funding strategy and interest rate risk management strategy is to equally match our funding to our expected business and risk management needs. We seek to have the proper structuring of debt to minimize both rate and maturity risk, while maximizing returns with the lowest cost of funding over the applicable period of time.

The table below summarizes our sources of available funds and amounts outstanding and their respective end-of-period weighted average interest rates at September 2019 and at December 2018, 2017, and 2016.

Table 26 – Funding Sources

	As of September 30, 2019 (unaudited)			As of December 31, 2018			2017			2016		
	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate	Average Balance	%	Average Rate
	(dollars in thousands)											
Interest-bearing deposit accounts	$ 898,563	99.96%	2.44%	$884,567	99.89%	2.02%	$910,038	99.93%	1.52%	$921,595	99.87%	1.28%
Borrowings	400	0.04%	0.00%	1,000	0.11%	0.78%	615	0.07%	0.84%	1,154	0.13%	0.88%
Total interest-bearing liabilities	$ 898,963	100.0%	2.44%	$885,567	100.00%	2.02%	$910,653	100.00%	1.52%	$922,749	100.00%	1.28%

Our time certificates of deposit are originated nationally through a variety of brokered-deposit relationships, which offer a low-cost source of funding compared to credit facilities and other funding sources utilized by non-bank lending businesses. We monitor the tenor, maturity schedule and concentrations of our brokered deposits to manage our funding risk, and we regularly assess the Bank's liquidity position through stress tests. As of September 2019, the weighted average maturity of our time certificates of deposit was 718 days and the average interest rate was 2.44%. We strive to maintain a minimum of ten active deposit broker relationships, which is intended to ensure that our funding is stable and consistent.

Table 1 – Time Deposits by Maturity

	As of September 30, 2019 (unaudited) (dollars in thousands)
Three months or less	$ 84,392
Over three months through six months	66,100
Over six months through one year	197,893
Over one year	614,602
Total	$ 962,987

Our ability to use brokered deposits to fund our business is subject to the capitalization requirements set forth in the FDIC's regulatory framework. The Bank may not accept or renew brokered deposits unless it is "well-capitalized" or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts or renews brokered deposits is subject to additional restrictions on the interest rates it may offer. As described above, we seek to maintain our capital ratios well above the quantitative thresholds for well-capitalized status.

We also fund our business in part using capital, as the Bank is currently and has historically been capitalized in excess of regulatory requirements. As of September 2019, our common equity Tier 1, Tier 1 and Total risk-based capital ratios were 13.7%, 16.1% and 17.4%, respectively, and we had a Tier 1 capital to total assets leverage ratio of 15.9%.

Risk Oversight and Management

The Bank employs conservative risk management practices in order to effectively manage its loan portfolios and the business overall. Our Board has the ultimately responsibility for oversight of risk management at the Bank. Board meetings are held eight times per year and executive management follows an established annual schedule designed to ensure all major risks are discussed with and evaluated by the Board. Changes to the Bank's risk profile, whether documented in policy or not, are discussed with the Board as needed. Policies cover all major areas of risk to the Bank and are approved by the Board at the time of drafting and upon each change. If a policy is not changed, it is reviewed annually by the Board. Based on the policies approved by the Board, management drafts procedures used to manage daily activities. Procedures address significant functions and activities in the Bank, from the establishment of dealer, contractor and FSP relationships to underwriting to internal audit. Where appropriate, management committees have been formed and meet regularly to address risk and make the risk-related decisions not assigned to individual managers. Monitoring tasks are assigned, completed and the results reported to executive managers individually or via the applicable committee.

Since our primary business is consumer lending, most of our procedures, committees and corporate structures are related to consumer lending. We maintain underwriting procedures that emphasize the applicant's history of managing credit, ability to pay, and the appropriateness and value of the underlying loan collateral. We maintain servicing and collection procedures meant to minimize the risk of loss and, when losses occur, maximize our opportunity for recovery. Exceptions to procedures (particularly the underwriting procedures) are tracked and monitored, as is loan performance by segment, collateral type, underwriter, and credit quality. Our Asset/Liability Committee ("ALCO") is convened monthly or more frequently as needed to review interest rate risk and liquidity risk, including funding versus asset pricing and maturity, investment holdings, and expected asset characteristics. Our Credit Committee, which oversees separate sub-committees (each a Loan Portfolio Review Committee, or "LPRC") with consumer and commercial loan focus, also meets monthly to review risks to and performance in our loan portfolios and loan products. Each LPRC also meets monthly and considers loss history, delinquency trends, extensions, modifications, and exception performance as part of its responsibilities. The Bank's Allowance for Loan and Lease Losses Committee ("Allowance") monitors and adjusts the reserve for each portfolio and sub-portfolio.

Within each of our lending segments, we separate our employees by function. Employees responsible for risk management are not responsible for business development. Although employees responsible for business development consider, monitor and manage the risks they assume, they are not responsible for the risk management functions of the Bank. A credit or underwriting manager role exists in each segment and underwriters are assigned individual underwriting authority consistent with our policies and procedures. We also maintain service management roles in each segment to ensure a balance between risk management and our strategy of high-touch service. Risk employees, like all employees at the Bank, receive regular training applicable to their roles and responsibilities. Because non-prime lending is subjective, we closely monitor loan sub-portfolio characteristics and performance for individual underwriters to ensure an appropriate level of risk.

The process of, and responsibility for, consumer loan risk management rest entirely with the Bank and the Bank's Board. Risk management practices associated with our Medallion Lending segment were established by MFIN and have been modified over time to meet the Bank's evolving needs. Policies, procedures and monitoring that were unnecessary for decades, for example, procedures to charge-off and repossess collateral for a Medallion loan, have been developed as needs have arisen. The Medallion loan LPRC is utilized to assess risk within and performance of the Medallion loan portfolio and includes key employees at MFIN and the Bank to facilitate communication between MFIN and the Bank. The Bank's Credit, ALCO and Allowance committees also participate in the management of the segment and its risks.

The Bank maintains a number of additional committees to manage and monitor risk, including Compliance and IT Steering committees. Our Compliance Committee meets quarterly in order to discuss recent events in regulatory compliance, compliance-related issues, consumer complaints, compliance risk assessments and monitoring and testing activities. The IT Steering Committee, into which information security and cybersecurity is incorporated, meets monthly (information security is reviewed quarterly) and discusses technology events and issues, project prioritization, and information security. Other risks, including everyday operating risks and risks relating to new business initiatives, such as the Strategic Partnership Program, are managed by assigned executive managers and reviewed in the Bank's weekly executive committee meetings.

Competition

Banks, credit unions, and finance companies (both traditional and technology-driven) compete with us in originating Recreation and Home Improvement loans. Many of these competitors have greater resources than we do and certain competitors are subject to less restrictive regulations than us. 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.

Due to the non-prime focus of the business, competition for our Recreation Lending segment is largely from a small number of competitors. Home Improvement Lending competes against a much larger number of financing sources for prime credit loans, including a growing number of technology-enabled direct lenders. When the consumer lending market is active, competitors emerge and reduce our market share in both segments. During recessions, historically, competitors reduce their activities in the non-prime portion of the market and some fail or become non-competitive in the prime portion of the market. In these circumstances, our market share in each segment is expected to grow (as it did coming out of the 2007-2009 recession). Management works to remain competitive in each segment but resists the pressure to make product or pricing changes that do not support our long-term value orientation.

Employees

As of September 2019, we employed 77 persons. We believe that relations with all our employees are good.

Properties

We lease space in Salt Lake City, Utah, and Bothell, Washington. 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.

Legal Proceedings

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

SUPERVISION AND REGULATION

The following discussion is only intended to summarize some of the significant statutes and regulations that affect us and the banking industry, and therefore is not a comprehensive survey of the legal and regulatory framework applicable to the Bank.

Overview

We are 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 shareholders, including holders of the Series F Preferred Stock. Under our banking charter, we are 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, we are examined, supervised and regulated by the FDIC and the Utah DFI. The statutes enforced by, and regulations and policies of, these agencies affect almost all aspects of our business, including by prescribing permissible types of loans and investments, the amount of required capital, the permissible scope of our activities and various other requirements. If our regulators were to determine that we have violated banking laws and regulations, including by engaging in unsafe and unsound practices, we could be subject to enforcement and other regulatory actions, which could have an adverse effect on our business, results of operations and financial condition.

Capital Standards

We are subject to risk-based and leverage-based capital ratio requirements under the U.S. Basel III capital rules adopted by the federal banking regulators. The requirements in the U.S. Basel III capital rules began to apply on January 1, 2015, subject to transitional provisions in certain cases.

Under the risk-based capital standards, our 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 shareholder's equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets, certain deferred tax assets and accumulated other comprehensive income. Certain of these adjustments and deductions are subject to phase-in periods that began on January 1, 2015 and, for non-advanced approaches banking organizations such as us, will end upon effectiveness of the simplifications rule described below in 2020. 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. Our Tier 2 capital primarily includes allowance for loan and lease losses up to 1.25% of our 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 us, also includes capital requirements we must satisfy in order 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 we must also maintain the required capital conservation buffer to avoid becoming subject to restrictions on capital distributions (including dividends on the Series F 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 capital conservation buffer was fully phased in as of January 1, 2019 at a level of 2.5%.

The table below shows the capital requirements we have been required to maintain since January 1, 2019:

	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 our 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. 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). On July 9, 2019, the federal banking regulators issued a final rule designed to simplify the capital treatment of those categories of assets for banking organizations, such as us, that are not subject to the advanced approaches in the U.S. Basel III capital rules. The provisions of the final rule relating to the threshold deductions will become effective on April 1, 2020, with banking organizations able to elect to apply those provisions beginning January 1, 2020. Various technical amendments in the rule became effective as of October 1, 2019.

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. The Basel Committee has proposed that national regulators implement these standards effective on January 1, 2022. As with all standards proposed by the Basel Committee, the December 2017 standards are not effective in any jurisdiction until rules implementing such standards have been implemented by the relevant regulators in such jurisdiction. Following the release of these standards, the federal banking regulators stated that the standards are intended to achieve various objectives with regard to internationally active banks and that the regulators will consider how to apply the standards in the United States.

On February 14 2019, federal banking regulators published a final rule, which became effective on April 1, 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. 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 offering circular.

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act was signed into law. The legislation requires the federal bank regulators to adopt regulations to implement an exemption from the U.S. Basel III capital rules for smaller banking organizations, including us, that maintain a "Community Bank Leverage Ratio" of at least 8% to 10%. Specifically, the legislation 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 bank 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.

On September 17, 2019, the FDIC adopted a final 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 us, 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 final rule will be effective as of January 1, 2020. We are continuing to assess this rulemaking and whether to elect to apply the Community Bank Leverage Ratio framework.

As a condition to receipt of FDIC insurance, we entered into the 2003 Capital Maintenance Agreement requiring us to maintain a 15% leverage ratio (Tier 1 capital to average assets) and an adequate allowance for loan and lease losses and restricting the amount of taxicab medallion loans that we may finance to three times our Tier 1 capital.

Prompt Corrective Action

We are subject to FDIC regulations that apply to every FDIC-insured depository institution, a system of mandatory and discretionary supervisory actions that generally become more severe as the capital levels of an individual institution decline. Pursuant to provisions of the Federal Deposit Insurance Act ("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 an adverse material effect on our 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 our ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications. Pursuant to the 2003 Capital Maintenance Agreement, we have agreed that our capital levels will at all times meet or exceed the levels required for us to be considered well-capitalized under FDIC rules.

Brokered Deposits

We use "brokered deposits" to fund a substantial portion of our activities. Under the FDIA and related regulations, FDIC-insured institutions such as us 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 or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is well-capitalized or is adequately capitalized and receives a waiver from the FDIC. Pursuant to the 2003 Capital Maintenance Agreement, we have agreed that our capital levels will at all times meet or exceed the level required for us to be considered well-capitalized under FDIC rules. A depository institution that is adequately capitalized and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. If we were 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 our business, financial condition, liquidity and results of operations. See "Risk Factors—Our use of brokered deposits for our 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."

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, we may only declare dividends to our shareholders out of our net profits, after providing for all expenses, losses, interest and taxes accrued or due. Further, we are required to transfer to a surplus fund at least 10% of our net profits before dividends for the period covered by the dividend until the surplus fund reaches 100% of our capital stock. Any amount paid from our 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 our surplus fund if, upon the retirement of such instruments, the amount paid into the retirement fund for the period may be properly carried to our 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 our risk-based capital ratios do not satisfy the minimum risk-based requirements plus the capital conservation buffer, we will face graduated constraints on, among other things, capital distributions (including dividends on the Series F Preferred Stock) based on the amount of the shortfall and the amount of our eligible retained income (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income).

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 bank regulatory agencies 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 stockholder. 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

We are subject to a number of federal and state consumer protection laws that extensively govern our 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 and abusive practices and subject us 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 bank 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

We are subject to certain requirements and reporting obligations under the Community Reinvestment Act ("CRA"). Under the CRA, we have an obligation, consistent with safe and sound operations, to help meet the credit needs of the market areas where we operate, which include low- and moderate-income individuals and communities. In connection with its examination of us, the FDIC is required to assess our CRA performance in the areas of lending, investments and services. The FDIC may take compliance with the CRA into account when regulating and supervising our 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 received a rating of "Satisfactory" in our most recently completed CRA examination.

Transactions with Affiliates and Insiders

We are subject to certain federal laws that restrict and control our ability to extend credit and provide to or receive services from our 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 us to certain of our 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 our transactions with affiliates be on terms no less favorable to us than comparable transactions with unrelated third parties. Generally, our 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.

We are also subject to limits under federal law on our ability to extend credit to our 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 our Board.

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 sharing such information and enables retail customers to opt out of institutions' ability to share information 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 implementing privacy and cybersecurity standards and regulations. Recently, several states adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements.

Anti-Money Laundering and the USA PATRIOT Act

We are subject to the anti-money laundering ("AML") provisions of the Bank Secrecy Act, as amended by the USA PATRIOT Act (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 Bank Secrecy Act 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 Bank Secrecy Act 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. In May 2016, FinCEN issued a final rule to clarify and enhance customer due diligence requirements for financial institutions, which became applicable on May 11, 2018. The rule (among other things) imposes several new 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.

Change in Bank Control

Because we are an "insured depository institution" within the meaning of the FDIA and the Change in Bank Control Act and MFIN 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 of us or MFIN, 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 our 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 a number of specified "control factors" as set forth in the applicable regulations. 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 (1) direct or exercise a controlling influence over the management or policies of MFIN or the election of a majority of the directors of MFIN, or (2) to vote 20% or more of any class of MFIN's voting securities by an individual or to vote more than 10% of any class of MFIN's voting securities by a person other than an individual. As described under "Description of the Series F Preferred Stock—Voting Rights," if any holder of any series of preferred stock (including the Series F) is or becomes entitled to vote for the election of 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 Series F Preferred Stock in excess of the amount which can be acquired without regulatory approval.

Examination and Supervision

Federal and state banking agencies require us 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 Department of Financial Institutions, 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. The cost of examinations may be assessed against the examined institution as the agency deems necessary or appropriate.

Incentive Compensation

In 2010, the FDIC issued comprehensive final 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 bank regulators and 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 bank regulators and the SEC proposed revised rules in 2016, which have not been finalized.

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.

MANAGEMENT

Directors and Executive Officers

The following table sets forth biographical information regarding our directors and executive officers:

Name	Age	Position
Alvin Murstein	85	Chairman of the Board
Andrew M. Murstein	55	Director
John Everets	73	Director
Brent O. Hatch	61	Director
Robert M. Meyer	73	Director
J. Lawrence Richards	67	Director
John M. Taggart	68	Director
Donald S. Poulton	66	President and Chief Executive Officer
Trent E. Hudson	51	Senior Vice President and Chief Financial Officer
D. Justin Haley	45	Senior Vice President and Chief Operating Officer
Steven M. Hannay	53	Senior Vice President and Chief Lending Officer
Clifford N. Pedersen	60	Senior Vice President and Chief Compliance Officer
John T. Taylor	61	Senior Vice President of Strategic Partnerships

A brief biography of each person who serves as a director or executive officer of the Bank is set forth below:

Alvin Murstein, the Chairman of the Board, has served on the Board of Medallion Bank since 2003 and as the Chairman of the board of directors of MFIN since its founding in 1995 and as the Chief Executive Officer since 1996. Mr. Murstein brings to the Board of Medallion Bank over 60 years of experience in the ownership, management and financing of taxicab medallions and other commercial businesses, as well as over 20 years of experience managing a public company. During his time in the industry, Mr. Murstein has been Chairman of the board of directors and Chief Executive Officer of Medallion Funding LLC, formerly known as Medallion Funding Corp., since its founding in 1979 and also currently serves, and has previously served, as officer and director of certain other wholly owned subsidiaries of MFIN. In addition to his work at MFIN and its affiliates, Mr. Murstein also served on the board of directors of the Strober Organization, Inc., a building supply company, from 1988 to 1997. Mr. Alvin Murstein is the father of Mr. Andrew M. Murstein. Mr. Murstein holds a bachelor's degree and an M.B.A. from New York University. He serves as a trustee of the not-for-profit Parker Jewish Institute for Health Care and Rehabilitation.

Andrew M. Murstein, a member of the Board, has served on the Board of Medallion Bank since 2003. Mr. Murstein brings to the Board of Medallion Bank over 30 years of experience in the ownership, management and financing of taxicab medallions and other commercial businesses, as well as over 20 years of experience managing a public company. He has been President of MFIN since its founding in 1995 and has been on the board of directors of MFIN since 1997, also having served in the positions of Chief Operating Officer since July 2016 and Chief Credit Officer from July 2016 to April 2017. Mr. Murstein also currently serves, and has previously served, as officer and director of certain wholly owned subsidiaries of MFIN. Mr. Murstein served as Vice Chairman and Secretary of Sports Properties Acquisition Corp, a public special purpose acquisition company from 2007 to 2011. Mr. Andrew M. Murstein is the son of Mr. Alvin Murstein. Mr. Murstein holds a bachelor's degree in economics from Tufts University and an M.B.A. from New York University. He currently serves on the board of the public benefit corporation Javits Center in New York City.

John Everets, a member of the Board, has served on the Board of Medallion Bank since 2019. Mr. Everets brings extensive financial and leadership experience at both public and private companies to our Board. Mr. Everets is currently a partner at Arcturus Capital in Boston, Massachusetts. Prior to joining Arcturus, he was lead investor, Chairman of the Board and Chief Executive Officer of the Bank of Maine from 2010 to 2015, where he led the recapitalization of the bank, helped improve its financial position and led its merger with Camden National Bank to form the largest bank in northern New England. Before leading the Bank of Maine, Mr. Everets was Chairman of Yorkshire Capital. Prior to that, he was Chairman and Chief Executive Officer of GE HPSC, Inc., from 1993 to

2006, where he grew the company from $100 million in assets to $1 billion before it was acquired by General Electric in 2004. Mr. Everets also previously held several executive positions at Advest, Inc. Mr. Everets is currently a director of the Eastern Company, a director of MFIN, a trustee of the Boston Athenaeum and a member of the board of directors of Newman's Own Foundation, where he chairs the Finance Committee.

Brent O. Hatch, a member of the Board and member of the audit committee, has served on the Board and the audit committee of Medallion Bank since 2003. Mr. Hatch is the founder of the law firm of Hatch, James & Dodge, PC and has been employed there since 1993, where he litigates complex commercial matters and advises corporations on significant transactions. Mr. Hatch brings to the Board of Medallion Bank extensive legal experience, having founded a law firm in Utah and having previously served as associate counsel to George H.W. Bush, Deputy Assistant Attorney General at the U.S. Department of Justice and General Counsel at the National Endowment for the Humanities. Mr. Hatch holds a bachelor's degree from Brigham Young University and a J.D. from Columbia Law School. Mr. Hatch clerked for the Honorable Robert H. Bork of the U.S. Court of Appeals for the District of Columbia Circuit from 1984 to 1985. He is also a Director and Treasurer of the Federalist Society. Mr. Hatch was an elected delegate to the Republican National Convention in 2004.

Robert M. Meyer, a member of the Board and member of the audit committee, has served on the Board of Medallion Bank since 2016 and on the audit committee since 2019. Mr. Meyer brings to the board extensive experience in the banking industry and in the lending business as well as over 25 years of experience managing public companies. He served as Executive Vice President and Chief Commercial Lending Officer at Valley National Bancorp from 1997 until his retirement in 2016, and, following his retirement, Mr. Meyer provided consulting services to Valley National Bank until August 2018. During his 47-year career in banking, Mr. Meyer had previously served as President and Chief Executive Officer of Midland Bancorp/Midland Bank and Trust Company from 1991 to 1997 and President and Chief Executive Officer of Broad Street National Bank and First Jersey National Bank/Central from 1985 to 1988. Mr. Meyer holds a bachelor's degree and a master's degree from Montclair State College and an M.B.A. from the University of Miami.

J. Lawrence Richards, a member of the Board and chairman of the audit committee, has served on the Board of Medallion Bank since 2003 and on the audit committee since 2011. Most recently, Mr. Richards served as President of LDS Business College from 2009 to 2017. Mr. Richards brings to the Board his substantial experience in the managing of multiple banking organizations. During his 25-year career in banking, Mr. Richards served as President of Your:)Bank.com, a subsidiary of Gateway Companies, from 1999 to 2002, as President and Chief Executive Officer of Advanta Bank Corp. from 1993 to 1999, as President and Chief Operating Officer at Olympus Bank, FSB from 1989 to 1993 and in various management positions, including President, at MountainWest Savings and Loan from 1977 to 1989. Mr. Richards holds a bachelor's degree from the University of Utah and a master's degree from Capella University. Mr. Richards currently serves as the audit committee chair of Salt Lake NeighborWorks and has previously served as a member of the board of directors of the Utah Banker's Association and the Utah Association of Financial Services and Chairman of the Board of Junior Achievement of Utah.

John M. Taggart, a member of the Board and a member of the audit committee, has served on the Board of Medallion Bank since 2003 and on the audit committee since 2019, and was the Chief Executive Officer and President of Medallion Bank from April 2002 until his retirement in May 2015. Mr. Taggart brings to the Board his experience in managing Medallion Bank since the inception of its business, as well as over 35 years' experience in senior management roles at banking organizations. Prior to joining Medallion Bank, Mr. Taggart had served at American Investment Bank, N.A. as a Director and Executive Vice President from 1998 to 2001 and as Chief Financial Officer from 1986 to 1998, at Copper State Thrift and Loan as Chief Financial Officer from 1979 to 1986 and at Coopers & Lybrand as Senior Auditor from 1976 to 1979. Mr. Taggart holds a bachelor's degree in accounting from the University of Utah and is a Certified Public Accountant in Utah.

Donald S. Poulton, the President and Chief Executive Officer of Medallion Bank, has been the President and Chief Executive Officer of Medallion Bank since 2015. Mr. Poulton was a founding officer of Medallion Bank and participated in the application and approval process for the Bank's charter. Prior to becoming the Bank's Chief Executive Officer in 2015, Mr. Poulton served as the Bank's Chief Lending Officer from the Bank's formation in 2002. Mr. Poulton has over 40 years of experience in the banking industry, particularly in the areas of residential mortgage, consumer and commercial lending, including SBA lending. During the course of his career in the banking industry, Mr. Poulton has served as Executive Vice President and Chief Lending Officer of American Investment

Financial from 1998 to 2002, where he was responsible for all lending programs, and Senior Vice President and Director of Private Banking of American Investment Bank from 1986 to 1998. Both American Investment Financial and American Investment Bank were wholly owned subsidiaries of Leucadia National Corporation. Mr. Poulton holds a bachelor's degree in finance from the University of Utah. Mr. Poulton has served on the board of the Utah Microenterprise Loan Fund since 2010.

Trent E. Hudson, Senior Vice President and Chief Financial Officer, has been at the Bank since January 2019. Mr. Hudson has over 25 years of experience in finance, 17 of them in financial management and 15 of them at another Utah industrial bank. Prior to joining the Bank, Mr. Hudson served as Chief Financial Officer and Chief Operating Officer at First Electronic Bank from 2003 until January 2019 and as Assistant Treasurer at Novell, Inc. (formerly NASDAQ:NOVL) from 1993 until 2003. Mr. Hudson holds a bachelor's degree in finance from the University of Utah and an M.B.A. from Brigham Young University.

D. Justin Haley, Senior Vice President and Chief Operating Officer, has been at the Bank since 2011. Prior to becoming the Bank's Chief Operating Officer in 2015, Mr. Haley served as the Vice President and General Manager of the Bank's Home Improvement Lending division, which he started for the Bank. In his current role as Chief Operating Officer, Mr. Haley is responsible for oversight of the Home Improvement Lending segment as well as technology, marketing and product management. Mr. Haley has worked in the banking industry for 24 years and has significant prior experience in consumer, home improvement and small business lending. Before joining Medallion Bank, Mr. Haley was the President of First Mutual Sales Finance, a home improvement lending subsidiary of Washington Federal from February 2008 to October 2008 and was a Vice President of Sales Finance of First Mutual Bank from October 2005 through January 2008, when First Mutual Bank was acquired by Washington Federal. Mr. Haley has a bachelor's degree in history and an M.B.A. from the University of Washington and is a graduate of the Pacific Coast Banking School. Mr. Haley serves on the Advisory Board of the University of Utah's Opportunity Scholars Program.

Steven M. Hannay, Senior Vice President and Chief Lending Officer, has been at the Bank since 2004. Mr. Hannay began his career at Medallion Bank as a Vice President Operations Manager and became the Bank's Chief Lending Officer in 2015. Currently, Mr. Hannay is responsible for Recreation Lending, the Medallion loan portfolio, loan funding, loan servicing and collections. Mr. Hannay has more than 25 years of experience in the lending industry and specializes in credit and portfolio management, division strategy, team development, operations and underwriting. Prior to joining Medallion Bank in 2004, Mr. Hannay served as Credit Manager at American Investment Bank from 1992 to 2004, specializing in consumer non-prime credit. Mr. Hannay has a bachelor's degree in business finance from the University of Utah. Mr. Hannay serves as a member of the Utah Microenterprise Loan Fund Committee.

Clifford N. Pedersen, Senior Vice President and Chief Compliance Officer, has been at the Bank since 2016. Mr. Pedersen oversees the administration of the Bank's Compliance Management Program and also serves as the Community Reinvestment Officer and Anti-Money Laundering Officer. Mr. Pedersen brings to Medallion Bank over 27 years of experience in the financial services industry and has extensive experience serving as the chief compliance officer of public and private banking organizations. He served as Chief Compliance Officer/AML Officer at OneMain Financial from 2012 to 2016, Chief Compliance Officer at GE Capital Retail Bank, FSB from 2010 to 2012, Chief Compliance Officer at Ally Bank from 2006 to 2010, Chief Compliance Officer at American Express Bank, FSB from 1996 to 2006, Senior Commercial Credit Analyst at First Security Bank NA from 1994 to 1996 and National Bank Examiner at the Office of the Comptroller of the Currency from 1991 to 1994. Prior to his career in banking, Mr. Pedersen served in the Medical Corps of the U.S. Navy. Mr. Pedersen holds an associate's degree in medical technology from the George Washington University and a bachelor's degree in accounting from the University of Utah. Mr. Pedersen is a Certified Regulatory Compliance Manager and has attended the ABA Graduate School of Compliance.

John T. Taylor, Senior Vice President of Strategic Partnerships, has been at the Bank since 2019. Mr. Taylor started and oversees the Bank's new strategic partnership program. Mr. Taylor has nearly 35 years of experience in the banking industry. Prior to joining Medallion Bank, he served as President and Chief Executive Officer at First Electronic Bank from 2013 through 2019, as President and Chief Executive Officer of CIT Bank from 2009 through 2013, and as Chief Financial and Compliance Officer of CIT Bank from 2000 to 2009. Mr. Taylor holds a bachelor's degree in business administration and accounting from Idaho State University. Mr. Taylor currently serves on the board and executive committee of the Utah Association of Financial Services. He has previously served on the boards of the Utah Community Reinvestment Corporation, Utah Bankers Association, Salt Lake Habitat for Humanity and NeighborWorks, SLC, and has served as a volunteer financial counselor for the Salt Lake City Housing Authority. Mr. Taylor is a Certified Public Accountant and was a former auditor and federal bank examiner.

Status as a "Controlled Company"

Our Series F Preferred Stock will be listed on NASDAQ Capital Market and, as a result, we will be subject to the corporate governance listing standards of the exchange. However, a listed company that satisfies the definition of a "controlled company" (*i.e.*, a company of which more than 50% of the voting power is held by a single entity or group) may elect not to comply with certain of these requirements. Because MFIN directly owns 100% of our outstanding common stock and we are therefore a "controlled company," we expect to elect not to comply with the corporate governance standards of NASDAQ requiring: (i) a fully independent corporate governance and nominating committee and (ii) a fully independent compensation committee. As discussed below, two of our seven directors will not qualify as "independent directors" under the applicable rules of NASDAQ. See "Certain Relationships and Related-Person Transactions" for more information.

Composition of Our Board of Directors

The Board has seven members, consisting of two directors who are employees of MFIN and five other directors who are "independent" under the listing standards of NASDAQ. Under our Bylaws, the number of directors constituting our Board must be between five and nine, and such number, within those limits, will be fixed from time to time by resolution of our Board or by our shareholders. Our Board meets at least once a quarter in accordance with requirements under Utah law and, following completion of this offering, our independent directors will meet in executive session at least twice a year in accordance with NASDAQ listing requirements.

Committees of Our Board of Directors

The only standing committee of the Board is the audit committee. The responsibilities of the audit committee are described below. Under our Bylaws, the Board may also establish other committees to assist it in its responsibilities.

The audit committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditors' qualifications and independence, the performance of our internal audit function and independent auditors and our risk assessment and risk management. Among other duties delegated to it from time to time by the Board, the audit committee will:

- retain and terminate our independent auditors;
- obtain and review a report by the independent auditors describing (1) the auditing firm's internal quality-control procedures; (2) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (3) all relationships between the independent auditor and the Bank;
- approve all audit engagement fees and terms, as well as significant non-audit engagements with the independent auditors;
- review and evaluate the qualifications, performance and independence of the lead partner of the independent auditors and present the committee's conclusions with respect to the independent auditors to the full Board;

- discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Bank's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";

- review with management and the independent public accountants the basis of the annual management report required by 12 C.F.R. Part 363;

- receive reports from the Bank's President and Chief Executive Officer and Chief Financial Officer of (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarize and report financial data and identify any material weakness in internal controls and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls;

- review analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Bank's financial statements, including analyses of the effects of alternative GAAP methods on the Bank's financial statements, and review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Bank;

- review in advance of distribution all dividends and earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies;

- obtain advice and assistance from outside legal, accounting or other advisors, when necessary;

- discuss policies with respect to risk assessment and risk management;

- review the adequacy of management information systems, internal accounting and financial controls;

- meet separately, on a periodic basis, with Bank personnel responsible for the internal audit function and with independent auditors;

- review with the independent auditor any audit problems or difficulties and management's response;

- review annually the policies and procedures relating to compliance with legal and regulatory requirements and the Bank's compliance therewith; and

- establish procedures for the receipt, retention and treatment of complaints on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by company employees regarding questionable accounting or auditing matters.

The audit committee will consist of at least three members, all of whom will be required to be "independent" under the listing standards of NASDAQ and meet the requirements of Rule 10A-3 of the Exchange Act. The audit committee will also include at least one "audit committee financial expert." Currently, our audit committee members are Brent O. Hatch, Robert M. Meyer, J. Lawrence Richards and John M. Taggart. Prior to the completion of this offering, the Board will determine that the audit committee members are "independent" under the listing standards of NASDAQ and meet the requirements of Rule 10A-3 of the Exchange Act and that at least one such member will serve as the "audit committee financial expert." The audit committee has adopted a written charter that specifies the scope of its rights and responsibilities, including those listed above. The charter will be available on our website at https://www.medallionbank.com/.

Board Leadership Structure and Qualifications

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business, government or banking. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on boards of other companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all shareholders. When considering potential director candidates, the Board also considers the candidate's character, judgment, diversity, skills, including financial literacy, and experience in the context of our needs and those of the Board.

Board Oversight of Risk Management

Our Board believes that effective risk management and control processes are critical to our safety and soundness, our ability to predict and manage the challenges that we face and, ultimately, the long-term success of the Bank. The Bank employs conservative risk management practices in order to effectively manage its business and its loan portfolios, and our Board, both directly and through the audit committee, has the ultimate responsibility for oversight of these risk management practices. The Board meets regularly throughout the year with executive management to ensure that all major risks are discussed with and evaluated by the Board. Changes to the Bank's risk profile, whether documented in policy or not, are discussed with the Board as needed, and policies, which cover all major risk areas for the Bank, are approved by the Board at the time of drafting, annually and whenever any change is being made. The audit committee of our Board is responsible for overseeing risks associated with financial matters (particularly financial reporting, accounting practices and policies, disclosure controls and procedures and internal control over financial reporting) and reviewing and discussing generally the identification, assessment, management and control of our risk exposures.

The role of our Board in our risk oversight is consistent with our leadership structure, with our President and Chief Executive Officer and the other members of senior management having responsibility for assessing and managing our risk exposure, and our Board providing oversight in connection with those efforts. We believe this division of risk management responsibilities presents a consistent, systemic and effective approach for identifying, managing and mitigating risks throughout our operations.

Compensation Committee Interlocks and Insider Participation

As a controlled company, we are not required to have, and do not have, a compensation committee. None of our executive officers serves or has served as a member of the Board, compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors, which would be required to be disclosed under Item 404 of Regulation S-K.

In the March 2019 board meeting, Mr. Poulton participated in a discussion with members of the Board regarding executive officer compensation. At the time, the compensation committee of MFIN had already made decisions regarding executive officer compensation for the Bank. One recommended change to those decisions was presented and approved during the board meeting. See "Executive and Director Compensation" for more information about the compensation of our executive officers.

Code of Conduct and Ethics

We have adopted a code of ethics policy for our directors, officers and employees. These persons must act ethically at all times and in accordance with the guidelines comprising our Code of Ethical Conduct and Insider Trading Policy to establish standards and procedures for the prevention and detection of activities which signal a conflict of interest or an abuse of fiduciary duty. To further promote ethical and responsible decision-making, the Board also adopted a Code of Ethical Conduct for Senior Financial Officers. Our Code of Ethical Conduct and Insider Trading Policy and Code of Ethical Conduct for Senior Financial Officers can be found on our website at *www.medallionbank.com*. If we make any substantive amendments to our code of ethics or grant any waiver from a provision of the code of ethics to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website. The Board expects our directors, as well as our officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising our code of ethics, which include, among other things, rules prohibiting loans or other extensions of credit, securities transactions during "blackout" periods, acceptance of gifts and certain interested transactions. In addition, the Board has established a policy for reporting employee concerns to the audit committee of the Board. Anyone with a concern about our accounting, internal accounting controls, or auditing matters may confidentially report such concern by telephone to a special dedicated toll-free phone number. This policy was previously announced to all of our employees and the telephone number is published in our common-area workplaces. All such communications are confidential and shall be promptly reviewed by the audit committee.

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Program and Relationship with MFIN

The Bank is a wholly owned subsidiary of MFIN and, following the completion of this offering, MFIN will continue to own 100% of the Bank's outstanding common stock. Accordingly, MFIN's executive compensation program has historically applied to our executive officers and is expected to continue to do so following completion of this offering. Determinations with respect to the compensation of our executive officers are made by MFIN's compensation committee in accordance with MFIN's compensation program. Such determinations are typically ratified by both the full MFIN board of directors and the Bank Board. Determinations with respect to the compensation of our directors are made by the Bank Board, separate and apart from MFIN's compensation program with respect to its directors.

Each of our named executive officers (as defined below) is an employee of both MFIN and the Bank. We describe the application of MFIN's compensation program to our named executive officers, as well as the compensation of our directors, in the discussion that follows.

Summary Executive Compensation Table and Narrative Discussion

The following table presents compensation awarded in the fiscal years ended December 2018 and 2017 to our principal executive officer, our two most highly compensated persons serving as executive officers as of December 2018 and our former chief financial officer, or paid to or accrued for those executive officers for services rendered during fiscal years 2018 and 2017, and should be read in conjunction with the associated narratives. We refer to these executive officers as our "named executive officers."

Name and Principal Position	Year	Salary ($)	Bonus ($)	Restricted Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Donald S. Poulton	2018	344,793	255,000	50,002	17,499(2)	667,294
President and Chief Executive Officer	2017	334,750	250,000	49,999	17,399(2)	652,148
D. Justin Haley	2018	203,579	70,000	25,001	—(3)	298,580
Senior Vice President and Chief Operating Officer	2017	197,650	60,000	25,000	—(3)	282,650
Steven M. Hannay	2018	176,068	70,000	20,001	—(3)	266,069
Senior Vice President and Chief Lending Officer	2017	170,940	60,000	14,999	—(3)	245,939
Sherrie L. Rees(4)	2018	177,819	—	25,001	15,596(5)	218,416
Senior Vice President and Chief Financial Officer	2017	197,650	90,000	5,000	—(3)	292,650

(1) This amount is the aggregate grant date fair value of restricted stock awards with respect to the fiscal years ended December 2018 and December 2017 computed in accordance with FASB ASC Topic 718. The fair value of each restricted stock award is determined on the award date by the closing market price of MFIN's common stock, par value $0.01 per share (MFIN common stock), on the award date.

(2) All other annual compensation for Donald S. Poulton for the fiscal years ended December 2018 and December 2017 includes amounts received as a monthly car allowance and amounts received pursuant to the matching program under our 401(k) Investment Plan.

(3) Unless otherwise indicated, for D. Justin Haley, Steven M. Hannay and Sherrie L. Rees, the aggregate amount of perquisites and other personal benefits or property was less than $10,000.

(4) Sherrie L. Rees left the Bank effective November 16, 2018.

(5) All other annual compensation for Sherrie L. Rees for the fiscal year ended December 2018 includes amounts received for accrued vacation days and amounts received pursuant to the matching program under our 401(k) Investment Plan.

Base Salary

Each named executive officer's base salary is a fixed component of compensation for each year for performing specific job duties and functions. The total base salaries earned by our named executive officers in fiscal years 2018 and 2017 are disclosed in the table above.

Base salaries for our named executive officers were initially set pursuant to each officer's employment agreement (described further below) and are reviewed at least once each fiscal year by MFIN's compensation committee, MFIN's full board of directors and the Bank Board.

Bonus

Our named executive officers are eligible to receive discretionary annual bonuses pursuant to the terms of their employment agreements. The annual bonuses are intended to compensate our named executive officers for achieving financial and operational goals and for achieving division and individual performance objectives. For the 2018 bonus decisions, MFIN's compensation committee used a newly developed "scorecard" of performance factors to provide a more structured reference for determining incentive payouts. The performance scorecard metrics in 2018 included, but were not limited to, the consolidated and segment return on assets, return on equity and efficiency ratio, collections/recoveries for the Medallion lending segment, success and implementation of strategic initiatives and individual performance. MFIN's compensation committee chose to evaluate performance measures in a holistic manner rather than assign weights to each individual metric. Mr. Poulton's 2018 bonus was $255,000, which was attributed in part to the overall performance of the Bank's consumer loan portfolios in 2018 and his overall management of the Bank in 2018. Mr. Haley's 2018 bonus was $70,000, which was attributed in part to the overall performance of the Bank's consumer loan portfolios in 2018 and his overall management of the Bank in 2018. Mr. Hannay's 2018 bonus was $70,000, which was attributed in part to the overall performance of the Bank's consumer loan portfolios in 2018 and his overall management of the Bank in 2018. Ms. Rees left the Bank effective November 16, 2018, and did not receive a bonus in 2018.

The discretionary annual bonus is paid in cash in an amount reviewed and approved by MFIN's compensation committee and ratified by MFIN's board of directors and the Bank Board and ordinarily is paid in a single installment in either the fourth quarter of a given fiscal year or the first quarter following the completion of a given fiscal year. MFIN's compensation committee, however, has the discretion to declare a bonus more frequently than on an annual basis and may do so in recognition of exceptional contributions to MFIN or the Bank at other times.

Long-Term Incentive Compensation

Prior to April 2, 2018, MFIN operated as a business development company ("BDC") under the Investment Company Act of 1940 (or 1940 Act). Under the 1940 Act, the number of restricted stock, warrants, options or rights to subscribe or convert to MFIN's voting securities that MFIN was permitted to issue was limited. MFIN was also limited under the 1940 Act to the types of securities it may issue. Accordingly, MFIN's long-term incentive compensation program was previously limited to the issuance of restricted stock and stock options and was generally constrained in scope and nature by the parameters set forth in the 1940 Act.

Nonetheless, MFIN believes that long-term performance is achieved through granting restricted stock and stock options, which creates an ownership culture that encourages long-term performance by its executive officers and other employees. MFIN's restricted stock and stock option plans (discussed below) have been established to provide certain of MFIN's employees, including our named executive officers, with incentives (i) to highlight and reinforce the mutuality of long-term interests between employees and shareholders and (ii) to assist in the attraction and retention of critically important key executives, managers and individual contributors who are essential to our and MFIN's growth and development. MFIN's compensation committee believes that the use of restricted stock and stock options is important in achieving MFIN's compensation goals. MFIN has not adopted formal stock ownership guidelines, and MFIN's restricted stock and stock option plans have provided the principal method for our named executive officers to acquire equity in our parent company.

The 2018 Equity Incentive Plan, or the 2018 Plan, was adopted by MFIN's board of directors on April 25, 2018, and approved by its shareholders on June 15, 2018. The terms of the 2018 Plan provide for grants of stock-based incentive awards, including, without limitation, options, restricted stock and stock appreciation rights, to MFIN's employees and any person who has been offered employment by MFIN, with payments to prospective employees being contingent upon such persons commencing employment with MFIN. MFIN's compensation committee is authorized grant awards under the 2018 Plan. Awards under the 2018 Plan are subject to certain forfeiture provisions, and thus are restricted as to transferability until such forfeiture restrictions have lapsed. The restrictions on such awards pursuant to the 2018 Plan may relate to continued service to MFIN, the achievement of specific performance objectives, or other restrictions deemed by MFIN's compensation committee from time to time to be appropriate and in MFIN's best interests and in the interests of MFIN's shareholders. No awards were granted under the 2018 Plan to the Bank's named executive officers in 2018. Shares of MFIN's common stock that had remained issuable under the 2015 Employee Plan described below were rolled into the 2018 Plan upon its adoption in June 2018.

The 2015 Employee Restricted Stock Plan, or the 2015 Employee Plan, was adopted by MFIN's board of directors on February 13, 2015, approved by MFIN's shareholders on June 5, 2015, and approved by the SEC on March 1, 2016. The terms of the 2015 Employee Plan provide for grants of restricted stock awards to MFIN's employees and any person who has been offered employment by MFIN; *provided* that such prospective employee may not receive any payment relating to a restricted stock award until such person has commenced employment with MFIN. MFIN's compensation committee is authorized to grant restricted stock awards. A grant of restricted stock is a grant of shares of MFIN common stock that, at the time of issuance, are subject to certain forfeiture provisions, and thus are restricted as to transferability until such forfeiture restrictions have lapsed. The restrictions on the restricted stock issued pursuant to the 2015 Employee Plan may relate to continued service to MFIN, the achievement of specified performance objectives, or other restrictions deemed by MFIN's compensation committee from time to time to be appropriate and in MFIN's best interests and in the interests of its shareholders.

The 2009 Employee Restricted Stock Plan, or the 2009 Employee Plan, was adopted by MFIN's board of directors on April 16, 2009, approved by the SEC on April 26, 2010, and approved by MFIN's shareholders on June 11, 2010. No additional shares are available for issuance under the 2009 Employee Plan. The terms of the 2009 Employee Plan provided for grants of restricted stock awards to MFIN's employees and any person who had been offered employment by MFIN; *provided* that such prospective employee could not receive any payment relating to a restricted stock award until such person had commenced employment with MFIN. MFIN's compensation committee was authorized to grant restricted stock awards. The restrictions on the restricted stock issued pursuant to the 2009 Employee Plan related to continued service to MFIN, the achievement of specified performance objectives, or other restrictions deemed by MFIN's compensation committee from time to time to be appropriate and in MFIN's best interests and in the interests of its shareholders.

MFIN has a stock option plan: the 2006 Employee Stock Option Plan. The 2006 Employee Stock Option Plan expired on February 15, 2016, and no options are available for issuance under it. The 2006 Employee Stock Option Plan included vesting periods to optimize the retention value of options and to provide an incentive to MFIN's named executive officers to achieve success over the long term. Generally, stock options vested in equal annual installments over three to five years commencing on the first anniversary of the date of grant, and if employees left MFIN before these vesting periods, they forfeited the unvested portions of these awards. The vesting schedules chosen were dependent on the individual, the rationale behind such option grant, the number of options granted and the exercise price of such options.

401(k) Plan

MFIN maintains a 401(k) Investment Plan which covers all of MFIN's full- and part-time employees who have attained the age of 21 and have a minimum of one year of service. Under the 401(k) Investment Plan, an employee may elect to defer not less than 1.0% of his or her total annual compensation, up to the applicable limits set forth in the Code (as defined in "Material U.S. Federal Income Tax Considerations"). Employee contributions are invested in various mutual funds, according to the direction of the employee. MFIN matches employee annual contributions to the 401(k) Investment Plan in an amount equal to one-third of the first 6% of an employee's annual contributions.

Employment Agreements and Offer Letters

Our named executive officers are employees of both MFIN and the Bank. MFIN will enter into a new employment agreement with an executive officer or a candidate only when necessary to attract or retain exceptional personnel. Any employment agreement with an executive officer (a) must be approved by MFIN's compensation committee; (b) should have as short a term as possible and provide as few terms and conditions as are necessary to accomplish its purpose; and (c) if required by law to be available for public review, must be filed promptly with the appropriate regulatory authority. Employment agreements with our named executive officers were also reviewed and approved by the Bank Board.

Mr. Poulton entered into an agreement with us and MFIN to serve as our President and Chief Executive Officer, which became effective on January 1, 2016. The agreement provides for a two-year term and automatically renews each year for a new two-year term unless either party terminates the agreement. Under the agreement, Mr. Poulton is entitled to an annual base salary of $325,000 with annual increases at a rate of no less than 3% of his then-existing base salary. Mr. Poulton is also eligible to receive a discretionary bonus, *provided*, *however*, that if the return on equity, or ROE, and return on assets, or ROA, for the Bank's consumer lending products are similar to the ROE and ROA for such lines as the average for the 2014 and 2015 fiscal years, Mr. Poulton shall receive a minimum bonus of $225,000. The agreement provides for a severance payment if the agreement is terminated under certain conditions or upon a change of control if his employment is discontinued in connection therewith, and also includes a non-competition covenant.

Mr. Haley entered into an agreement with MFIN to serve as our Chief Operating Officer, which became effective on June 1, 2015. The agreement provides for a two-year term and automatically renews each year for an additional two-year term unless either party notifies the other in writing of its intention not to renew the agreement. Under the agreement, Mr. Haley is entitled to an annual base salary of $185,000 with annual increases at a rate of no less than 3% of his then-existing base salary. Mr. Haley is also eligible to receive a discretionary bonus, *provided*, *however*, that if similarly situated executives of MFIN receive a bonus, then Mr. Haley shall receive a minimum bonus of $40,000. The agreement provides for a severance payment if Mr. Haley is terminated without cause or if he resigns under certain conditions, and also includes a non-competition covenant.

Mr. Hannay entered into an agreement with MFIN to serve as our Chief Lending Officer, which became effective on June 1, 2015. The agreement provides for a two-year term and automatically renews each year for an additional two-year term unless either party notifies the other in writing of its intention not to renew the agreement. Under the agreement, Mr. Hannay is entitled to an annual base salary of $160,000 with annual increases at a rate of no less than 3% of his then-existing base salary. Mr. Hannay is also eligible to receive a discretionary bonus. The agreement provides for a severance payment if Mr. Hannay is terminated without cause or if he resigns under certain conditions, and also includes a non-competition covenant.

Ms. Rees entered into an agreement with MFIN to serve as our Chief Financial Officer, which became effective on June 1, 2015, and which terminated when Ms. Rees left the Bank effective November 16, 2018. The agreement provided for a two-year term with automatic renewals each year for an additional two-year term unless either party terminated the agreement. Under the agreement, Ms. Rees was entitled to an annual base salary of $185,000 with annual increases at a rate of no less than 3% of her then-existing base salary. Ms. Rees was also eligible to receive a discretionary bonus, *provided*, *however*, that if the ROE and ROA for our consumer lending products are similar to the ROE and ROA for such lines for the 2014 fiscal year, Ms. Rees was entitled to receive a minimum bonus of $65,000. The agreement provided for a severance payment if Ms. Rees was terminated without cause or if she resigned under certain conditions, and also includes a non-competition covenant. No severance was paid to Ms. Rees in connection with the termination of her employment with MFIN and the Bank.

Perquisites

MFIN provides its named executive officers with perquisites and other personal benefits that MFIN and its compensation committee believe are reasonable and consistent with its overall compensation program to better enable MFIN to attract and retain superior employees for key positions. MFIN's compensation committee periodically reviews the levels of perquisites and other personal benefits provided to its named executive officers. Mr. Poulton is provided with a monthly car allowance to facilitate travel when conducting his duties.

Other Benefits

Our named executive officers are eligible to participate in all of MFIN's employee benefit plans, such as medical, dental, vision, group life, disability, and accidental death and dismemberment insurance, as well as MFIN's 401(k) Investment Plan, in each case on the same basis as other employees.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information regarding the outstanding equity awards held by our named executive officers as of December 2018 and all such awards were granted under MFIN's 2006 Employee Stock Option Plan and 2015 Employee Restricted Stock Plan.

	Option Awards				Restricted Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Restricted Stock That Have Not Vested (#)	Market Value of Shares of Restricted Stock That Have Not Vested ($)
Donald S. Poulton	—	—	—	—	11,390(1)	53,419
D. Justin Haley	5,000	—	11.53	12/20/2021	5,695(1)	26,710
Steven M. Hannay	—	—	—	—	4,556(1)	21,368

(1) These shares of restricted MFIN common stock vest in three equal installments on February 20, 2019, February 20, 2020 and February 20, 2021.

Potential Payments upon Termination or Change in Control

The following table sets forth information regarding potential payments to be made to our named executive officers following an employment termination or change of control. Amounts in the table assume an employment termination or change in control on December 31, 2018.

Name	Termination Without Cause ($)	Termination by Officer for Good Reason (Not Involving Change of Control) ($)	Disability ($)	Change of Control - Termination or Change in Employment ($)	Change of Control - Employment Agreement Assumed By New Owner ($)
Donald S. Poulton					
Severance	430,991(1)	430,991(1)	172,396(2)	430,991(1)	258,594(3)
Other Benefits	23,286(4)	23,286(4)	11,643(5)	23,286(4)	—
D. Justin Haley					
Severance	257,600(6)	257,600(6)	51,520(7)	—	—
Other Benefits	23,286(8)	23,286(8)	5,821(9)	—	—
Steven M. Hannay					
Severance	297,053(10)	297,053(10)	44,558(11)	—	—
Other Benefits	23,385(12)	23,385(12)	3,508(13)	—	—

(1) Mr. Poulton would be entitled to an amount equal to his salary for the balance of his current employment period, which expires on December 31, 2019, and 2 weeks' base salary for each year employed, up to 3 months. The severance payment was calculated based on his salary for the fiscal year ended December 2018.

(2) Mr. Poulton would be entitled to an amount equal to six months' salary following termination. The severance payment was calculated based on his salary for the fiscal year ended December 2018.

(3) Mr. Poulton would be entitled to an amount equal to nine months' salary. The severance payment was calculated based on his salary for the fiscal year ended December 2018.

(4) Mr. Poulton would be entitled to receive his health benefits for the balance of his current employment period.

(5) Mr. Poulton would be entitled to receive his health benefits for the six months following termination.
(6) Mr. Haley would be entitled to an amount equal to his salary for the twelve months following termination, and 2 weeks' base salary for each year employed, up to 3 months. The severance payment was calculated based on his salary as of December 2018.
(7) Mr. Haley would be entitled to an amount equal to three months' salary following termination. The severance payment was calculated based on his salary as of December 2018.
(8) Mr. Haley would be entitled to receive his health benefits for the twelve months following termination.
(9) Mr. Haley would be entitled to receive his health benefits for the three months following termination.
(10) Mr. Hannay would be entitled to an amount equal to his salary for the balance of his current employment period, which expires on June 1, 2020, and 2 weeks' base salary for each year employed, up to 3 months. The severance payment was calculated based on his salary as of December 2018.
(11) Mr. Hannay would be entitled to an amount equal to three months' salary following termination. The severance payment was calculated based on his salary as of December 2018.
(12) Mr. Hannay would be entitled to receive his health benefits for the balance of his current employment period.
(13) Mr. Hannay would be entitled to receive his health benefits for the three months following termination.

MFIN's board of directors determined that providing the modest change-of-control arrangements described above and which apply to Mr. Poulton as a named executive officer of MFIN appropriately reflects the risk imposed on executives that a company such as MFIN might be acquired. These arrangements are intended to attract and retain qualified executives with employment alternatives that may appear to them to be less risky absent these arrangements, and to mitigate a potential disincentive to authorize such an acquisition, particularly where the services of these executive officers may not be required by the acquirer.

MFIN's compensation committee authorized the various change-in-control and severance provisions in recognition of the importance to MFIN and its shareholders of assuring that MFIN has the continued dedication and full attention of certain key employees prior to and after the consummation of a change-in-control event. In addition to the foregoing, the provisions are intended to ensure that, if a possible change in control should arise and a MFIN named executive officer should be involved in deliberations or negotiations in connection with the possible change in control, such officer would be in a position to consider as objectively as possible whether the possible change-in-control transaction is in MFIN's best interests and those of its shareholders, without concern for his or her position or financial well-being. Absent termination without cause or for good reason, or a change-of-control event, no MFIN named executive officer is entitled to either equity vesting acceleration or cash severance payments upon termination of employment.

Director Compensation Table and Narrative Discussion

The following table sets forth certain compensation information for our directors for the fiscal year ended December 2018. None of our directors is an employee of the Bank. Mr. Alvin Murstein and Mr. Andrew M. Murstein are both employees of MFIN.

Name	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Alvin Murstein	—	—	—	—	—	—	—
Andrew M. Murstein	—	—	—	—	—	—	—
Brent O. Hatch	44,000	—	—	—	—	—	44,000
Robert M. Meyer	44,000	—	—	—	—	—	44,000
J. Lawrence Richards	44,000	—	—	—	—	—	44,000
John M. Taggart	44,000	—	—	—	—	—	44,000
Dean S. Woodman[(1)]	44,000	—	—	—	—	—	44,000

(1) Dean S. Woodman retired from the Board effective September 24, 2019.

Our directors, other than Mr. Alvin Murstein and Mr. Andrew M. Murstein, are paid $44,000 for each year they serve, payable in quarterly installments, and are reimbursed for expenses relating to attendance at Board meetings. We do not provide any pension or retirement plan with respect to our directors.

As employees of MFIN, Mr. Alvin Murstein and Mr. Andrew M. Murstein are eligible to participate in MFIN's 401(k) Investment Plan and the 2018 Plan.

CERTAIN RELATIONSHIPS AND RELATED-PERSON TRANSACTIONS

Certain of our directors are also directors or director nominees of MFIN and certain affiliates, including Medallion Funding LLC, Medallion Capital, Inc. and Freshstart Venture Capital Corp. Executive officer salaries are set by MFIN's board of directors and ratified by our Board.

Relationship with MFIN

We are a wholly owned subsidiary of MFIN. We conduct our activities with MFIN and other MFIN subsidiaries and affiliates on an arms'-length basis and in compliance with Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. See "Supervision and Regulation" for additional information regarding restrictions on certain transactions with MFIN and other affiliates. The following is a description of certain material relationships between us and MFIN, or a wholly owned subsidiary of MFIN, regarding loan marketing, loan servicing, corporate services and tax sharing.

Loan Marketing Agreement

Pursuant to a Loan Marketing Agreement between us and Medallion Funding LLC, a wholly owned subsidiary of MFIN, we source a number of services from MFC, including the marketing of commercial loan services on our behalf, the accepting and processing of loan applications, and the submission of loan applications to us for approval. Fees paid for services are based on the number of loans MFC originates or renews and the principal amount of such loans. Historically, the services MFC provided pursuant to the Loan Marketing Agreement related to marketing and origination services with respect to our Medallion loans and other commercial loans. However, following the Bank's determination in 2014 to cease originating Medallion loans, the services MFC provides pursuant to the Loan Marketing Agreement relate primarily to credit evaluation and application approval processes in connection with the refinancing of Medallion loans. For the services described above, we paid MFC a total of $0 in the nine months ended September 2019 and $0 in 2018.

Loan Servicing Agreement

Pursuant to a Loan Servicing Agreement between us and Medallion Servicing Corp., a wholly owned subsidiary of MFIN, MSC provides us with a number of services related to servicing loans in our Medallion Lending segment. Services include, among others, monitoring collateral, collecting loan payments and maintaining account records, and collection activities on delinquent accounts. Fees paid for services are based on the number of loans that MSC services. For the services provided pursuant to this agreement, we paid MSC a total of $3.6 million in the nine months ended September 2019 and $5.2 million in 2018.

Corporate Services Agreement

Pursuant to a Corporate Services Agreement between us and MFIN, we source a number of services from MFIN including the following:

- information systems support, including, without limitation, maintaining computer and communications systems; developing and maintaining security controls, providing desktop support, monitoring and reporting on network and system resources, and providing consulting and advisory services on the acquisition of new or enhanced software, hardware, or technology services;

- human resources support, including, without limitation, payroll services, benefits administration, and employee counseling;

- legal support, including, without limitation, drafting and reviewing contracts and transactional forms and assisting with regulatory matters;

- business development support, including, without limitation, identifying new business opportunities and potential acquisitions to enable us to further diversify our business, and advising and assisting in negotiations for each such opportunity or acquisition;

- capital raise support, including, without limitation, identifying opportunities for us to raise capital; conducting due diligence on such opportunities, assisting us in identifying and contacting potential investors, and, if requested by us, participating in negotiations with prospective investors; and

- accounting and financial support, including, without limitation, selection and maintenance of financial reporting software and development and maintenance of financial reports for board, regulatory, and management purposes.

Fees paid for the above services are based on pre-determined monthly or hourly rates, and, in the case of human resources support, on the number of our employees. We paid MFIN a total of $741,000 in the nine months ended September 2019 and $849,000 for these services in 2018.

Tax Sharing Agreement

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

Policies and Procedures for Review, Approval or Ratification of Related-Person Transactions

Our Board recognizes that transactions with affiliates and other related-party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof). In addition, laws and regulations, including Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder and the Federal Reserve's Regulation O, place restrictions on the amounts and types of transactions we may conduct with our affiliates and with our directors and executive officers. See "Supervision and Regulation" for additional information. Therefore, we maintain a written Insider Lending Policy, which generally prohibits us from making loans or otherwise extending credit to any of our, or certain of our affiliates', executive officers, directors, or principal shareholders, or related interests or immediate family members of any of the foregoing. Our Chief Compliance Officer is responsible for ensuring that covered individuals understand this policy and the applicable regulatory requirements, as well as for the compliance of extensions of credit with this policy or applicable regulations.

We may make exceptions to our Insider Lending Policy for certain insiders. Any extension of credit made pursuant to such an exception must be on the same terms and subject to the same underwriting standards as those applicable to non-related persons. In general, prior approval of our Board is required for any extension of credit to an insider that, when aggregated with all other credit extended to the applicable person, exceeds the greater of $25,000 or 5% of our capital and unimpaired surplus, or exceeds $200,000. Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the transaction. Extensions of credit to our executive officers are subject to additional restrictions set forth in Regulation O and our Insider Lending Policy, and exceptions to the applicable restrictions on extensions of credit to our executive officers are not permitted.

In addition, we have adopted a written Code of Ethical Conduct and Insider Trading Policy, which includes a Conflicts of Interest Policy that establishes requirements for our directors and employees to avoid an actual or perceived conflict of interest with the interests of the Bank. For more information about this policy, see "Management—Code of Conduct and Ethics."

We have also implemented a written Related and Affiliated Transactions Policy, pursuant to which our Board is responsible for reviewing our transactions with affiliates, including MFIN. The policy prohibits management from entering into transactions with affiliates or related-party transactions unless the Board has been briefed on the transaction and a majority of directors who are both independent directors and who have no financial interest in the relevant transaction has approved the proposed transaction (the "required majority"). The Board may, in its sole discretion, approve or deny by the required majority any transactions with affiliates or related-party transactions and approval may be conditioned upon any other actions the Board deems appropriate. Failure to follow the approval process can lead to disciplinary action, up to and including termination.

We also have a separate Regulation W policy that provides a framework through which we identify affiliate transactions governed by Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows, as of December 6, 2019, the percentage of outstanding shares of common stock that are beneficially owned by (i) our directors and executive officers and (ii) any shareholder who holds 5% or more of our common stock. Except as otherwise indicated, the address for each shareholder listed below is c/o Medallion Bank, 1100 East 6600 South, Suite 510, Salt Lake City, UT 84121.

	Common Stock As of December 6, 2019	
Name and Address of Beneficial Owner	**Number of Shares**	**Percentage of Outstanding Shares**
MFIN[(1)]	1,000,000	100%
Directors and Executive Officers		
Alvin Murstein	—	— %
Andrew Murstein	—	— %
John Everets	—	— %
Brent O. Hatch	—	— %
John M. Taggart	—	— %
J. Lawrence Richards	—	— %
Robert M. Meyer	—	— %
Donald S. Poulton	—	— %
Trent E. Hudson	—	— %
D. Justin Haley	—	— %
Steven M. Hannay	—	— %
Clifford N. Pedersen	—	— %
John T. Taylor	—	— %
All Directors and Executive Officers as a group (composed of 13 individuals)	—	— %
Total	1,000,000	100%

(1) MFIN owns all shares of our common stock beneficially and of record. MFIN's investment decisions are made by its board of directors. MFIN is a public company with shares listed on NASDAQ Global Select Market under the ticker "MFIN." The address of MFIN is 437 Madison Ave, 38th Floor, New York, NY 10022.

DESCRIPTION OF SERIES F PREFERRED STOCK

The following description summarizes the material terms of our Series F Preferred Stock. Because it is only a summary, it may not contain all the information that is important to you. For a complete description, you should refer to our Articles and our Bylaws and any applicable provisions of relevant law.

The following is a brief description of the material terms of the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F (referred to in this section as the "Series F"). The following summary of the terms and provisions of the Series F does not purport to be complete in all respects, and is qualified in its entirety by reference to the pertinent sections of our Articles, including the articles of amendment creating the Series F, copies of which are available upon request from us, and the applicable provisions of the Utah Financial Institutions Act and the Utah Revised Business Corporation Act.

General

Under our Articles, we have authority to issue up to 5,000,000 shares of preferred stock, par value $1.00 per share. Our Board (or a duly authorized committee of the Board or a duly authorized officer of the Bank) is authorized without further shareholder action to cause the issuance of shares of preferred stock, including the Series F. There are currently 26,303 shares of Series E Preferred Stock, par value $1.00 per share, outstanding and designated as the "Senior Non-Cumulative Perpetual Preferred Stock, Series E" with an aggregate liquidation amount of $26,303,000.

Any additional preferred stock may be issued from time to time in one or more series, each with such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as our Board (or a duly authorized committee of the Board) may determine prior to the time of issuance. Prior to the issuance of the Series F, we will have filed the articles of amendment with respect to the Series F with the Utah Division of Corporations and Commercial Code.

The Series F represents a single series of our authorized preferred stock. We are offering 1,600,000 shares of Series F by this offering circular. Shares of Series F, upon issuance against full payment for the purchase price, will be fully paid and non-assessable.

The Series F will not be convertible into, or exchangeable for, shares of our common stock or any other class or series of our other securities and will not be subject to any sinking fund or any other obligation of us for their repurchase or retirement. The Series F represents non-withdrawable capital, will not be an account of an insurable type, and will not be insured or guaranteed by the FDIC or any other governmental agency or instrumentality.

The number of authorized shares of the Series F initially is 1,840,000 and the "*liquidation amount*" per share is $25.00. The number of authorized shares may from time to time be increased (but not in excess of the total number of authorized shares of preferred stock, excluding shares of any other series of preferred stock authorized at the time of such increase) or decreased (but not below the number of shares of Series F then outstanding) by resolution of the Board (or a duly authorized committee of the Board), without the vote or consent of the holders of the Series F. Shares of Series F that are redeemed, purchased or otherwise acquired by us will be cancelled and shall revert to authorized but unissued shares of preferred stock undesignated as to series. We have the authority to issue fractional shares of Series F.

The underwriters have the option to purchase up to an additional 240,000 shares of the Series F solely to cover over-allotments, if any, within 30 days from the date of this offering circular. Any such additional shares issued pursuant to the over-allotment option will accrue dividends from the original issue date of the Series F offered by this offering circular.

We reserve the right to re-open this Series F and issue additional shares of Series F either through public or private sales at any time and from time to time without notice to or the consent of holders of Series F, *provided* that such additional shares may only be issued on a dividend payment date and shall accrue dividends from the date they are issued, and such additional shares will only be issued if they are fungible with the original shares for tax purposes. The additional shares of Series F would be deemed to form a single series with the Series F offered by this offering circular. Each share of Series F shall be identical in all respects to every other share of Series F, except that, other than shares issued in connection with the exercise of the underwriters' option to purchase up to 240,000 additional shares, any shares of Series F issued after the original issue date of the Series F offered by this offering circular shall accrue dividends from the date they are issued.

Ranking

With respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up, the Series F will rank:

- senior to our common stock and any class or series of our stock that ranks junior to the Series F in the payment of dividends or in the distribution of assets upon our liquidation, dissolution or winding-up (together with our common stock, "*junior stock*");

- senior to or on a parity with each other series of our preferred stock we may issue (except for any senior series that may be issued upon the requisite vote or consent of the holders of at least two thirds of the shares of Series F at the time outstanding and entitled to vote, voting together with any other series of preferred stock first issued after the original issue date of the Series F that ranks on a parity as to the payment of dividends and in the distribution of assets upon our liquidation, dissolution or winding-up) with respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up of the Bank; and

- junior to all existing and future indebtedness and other non-equity claims on us.

Dividends

General

Holders of the Series F shall be entitled to receive, when, as and if declared by our Board (or a duly authorized committee of our Board), but only out of funds legally available therefor, non-cumulative cash dividends on the liquidation amount of $25 per share of the Series F.

If declared by our Board (or a duly authorized committee of our Board), we will pay dividends on the Series F (i) during the fixed rate period, quarterly in arrears, on January 1, April 1, July 1 and October 1 of each year, commencing on April 1, 2020, and (ii) during the floating rate period, quarterly in arrears, on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2025. Dividends on the Series F will accrue from the original issue date at a rate equal to (i) 8.00% per annum for each dividend period during the fixed rate period and (ii) a benchmark rate (which is expected to be Three-Month Term SOFR) plus a spread of 6.46% per annum for each quarterly dividend period during the floating rate period; *provided* that if the benchmark rate would be less than zero for any quarterly dividend period during the floating rate period then the dividend rate for that dividend period will be zero plus the spread of 6.46% per annum. We will calculate dividends on the Series F for the fixed rate period on the basis of a 360-day year of twelve 30-day months. We will calculate dividends on the Series F for the floating rate period on the basis of the actual number of days in a dividend period and a 360-day year. Dollar amounts resulting from those calculations will be rounded to the nearest cent, with one-half cent being rounded upward.

For the purpose of calculating the dividend rate on the Series F for each dividend period during the floating rate period when the Benchmark is Three-Month Term SOFR, "*Three-Month Term SOFR*" means the rate for Term SOFR for a tenor of three months that is published by the Term SOFR Administrator at the Reference Time for any dividend period, as determined by the calculation agent after giving effect to the Three-Month Term SOFR Conventions, as determined by us or our designee.

The following definitions apply to the foregoing definition of Three-Month Term SOFR:

- "*Benchmark*" means, initially, Three-Month Term SOFR; *provided* that if we or our designee determine on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

- "*Federal Reserve Bank of New York's Website*" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

- "*Reference Time*" with respect to any determination of the Benchmark means (1) if the Benchmark is Three-Month Term SOFR, the time determined by us or our designee after giving effect to the Three-Month Term SOFR Conventions, and (2) if the Benchmark is not Three-Month Term SOFR, the time determined by us or our designee after giving effect to the Benchmark Replacement Conforming Changes.

- "*Relevant Governmental Body*" means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

- "*SOFR*" means the secured overnight financing rate published by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

- "*Term SOFR*" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

- "*Term SOFR Administrator*" means any entity designated by the Relevant Governmental Body as the administrator of Term SOFR (or a successor administrator).

- "*Three-Month Term SOFR Conventions*" means any determination, decision or election with respect to any technical, administrative or operational matter (including with respect to the manner and timing of the publication of Three-Month Term SOFR, or changes to the definition of "dividend period," timing and frequency of determining Three-Month Term SOFR with respect to each dividend period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that we or our designee decide may be appropriate to reflect the use of Three-Month Term SOFR as the Benchmark in a manner substantially consistent with market practice (or, if we or our designee decide that adoption of any portion of such market practice is not administratively feasible or if we or our designee determine that no market practice for the use of Three-Month Term SOFR exists, in such other manner as we or our designee determine is reasonably necessary).

- The terms "*Benchmark Replacement Conforming Changes*," "*Benchmark Replacement Date*," "*Benchmark Replacement*" and "*Benchmark Transition Event*" have the meanings set forth below under "—Effect of Benchmark Transition Event" below.

Notwithstanding the foregoing paragraph, if we or our designee determine on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined below) have occurred with respect to Three-Month Term SOFR, then the provisions set forth below under the heading "Effect of Benchmark Transition Event," which we refer to as the benchmark transition provisions, will thereafter apply to all determinations of the dividend rate on the Series F for each dividend period during the floating rate period. In accordance with the benchmark transition provisions, after a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the dividend rate on the Series F for each dividend period during the floating rate period will be an annual rate equal to the sum of the Benchmark Replacement (as defined below) and the spread of 6.46% per annum.

Absent manifest error, the calculation agent's determination of the dividend rate for a dividend period for the Series F will be binding and conclusive on you, the transfer agent and us. The calculation agent's determination of any dividend rate, and its calculation of dividends for any dividend period, will be maintained on file at our principal offices and will be made available to any shareholder upon request.

Effect of Benchmark Transition Event

Benchmark Replacement

If we or our designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred on or prior to the Reference Time in respect of any determination of the Benchmark on any date, then the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Series F during the floating rate period in respect of such determination on such date and all determinations on all subsequent dates.

Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, we or our designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

Certain Defined Terms

As used herein:

"*Benchmark Replacement*" means the Interpolated Benchmark with respect to the then-current Benchmark, plus the Benchmark Replacement Adjustment for such Benchmark; provided that if (a) we or our designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date or (b) the then-current Benchmark is Three-Month Term SOFR and a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR (in which event no Interpolated Benchmark with respect to Three-Month Term SOFR shall be determined), then "*Benchmark Replacement*" means the first alternative set forth in the order below that can be determined by us or our designee as of the Benchmark Replacement Date:

(1) Compounded SOFR;

(2) the sum of: (a) the alternate rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(4) the sum of: (a) the alternate rate that has been selected by us or our designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate securities at such time and (b) the Benchmark Replacement Adjustment.

"*Benchmark Replacement Adjustment*" means the first alternative set forth in the order below that can be determined by us or our designee as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by us or our designee giving due consideration to any industry-accepted spread adjustment, or method for

calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate securities at such time.

"*Benchmark Replacement Conforming Changes*" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "dividend period," timing and frequency of determining rates with respect to each dividend period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that we or our designee decide may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if we or our designee decide that adoption of any portion of such market practice is not administratively feasible or if we or our designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as we or our designee determine is reasonably necessary).

"*Benchmark Replacement Date*" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) of the definition of "Benchmark Transition Event," the relevant Reference Time in respect of any determination;

(2) in the case of clause (2) or (3) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(3) in the case of clause (4) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying the Benchmark (for example, if Benchmark becomes the sum of (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment in accordance with clause (2) of the definition of Benchmark Replacement, references to Benchmark would include SOFR).

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"*Benchmark Transition Event*" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) if the Benchmark is Three-Month Term SOFR, (a) the Relevant Governmental Body has not selected or recommended a forward-looking term rate for a tenor of three months based on SOFR, (b) the development of a forward-looking term rate for a tenor of three months based on SOFR that has been recommended or selected by the Relevant Governmental Body is not complete or (c) we or our designee determine that the use of a forward-looking rate for a tenor of three months based on SOFR is not administratively feasible;

(2) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority

over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(4) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"*Compounded SOFR*" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate being established by us or our designee in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(2) if, and to the extent that, we or our designee determine that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by us or our designee giving due consideration to any industry-accepted market practice for U.S. dollar-denominated floating rate securities at such time.

For the avoidance of doubt, the calculation of Compounded SOFR shall exclude the Benchmark Replacement Adjustment (if applicable) and the spread of 6.46% per annum.

"*Corresponding Tenor*" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"*Interpolated Benchmark*" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"*ISDA Definitions*" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"*ISDA Fallback Adjustment*" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"*ISDA Fallback Rate*" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"*Unadjusted Benchmark Replacement*" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

The terms "*Federal Reserve Bank of New York's Website*," "*Reference Time*," "*Relevant Governmental Body*," "*SOFR*" and "*Term SOFR*" have the meanings set forth above under the heading "—Dividends—General."

Determinations and Decisions

In connection with any determination, decision or election to be made by us in connection with the Three-Month Term SOFR Conventions or pursuant to the benchmark transition provisions, we may, in our sole discretion, and at any time and from time to time (i) designate any affiliate of ours, any underwriter for the Series F, any affiliate of such an underwriter or any other person to make one or more determinations, decisions or elections on a temporary or permanent basis, (ii) determine to provide that any determination, decision or election to be made by a designee will be made after consultation with us and subject to the condition that our designee will not make any such determination, decision or election to which we reasonably object and (iii) revoke any such designation. Any person so designated in accordance with the immediately preceding sentence will be a "designee" for purposes of the provision on Three-Month Term SOFR Conventions and for purposes of the benchmark transition provisions for so long as such designation remains in effect. Any determination, decision or election that may be made by us or our designee pursuant to the provision on Three-Month Term SOFR Conventions or the benchmark transition provisions, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in our or our designee's sole discretion and, subject to clause (ii) in the second preceding sentence, shall become effective without consent from any other party.

We will pay dividends to the holders of record of shares of the Series F as they appear on our stock register on the applicable record date, not more than 30 days before the applicable payment date, as will be fixed by our Board (or a duly authorized committee thereof). In the event that any dividend payment date during the fixed rate period falls on a day that is not a business day, the dividend payment due on that date will be postponed to the next day that is a business day and no additional dividends will accrue as a result of that postponement. In the event that any dividend payment date during the floating rate period would otherwise fall on a day that is not a business day, the dividend payment date will be postponed to the next day that is a business day and dividends will accrue to but excluding the date dividends are paid. However, if the postponement would cause the day to fall in the next calendar month during the floating rate period, the dividend payment date will instead be brought forward to the immediately preceding business day. A "*business day*" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

If the then-current Benchmark is Three-Month Term SOFR, we or our designee will have the right to establish the Three-Month Term SOFR Conventions, and if any of the foregoing provisions concerning the calculation of the dividend rate and the payment of dividends during the floating rate period are inconsistent with any of the Three-Month Term SOFR Conventions determined by us or our designee, then the relevant Three-Month Term SOFR Conventions will apply. Furthermore, if we or our designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR at any time when the Series F is outstanding, then the foregoing provisions concerning the calculation of the dividend rate and the payment of dividends during the floating rate period will be modified in accordance with the benchmark transition provisions. If we call the Series F for redemption, dividends on shares of the Series F will cease to accrue on the applicable redemption date as described below under "—Optional Redemption."

Additional Shares

If we issue additional shares of the Series F after the original issue date, dividends on such shares will accrue from the original issue date if such shares are issued prior to the first dividend payment date and otherwise will accrue from the date on which such shares are issued (if it is a dividend payment date) or the dividend payment date next preceding the date they are issued.

Dividends will be Discretionary and Non-Cumulative

Dividends on shares of Series F are discretionary and will not be cumulative. If our Board (or a duly authorized committee of the Board) does not declare a dividend on the Series F in respect of a dividend period, then holders of Series F shall not be entitled to receive any dividends not declared by the Board (or a duly authorized committee of the Board) and no interest, or sum of money in lieu of interest, shall accrue or be payable in respect of any dividend not so declared, whether or not our Board (or a duly authorized committee of the Board) declares a dividend on the Series F or any other series of our preferred stock or on our common stock for any future dividend period.

Restrictions on Dividends, Redemption and Repurchases

So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no dividend may be declared or paid or set aside for payment, and no distribution may be made, on any junior stock, other than a dividend payable solely in stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Bank.

If our Board (or a duly authorized committee of the Board) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period on the shares of Series F or any class or series of our stock that ranks on a parity with the Series F in the payment of current dividends ("*dividend parity stock*"), then to the extent permitted by the terms of the Series F and each outstanding series of dividend parity stock such partial dividends shall be declared on shares of Series F and dividend parity stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "*full dividends*" means, as to any dividend parity stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such dividend parity stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series F or any series of dividend parity stock (in either case, the "*first series*") coincides with more than one dividend period with respect to another series as applicable (in either case, a "*second series*"), for purposes of this paragraph our Board (or a duly authorized committee of the Board) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any dividend parity stock and dividend period(s) with respect to the Series F for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such dividend parity stock and the Series F.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by our Board (or a duly authorized committee of the Board) may be declared and paid on any common stock or junior stock from time to time out of any funds legally available therefor, and the shares of Series F shall not be entitled to participate in any such dividend.

So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no monies may be paid or made available for a sinking fund for the redemption or retirement of any dividend parity stock or junior stock, nor shall any shares of dividend parity stock or junior stock be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, other than:

- in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice; or

- as a result of the acquisition by the Bank of record ownership of dividend parity stock or junior stock for the beneficial ownership of any other persons (other than the Bank), including trustees or custodians; or

- as a result of (x) a reclassification of dividend parity stock or junior stock, or (y) the exchange or conversion of one share of dividend parity stock or junior stock for or into another share of dividend parity stock that does not rank senior to such dividend parity stock in the distribution of assets on any liquidation, dissolution or winding-up of the Bank or other stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Bank, as the case may be; or

- through the use of the proceeds of a substantially contemporaneous sale of other shares of dividend parity stock that does not rank senior to such dividend parity stock in the distribution of assets on any liquidation, dissolution or winding-up of the Bank or other stock that ranks junior to the Series F in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding-up of the Bank, as the case may be; or

- any purchase or other acquisition of shares of Series F and dividend parity stock in accordance with a purchase offer made in writing or by publication (as determined by our Board, or a duly authorized committee of the Board), to all holders of such shares on such terms as our Board (or a duly authorized committee of the Board), after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

Dividends on the Series F will not be declared, paid or set aside for payment if and to the extent such act would cause us to fail to comply with applicable laws and regulations.

Redemption

The Series F is perpetual and has no maturity date. We may, at our option, redeem the shares of Series F (i) in whole or in part, from time to time, on any dividend payment date on or after the dividend payment date on April 1, 2025, or (ii) in whole but not in part at any time within 90 days following a regulatory capital treatment event, in each case, at a cash redemption price equal to the liquidation amount, together (except as otherwise provided herein) with an amount equal to any dividends that have been declared but not paid prior to the redemption date (but with no amount in respect of any dividends that have not been declared prior to such date). The redemption price for any shares of Series F shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to us or our agent, if the shares of Series F are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the applicable record date for a dividend period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date. Notwithstanding the foregoing, we may not redeem shares of Series F without having received the prior approval of the "*appropriate federal banking agency*" with respect to us as defined in Section 3(q) of the Federal Deposit Insurance Act, or any successor provision, if then required under capital rules applicable to us.

A "*regulatory capital treatment event*" means the good faith determination by us that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Federal Deposit Insurance Corporation ("*FDIC*") and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series F, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series F, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series F, there is more than an insubstantial risk that we will not be entitled to treat the full liquidation amount of $25 per share of Series F then outstanding as "Additional Tier 1 capital" (or its equivalent) for purposes of the capital adequacy rules of the FDIC (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency) as then in effect and applicable, for so long as any share of Series F is outstanding.

In case of any redemption of only part of the shares of Series F at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of the Series F in proportion to the number of shares of Series F held by such holders or by lot or in such other manner as our Board (or a duly authorized committee of the Board) may determine to be fair and equitable. Subject to the provisions hereof, our Board (or a duly authorized committee of the Board) shall have full power and authority to prescribe the terms and conditions on which shares of Series F shall be redeemed from time to time. If we shall have issued certificates for the Series F and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

Notice of every redemption of shares of Series F shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on our books. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series F designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F. Notwithstanding the foregoing, if the shares of Series F are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series F at such time and in any manner permitted by such facility.

Each such notice given to a holder shall state:

- the redemption date;
- the number of shares of Series F to be redeemed and, if less than all shares of Series F held by such holder are to be redeemed, the number of shares to be redeemed from such holder;
- the redemption price;
- the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and
- that dividends will cease to accrue on the redemption date.

If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by us, separate and apart from our other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available for that purpose, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series F are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption shall look only to us for payment of the redemption price of such shares.

Our right to redeem the Series F once issued is subject to the prior approval of the FDIC or any successor appropriate federal banking agency as required under the FDIA and the capital rules applicable to us. We cannot assure you that the appropriate federal banking agency will approve any redemption of the Series F that we may propose. Moreover, unless the FDIC authorizes us to do otherwise in writing, we will redeem the Series F only if it is replaced with other tier 1 capital that is not a restricted core capital element—for example, common stock or another series of non-cumulative perpetual preferred stock.

The Series F will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of the Series F will have no right to require redemption of any shares of Series F.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Bank, before any distribution or payment out of our assets may be made to or set aside for the holders of any junior stock, holders of the Series F will be entitled to receive out of our assets legally available for distribution to our shareholders an amount equal to the liquidation amount of $25 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without any amount in respect of dividends that have not been declared prior to such payment date) (the "*liquidation preference*").

If our assets are not sufficient to pay the liquidation preference in full to all holders of the Series F and all holders of any class or series of our stock that ranks on a parity with the Series F in the distribution of assets on liquidation, dissolution or winding-up of the Bank, including the Series E Preferred Stock (the "*liquidation preference parity stock*"), the amounts paid to the holders of the Series F and to the holders of all liquidation preference parity stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of the Series F and all such liquidation preference parity stock. In any such distribution, the "*liquidation preference*" of any holder of our stock other than the Series F means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable. If the liquidation preference has been paid in full to all holders of the Series F and all holders of any liquidation preference parity stock, the holders of junior stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of the liquidation rights, the merger, consolidation or other business combination of us with or into any other corporation, including a transaction in which the holders of the Series F receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of our assets, shall not constitute a liquidation, dissolution or winding-up of the Bank.

The Series F may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding.

Voting Rights

Except as indicated below or otherwise required by law, the holders of the Series F will not have any voting rights. To the extent that holders of the Series F are entitled to vote, each holder of the Series F will have one vote per share.

Right to Elect Two Directors on Nonpayment of Dividends

If and whenever dividends payable on the Series F or any class or series of dividend parity stock first issued after the original issue date of the Series F and having voting rights equivalent to those described in this paragraph ("*voting parity stock*") have not been declared and paid (or, in the case of voting parity stock bearing dividends on a cumulative basis, shall be in arrears) in an aggregate amount equal to full dividends for at least six quarterly dividend periods or their equivalent (whether or not consecutive) (a "*nonpayment event*"), the number of directors then constituting our Board shall be automatically increased by two and the holders of the Series F, together with the holders of any outstanding voting parity stock then entitled to vote for additional directors, voting together as a single class with one vote per share, shall be entitled to elect the two additional directors (the "*preferred stock directors*"); *provided* that our Board shall at no time include more than two preferred stock directors (including, for purposes of this limitation, all directors that the holders of any series of voting preferred stock are entitled to elect pursuant to like voting rights).

In the event that the holders of the Series F and such other holders of voting parity stock shall be entitled to vote for the election of the preferred stock directors following a nonpayment event, such directors shall be initially elected following such nonpayment event only at a special meeting called at the request of the holders of record of at least 20% of the liquidation amount of the Series F and each other series of voting parity stock then outstanding, voting together as a single class with one vote per share (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of our shareholders, in which event such election shall be held only at such next annual or special meeting of shareholders), and at each subsequent annual meeting of our shareholders. Such request to call a special meeting for the initial election of the preferred stock directors after a nonpayment event shall be made by written notice, signed by the requisite holders of the Series F or voting parity stock, and delivered as required or permitted by applicable law. If our Secretary fails to call a special meeting for the election of the preferred stock directors within 20 days of receiving proper notice, any holder of the Series F may call such a meeting at our expense solely for the election of the preferred stock directors, and for this purpose and no other (unless provided otherwise by applicable law) such Series F holder shall have access to our stock ledger.

When (i) dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series F, whether or not consecutive, equivalent to at least one year after a nonpayment event, and (ii) the rights of holders of any voting parity stock to participate in electing the preferred stock directors shall have ceased, the right of holders of the Series F to participate in the election of preferred stock directors shall cease (but subject always to the revesting of such voting rights in the case of any future nonpayment event), the terms of office of all the preferred stock directors shall immediately terminate, and the number of directors constituting our Board shall automatically be reduced accordingly.

Under the federal banking laws and regulations, if any holder of any series of preferred stock (including the Series F) is or becomes entitled to vote for the election of directors, such series will be deemed a class of voting securities. Any 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.

Any preferred stock director may be removed at any time without cause, and any vacancy created thereby may be filled, by the holders of record of a majority of the outstanding shares of Series F and voting parity stock, when they have the voting rights described above (voting together as a single class with one vote per share). The preferred stock directors elected at any such special meeting shall hold office until the next annual meeting of the shareholders if such office shall not have previously terminated as below provided. In case any vacancy shall occur among the preferred stock directors for any reason other than removal from office, a successor shall be elected by our Board to serve until the next annual meeting of the shareholders on the nomination of the then remaining preferred stock director or, if no preferred stock director remains in office, by the vote of the holders of record of a majority of the outstanding shares of Series F and such voting parity stock for which dividends have not been paid, voting together as a single class with one vote per share. The preferred stock directors shall each be entitled to one vote per director on any matter that shall come before our Board for a vote.

Other Voting Rights

So long as any shares of Series F are outstanding, in addition to any other vote or consent of shareholders required by law or by our Articles, the vote or consent of the holders of at least two thirds of the shares of Series F at the time outstanding, voting together with any other series of preferred stock first issued after the original issue date of the Series F and that would be adversely affected in substantially the same manner and entitled to vote as a single class with one vote per share (to the exclusion of all other series of preferred stock), given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating:

- **Authorization of Senior Stock**. Any amendment or alteration of the Articles to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of our capital stock ranking prior to the Series F in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding-up of the Bank;

- **Amendment of Articles or By-laws**. Any amendment, alteration or repeal of any provision of our Articles that would alter or change the rights, preferences, privileges or voting powers, and limitations and restrictions of the Series F so as to affect them adversely; *provided, however*, that the amendment of the Articles so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to the Series F in either the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding-up of the Bank (including, without limitation, an increase in the aggregate number of authorized shares of preferred stock) shall not be deemed to affect adversely the rights, preferences, privileges or voting powers, and limitations and restrictions of the Series F and shall not be subject to the vote or consent of the holders of the Series F; or

- **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions**. Any consummation of (x) a binding share exchange or reclassification involving the Series F, (y) a merger or consolidation of the Bank with another entity (whether or not a bank or corporation), or (z) a conversion, transfer, domestication or continuance of the Bank into another entity or an entity organized under the laws of another jurisdiction, unless in each case (A) the shares of Series F remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, or any such conversion, transfer, domestication or continuance, the shares of Series F are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States or a state thereof, and (B) the shares of Series F remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Series F immediately prior to such consummation, taken as a whole.

Without the vote or consent of the holders of the Series F, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series F, we may amend, alter, supplement or repeal any terms of the Series F:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the articles of amendment for the Series F that may be defective or inconsistent; or

- to make any provision with respect to matters or questions arising with respect to the Series F that is not inconsistent with the provisions of the articles of amendment, including, without limitation, to reflect any Three-Month Term SOFR Conventions or Benchmark Replacement Conforming Changes.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required shall be effected, all outstanding shares of Series F have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series F to effect the redemption unless in the case of a vote or consent required to authorize senior stock if the shares of Series F are being redeemed with the proceeds from the sale of the stock to be authorized.

Under current provisions of the Utah Revised Business Corporation Act, the consent of a majority of the votes entitled to be cast by any voting group is required to approve an amendment to our Articles if the amendment would (i) create dissenters' rights with respect to such voting group or (ii) materially and adversely affect the rights in respect of the shares of such voting group because such amendment (A) alters or abolishes a preferential right of the shares; (B) creates, alters or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares; (C) alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities; (D) excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights; or (E) reduces the number of shares owned by the shareholder to a fraction of a share or scrip if the fractional share or scrip so created is to be acquired for cash or the scrip is to be voided under the Utah Revised Business Corporation Act. "*Voting group*" means all shares of one or more classes or series that under our Articles or the Utah Revised Business Corporation Act are entitled to vote and be counted together collectively on a matter at a meeting of shareholders.

No Preemptive and Conversion Rights

Holders of the Series F do not have any preemptive rights. The Series F is not convertible into or exchangeable for property or shares of any other series or class of our capital stock.

Additional Classes or Series

We will have the right to create and issue additional classes or series of stock ranking equally with or junior to the Series F as to dividends and distribution of assets upon our liquidation, dissolution, or winding-up without the consent of the holders of the Series F.

Listing and Trading

The Series F is currently not listed on any securities exchange or displayed on any electronic communications network.

We have applied to list our shares of Series F on NASDAQ Capital Market.

Transfer Agent

American Stock Transfer & Trust Company, LLC will be the transfer agent and registrar for the Series F as of the original issue date. We may terminate such appointment and may appoint a successor transfer agent and/or registrar at any time and from time to time, *provided* that we will use our best efforts to ensure that there is, at all relevant times when the Series F is outstanding, a person or entity appointed and serving as transfer agent and/or registrar. The transfer agent and/or registrar may be a person or entity affiliated with us.

Calculation Agent

We will appoint a calculation agent for the Series F prior to the commencement of the floating rate period and will keep a record of such appointment at our principal offices, which will be available to any shareholder upon request. We or any affiliate of ours may be appointed as calculation agent.

Book Entry, Delivery and Form of the Series F

The shares of the Series F will be issued in book-entry form through DTC. The shares of the Series F will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The Series F will be accepted for clearance by DTC. Beneficial interests in the shares of the Series F will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Owners of beneficial interests in the Series F will receive all payments relating to their shares in U.S. dollars. If we elect to issue global certificates for the shares of the Series F held through DTC, they will be issued and will be deposited with DTC and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Series F held through DTC.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities deposited with it by its participants, and it facilitates the settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to DTC's system is also available to others such as both U.S. and non-U.S.

securities brokers and dealers (including agents), banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The DTC rules applicable to its participants are on file with the SEC.

Purchases of shares of the Series F under the DTC system must be made by or through direct participants, which will receive a credit for the shares on DTC's records. The ownership interest of each beneficial owner of shares of the Series F will be recorded on the direct or indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Under a book-entry format, holders may experience some delay in their receipt of payments, as such payments will be forwarded by the depositary to Cede & Co., as nominee for DTC. DTC will forward the payments to its participants, who will then forward them to indirect participants or holders. Beneficial owners of shares of the Series F other than DTC or its nominees will not be recognized by the registrar and transfer agent as registered holders of shares of the Series F entitled to the rights of holders thereof. Beneficial owners that are not participants will be permitted to exercise their rights only indirectly through and according to the procedures of participants and, if applicable, indirect participants.

To facilitate subsequent transfers, all shares of the Series F deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of shares of the Series F with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the shares of the Series F; DTC's records reflect only the identity of the direct participants to whose accounts the shares of the Series F are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to shares of the Series F unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts shares of the Series F are credited on the record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depositary with respect to the shares of the Series F at any time by giving reasonable notice to the issuer or its agent. Under these circumstances, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, we will either print and deliver certificates for the shares of the Series F or provide for the direct registration of the Series F with the transfer agent. We may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, certificates for the shares of the Series F will be printed and delivered to DTC or we will provide for the direct registration of the Series F with the transfer agent.

As long as DTC or its nominee is the registered owner of the Series F, DTC or its nominee, as the case may be, will be considered the sole owner and holder of all shares of the Series F for all purposes under the instruments governing the rights and obligations of holders of shares of the Series F. Except in the limited circumstances referred to above, owners of beneficial interests in the Series F:

- will not be entitled to have such Series F registered in their names;

- will not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in the Series F; and

- will not be considered to be owners or holders of the Series F for any purpose under the instruments governing the rights and obligations of holders of shares of the Series F.

Payments with respect to shares of the Series F and all transfers and deliveries of shares of the Series F will be made to DTC or its nominee, as the case may be, as the registered holder of the shares of the Series F. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or its agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of that participant and not of DTC, the issuer or any of their agents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the issuer or its agent, disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

Ownership of beneficial interests in the Series F will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with DTC or its nominee. Ownership of beneficial interests in the Series F will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by DTC or its nominee, with respect to participants' interests, or any participant, with respect to interests of persons held by the participant on their behalf. Payments, transfers, deliveries, exchanges, and other matters relating to beneficial interests in the Series F may be subject to various policies and procedures adopted by DTC from time to time. Neither we nor any agent for us will have any responsibility or liability for any aspect of DTC's or any direct or indirect participant's records relating to, or for payments made on account of, beneficial interests in the Series F, or for maintaining, supervising or reviewing any of DTC's records or any direct or indirect participant's records relating to these beneficial ownership interests.

Although DTC has agreed to the foregoing procedures in order to facilitate transfer of interests in the Series F among participants, DTC is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC or its direct or indirect participants under the rules and procedures governing DTC.

Because DTC can act only on behalf of direct participants, who in turn act only on behalf of direct or indirect participants, and certain banks, trust companies and other persons approved by it, the ability of a beneficial owner of shares of the Series F to pledge the shares of the Series F to persons or entities that do not participate in the DTC system may be limited due to the unavailability of physical certificates for the shares of the Series F.

DTC has advised us that it will take any action permitted to be taken by a registered holder of shares of the Series F only at the direction of one or more participants to whose accounts with DTC the shares of the Series F are credited.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be accurate, but we assume no responsibility for the accuracy thereof.

Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries (the "*U.S. Depositaries*"), which in turn will hold interests in customers' securities accounts in the depositaries' names on the books of DTC.

Distributions with respect to the shares of the Series F held beneficially through Clearstream or Euroclear will be credited to cash accounts of their participants in accordance with Clearstream's or Euroclear's rules and procedures, to the extent received by the applicable U.S. Depositary.

Cross-market transfers between DTC's participating organizations, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Series F in DTC, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to their respective U.S. Depositaries.

Due to time zone differences, the securities accounts of a Euroclear or Clearstream participant purchasing an interest in the Series F from a DTC participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in a series of shares of preferred stock by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The information in this section concerning Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information.

None of us or any of the underwriters will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and they may discontinue the procedures at any time.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes the material terms of our capital stock. Because it is only a summary, it may not contain all the information that is important to you. For a complete description, you should refer to our Articles, our Bylaws and any applicable provisions of relevant law.

General

Under our Articles, we have authority to issue up to 7,000,000 shares of common stock, par value $1.00 per share, and up to 5,000,000 shares of preferred stock, par value $1.00 per share. As of September 2019, we had 1,000,000 shares of our common stock issued and outstanding, and 26,303 shares of our Series E Preferred Stock, par value $1.00 per share and with an aggregate liquidation amount of $26,303,000, issued and outstanding. The authorized but unissued shares of our capital stock will be available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange. All of our issued and outstanding shares of capital stock are validly issued, fully paid and non-assessable.

In connection with this offering, we will amend our Articles to authorize the issuance of up to 1,840,000 shares of the Series F Preferred Stock, par value $1.00 and with a liquidation amount of $25 per share. Upon completion of this offering, we will have 1,600,000 shares of Series F Preferred Stock outstanding (1,840,000 shares if the underwriters exercise their over-allotment option in full). For more information regarding the Series F Preferred Stock, see "Description of Series F Preferred Stock."

Common Stock

Dividend Rights

Subject to the preferential rights of the preferred stock, holders of our common stock are entitled to receive dividends, when, as and if declared by our Board (or a duly authorized committee of the Board), but only out of funds legally available therefor. Holders of our common stock also have the exclusive right to receive any dividends which are declared payable in stock of the Bank in any class or in property. The ability of our Board (or a duly authorized committee of the Board) to declare and pay dividends on our common stock is subject to applicable federal and state banking laws and regulations, as well as the terms of any outstanding preferred stock (including the Series E Preferred Stock and the Series F Preferred Stock).

Voting Rights

Holders of our common stock are entitled to one vote per share on each matter to be voted on, except as otherwise required by law. Holders of our common stock have voting rights for the election of directors and for all other purposes, subject to the powers, rights, privileges, preferences and priorities of the preferred stock. Holders of our common stock do not have cumulative voting rights in the election of directors. Directors are elected by a plurality of the votes cast.

Liquidation Rights

In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Bank, after distribution in full of the preferential amount to be distributed to holders of shares of preferred stock, holders of our common stock will be entitled to receive all remaining assets of the Bank available for distribution to shareholders ratably in proportion to the number of shares of common stock held.

Preemptive and Other Rights

Holders of our common stock are not entitled to any preemptive, conversion or redemption rights, and no sinking fund is applicable to our common stock.

Preferred Stock

Our preferred stock may be issued from time to time in one or more series as determined by our Board (or a duly authorized committee of the Board). Each holder of our preferred stock is entitled to one vote per share on any matter for which the preferred stock is entitled to vote.

The Series E Preferred Stock, which we describe further below, is the only series of preferred stock issued and outstanding as of the date of this offering circular. Upon completion of this offering, we will have 1,600,000 shares of Series F Preferred Stock outstanding (1,840,000 shares if the underwriters exercise their over-allotment option in full). For more information regarding the Series F Preferred Stock, see "Description of Series F Preferred Stock."

Series E Preferred Stock

Dividend Rights

Holders of our Series E Preferred Stock are entitled to receive dividends, when, as and if declared by our Board (or a duly authorized committee of the Board). Dividends are non-cumulative and currently accrue at a rate of 9 percent per annum. Dividends are payable on January 1, April 1, July 1 and October 1 of each year.

For so long as any share of the Series E Preferred Stock remains outstanding, we may only declare dividends on the common stock, other shares of junior stock or parity stock (including the Series F Preferred Stock) if dividends on all outstanding shares of Series E Preferred Stock for the most recently completed dividend period have been or are contemporaneously paid in full. If a dividend is not declared and paid in full on the Series E Preferred Stock for any dividend period, no dividend or distribution may be paid on the common stock, other shares of junior stock or parity stock (including the Series F Preferred Stock) for the three dividend periods following the dividend period for which dividends were not declared and paid in full to the holders of the Series E Preferred Stock. Further, if the Bank is not "publicly traded" within the meaning of our Articles, then after July 21, 2021, so long as any share of the Series E Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on the common stock, any other shares of junior stock or parity stock (including the Series F Preferred Stock). "Publicly traded" for this purpose means the Bank (i) has a class of securities that is traded on a national securities exchange and (ii) is required to file periodic reports with either the SEC or the FDIC. We expect we will be "publicly traded" and therefore no longer subject to this restriction upon completion of this offering.

The ability of our Board (or a duly authorized committee of the Board) to declare and pay dividends on our Series E Preferred Stock is subject to applicable federal and state banking laws and regulations.

Voting Rights

Except as indicated below or otherwise required by law, the holders of the Series E Preferred Stock do not have any voting rights. To the extent that holders of the Series E Preferred Stock are entitled to vote, each holder of the Series E Preferred Stock is entitled to one vote per share.

Right to Appoint a Nonvoting Observer or to Elect Two Directors on Nonpayment of Dividends. If and whenever dividends payable on the Series E Preferred Stock have not been declared and paid in an aggregate amount equal to full dividends for at least five quarterly dividend periods or their equivalent (whether or not consecutive), the Bank will invite a representative selected by the holders of a majority of the outstanding shares of Series E Preferred Stock to attend all meetings of our Board in a nonvoting observer capacity. The right of the holders of Series E Preferred Stock to select a nonvoting observer to attend board meetings will terminate when full dividends have been timely paid on the Series E Preferred Stock for at least four consecutive dividend periods.

If and whenever (i) dividends payable on the Series E Preferred Stock have not been declared and paid in an aggregate amount equal to full dividends for at least six quarterly dividend periods or their equivalent (whether or not consecutive) and (ii) the aggregate liquidation amount of the then-outstanding shares of Series E Preferred Stock is greater than or equal to $25,000,000, the number of directors then constituting our Board shall be automatically increased by two and the holders of Series E Preferred Stock, voting together as a single class with one vote per share, shall be entitled to elect the two additional directors at the next annual meeting of shareholders (or, if the next annual meeting is not scheduled or is scheduled to occur more than 30 days later, at a special meeting called by our president for that purpose).

When dividends have been paid in full on the Series E Preferred Stock for at least four consecutive dividend periods, the right of holders of the Series E Preferred Stock to participate in the election of directors shall cease (but subject always to the revesting of such voting rights in the case of any future default of the character described above), the terms of office of all directors elected by the holders of the Series E Preferred Stock shall immediately terminate, and the number of directors constituting our Board shall automatically be reduced accordingly.

Under the federal banking laws and regulations, if any holder of any series of preferred stock (including the Series E Preferred Stock) is or becomes entitled to vote for the election of directors, such series will be deemed a class of voting securities. Any 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.

Any director elected by holders of the Series E Preferred Stock may be removed at any time without cause, and any vacancy created thereby may be filled, only by the holders of a majority of the outstanding shares of Series E Preferred Stock. In case any vacancy shall occur for any reason other than removal from office, a successor shall be elected by the holders of a majority of the outstanding shares of Series E Preferred Stock.

Other Voting Rights. So long as any shares of the Series E Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required by law or by our Articles, the written consent of either (i) the U.S. Department of the Treasury ("Treasury") (if Treasury holds any shares of the Series E Preferred Stock) or (ii) the holders of a majority of the shares of the Series E Preferred Stock, voting as a single class, at the time outstanding (if Treasury does not hold any shares of the Series E Preferred Stock) will be necessary for effecting or validating:

- **Authorization of Senior Stock**. Any amendment or alteration of the Articles to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of our capital stock ranking prior to Series E Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding-up of the Bank;

- **Amendment to Series E Preferred Stock**. Any amendment, alteration or repeal of any provision of our Articles that would alter or change the rights, preferences, privileges or voting powers of the Series E Preferred Stock so as to affect them adversely; *provided*, *however*, that the amendment of the Articles so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to the Series E Preferred Stock in either the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding-up of the Bank shall not be deemed to affect adversely the rights, preferences, privileges or voting powers of the Series E Preferred Stock; or

- **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions**. Any consummation of (x) a binding share exchange or reclassification involving the Series E Preferred Stock or (y) a merger or consolidation of the Bank with another entity (whether or not a bank or corporation), unless in each case (A) the shares of Series E Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of Series E Preferred Stock are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof that are the same as the rights, preferences, privileges and voting powers, and restrictions and limitations of the Series E Preferred Stock immediately prior to such consummation, taken as a whole, *provided* that in all cases the obligations of the Bank are assumed by the resulting entity or its ultimate parent;

- **Certain Asset Sales**. Any sale of all, substantially all or any material portion of the assets of the Bank, if the Series E Preferred Stock will not be redeemed in full contemporaneously therewith; or

- **Holding Company Transactions**. Any consummation of a holding company transaction, unless as a result of the holding company transaction each share of the Series E Preferred Stock shall be converted into or exchanged for one share with an equal liquidation amount of preference securities of the Bank or the acquiror (the "*holding company preferred stock*"). Any such holding company preferred stock shall entitle holders thereof to cumulative dividends from the date of issuance of such holding company preferred stock on terms equivalent to the terms of the Series E Preferred Stock and shall have such other rights, preferences, privileges and voting powers and limitations and restrictions thereof of the Series E Preferred Stock immediately prior to such conversion or exchange taken as a whole. "*Holding company transaction*" means the occurrence of (x) any transaction (including without limitation any merger or consolidation) the result of which is that a person or group within the meaning of Section 13(d) of the Exchange Act (A) becomes the direct or indirect ultimate beneficial owner as defined in Rule 13d-3 under the Exchange Act of common equity of the Bank representing more than 50% of the voting power of the outstanding common stock or (B) is otherwise required to consolidate the Bank for purposes of generally accepted accounting principles in the United States or (y) any consolidation or merger of the Bank or similar transaction or any sale, lease or other transfer in one transaction or a series of relation transactions of all or substantially all of the consolidated assets of the Bank to any person other than one of the Bank's subsidiaries, *provided* that in the case of either clause (x) or (y), the Bank or the acquirer is or becomes a bank holding company or a savings and loan holding company.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required shall be effected, all outstanding shares of the Series E Preferred Stock have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series E Preferred Stock.

For additional voting rights applicable to the Series E Preferred Stock under Utah law, see "Description of Series F Preferred Stock—Voting Rights—Other Voting Rights."

Liquidation Rights

In the event of any liquidation, dissolution or winding-up of the affairs of the Bank, whether voluntary or involuntary, before any distribution or payment out of our assets may be made to or set aside for the holders of any junior stock, holders of Series E Preferred Stock will be entitled to receive out of our assets legally available for distribution to our shareholders an amount equal to the $1,000 per share (the "*Series E liquidation amount*"), together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without any amount in respect of dividends that have not been declared prior to such payment date) (the "*Series E liquidation preference*").

If our assets of are not sufficient to pay the Series E liquidation preference in full to all holders of Series E Preferred Stock and the applicable liquidation preference of all holders of liquidation preference parity stock, the amounts paid to the holders of Series E Preferred Stock and to the holders of all liquidation preference parity stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of Series E Preferred Stock and all such liquidation preference parity stock. If the liquidation preference has been paid in full to all holders of Series E Preferred Stock and all holders of any liquidation preference parity stock, the holders of other stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of the liquidation rights, the merger, consolidation or other business combination of us with or into any other corporation, including a transaction in which the holders of Series E Preferred Stock receive cash or property for their shares, or the sale, conveyance, lease or exchange (for cash, securities or other property) of all or substantially all of our assets, shall not constitute a liquidation, dissolution or winding-up of the Bank.

Redemption Rights

The Series E Preferred Stock is perpetual and has no maturity date. We may, at our option, redeem the shares of Series E Preferred Stock (i) in whole or in part, at any time and from time to time, out of funds legally available therefor, or (ii) in whole but not in part at any time following a change in law that modifies the terms of Treasury's investment in the Series E Preferred Stock or the terms of Treasury's Small Business Lending Fund program in a materially adverse respect for the Bank, in each case, at a cash redemption price equal to the sum of (x) the Series E liquidation amount and (y) an amount equal to any unpaid dividends for the then-current dividend period, to but excluding the date fixed for redemption. The redemption price for any shares of Series E Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to us or our agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the applicable record date for a dividend period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date. Notwithstanding the foregoing, we may not redeem shares of Series E Preferred Stock without having received the prior approval of the appropriate federal banking agency.

In case of any redemption of only part of the shares of Series E Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series E Preferred Stock in proportion to the number of shares of Series E Preferred Stock held by such holders or by lot or in such other manner as our Board (or a duly authorized committee of the Board) may determine to be fair and equitable. Subject to the provisions hereof, our Board (or a duly authorized committee of the Board) shall have full power and authority to prescribe the terms and conditions on which shares of Series E Preferred Stock shall be redeemed from time to time. If fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

Notice of every redemption of shares of Series E Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on our books. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series E Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series E Preferred Stock. Notwithstanding the foregoing, if shares of the Series E Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series E Preferred Stock at such time and in any manner permitted by such facility.

Each such notice given to a holder shall state:

- the redemption date;
- the number of shares of the Series E Preferred Stock to be redeemed and, if less than all shares of the Series E Preferred Stock held by such holder are to be redeemed, the number of shares to be redeemed from such holder;
- the redemption price; and
- the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by us, separate and apart from our other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available for that purpose, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption shall look only to us for payment of the redemption price of such shares.

The Series E Preferred Stock are not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series E Preferred Stock have no right to require redemption of any shares of Series E Preferred Stock.

Preemptive and Conversion Rights

Holders of the Series E Preferred Stock do not have any preemptive rights. The Series E Preferred Stock is not convertible into or exchangeable for property or shares of any other series or class of our capital stock.

Certain Other Provisions of Applicable Law and Our Articles

Business Combination Statute

Although the Utah Revised Business Corporation Act generally prohibits "business combinations" with "interested shareholders" (as those terms are defined in the statute) for a period of five years following the interested shareholder's acquisition of the corporation's stock, we are not subject to this prohibition because we do not have a class of voting stock registered with the SEC pursuant to the Exchange Act. We will continue to be exempt from this prohibition after the completion of this offering.

Preferred Stock

Our Articles permit our Board (or a duly authorized committee of the Board) to issue, without any further vote or action by the shareholders, shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting rights (if any) of the shares of the series, and the powers, preferences and relative, participation, optional and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of such series.

Ownership Limitations Under Banking Laws

Under the federal banking laws and regulations, any person, either individually or acting through or in concert with one or more persons, is required to obtain the non-objection of the FDIC under the Change in Bank Control Act to acquire or maintain 10% or more of our common stock (or any other class of our voting securities).

Limitation of Liability and Indemnification

Our Articles provide that our directors will not be personally liable to the Bank or its shareholders to the fullest extent permitted by the Utah Revised Business Corporation Act. In addition, our bylaws provide that we will indemnify and advance expenses to our directors to the fullest extent permitted by applicable law, including in all cases in which a corporation may indemnify a director under Section 16-10a-902 of the Utah Revised Business Corporation Act. Our Board is permitted under our Bylaws to indemnify and advance expenses to any of our officers, employees or agents who are not directors to any extent consistent with public policy, as determined by the Board. Our ability to provide indemnification to our directors and officers is limited by federal banking laws and regulations.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This section describes the material U.S. federal income tax consequences relevant to the purchase, ownership and disposition of the Series F Preferred Stock. The summary is limited to taxpayers who will hold the Series F Preferred Stock as "capital assets" and who purchase the Series F Preferred Stock in the initial offering at the initial offering price. This section does not apply to you if you are a member of a class of holders subject to special rules, including:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of tax accounting for securities holdings;
- a bank;
- an insurance company;
- a thrift institution;
- a regulated investment company;
- a tax-exempt organization;
- a person that purchases or sells the Series F Preferred Stock as part of a wash sale for tax purposes;
- a person that owns the Series F Preferred Stock as part of a straddle or a hedging or conversion transaction for tax purposes;
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar; or
- a U.S. expatriate.

This section is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. This section addresses only certain U.S. federal income tax consequences and does not address any state, local or non-U.S. tax consequences, or any tax consequences under the estate, gift or alternative minimum tax provisions of the Code.

If an entity treated as a partnership for U.S. federal income tax purposes holds the Series F Preferred Stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Series F Preferred Stock should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the Series F Preferred Stock.

Please consult your own tax advisor concerning the consequences of owning and disposing of the Series F Preferred Stock in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

United States Holders

This subsection describes the tax consequences of an investment in the Series F Preferred Stock to a United States holder. You are a United States holder if you are a beneficial owner of a share of the Series F Preferred Stock and you are:

- an individual citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to "—Non-United States Holders" below.

Distributions on the Series F Preferred Stock

Distributions with respect to our Series F Preferred Stock will constitute dividends to the extent made out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a non-taxable return of capital to the extent of your tax basis in our Series F Preferred Stock (and will reduce your tax basis accordingly) and thereafter as capital gain from the sale or exchange of such Series F Preferred Stock, as described below under "—Sale or Exchange of the Series F Preferred Stock Other than by Redemption." If you are a corporation, dividends received by you will be eligible for the dividends-received deduction if you meet certain holding period and other applicable requirements. If you are a non-corporate United States holder, dividends paid to you will qualify for taxation at preferential rates applicable to "qualified dividends" if you meet certain holding period and other applicable requirements. United States holders should consult their own tax advisers regarding the availability of the reduced qualified dividend tax rate in light of their particular circumstances.

Sale or Exchange of the Series F Preferred Stock Other than by Redemption

If you sell or otherwise dispose of your Series F Preferred Stock (other than by redemption), you will generally recognize capital gain or loss equal to the difference between the amount realized upon the disposition and your adjusted tax basis of the Series F Preferred Stock. Capital gain of a non-corporate United States holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The deductibility of capital losses is subject to limitations.

Redemption of the Series F Preferred Stock

Redemption of your Series F Preferred Stock generally would be a taxable event. You would be treated as if you had sold your Series F Preferred Stock if the redemption:

- results in a complete termination of your stock interest in us; or
- is not essentially equivalent to a dividend with respect to you.

In determining whether either of these tests has been met, shares of Series F Preferred Stock or other classes of our stock considered to be owned by you by reason of certain constructive ownership rules set forth in Section 318 of the Code, as well as any such shares actually owned, must be taken into account under certain circumstances.

If we redeem your Series F Preferred Stock in a redemption that meets one of the tests listed above, you generally would recognize taxable gain or loss equal to the amount of cash received by you less your tax basis in the Series F Preferred Stock redeemed. This gain or loss would be long-term capital gain or capital loss if you have held the Series F Preferred Stock for more than one year. Because the determination as to whether either of the alternative tests listed above is satisfied with respect to any particular holder will depend upon the facts and circumstances as of the time the determination is made, you should consult your tax advisor regarding the treatment of a redemption.

If a redemption does not meet either of the tests described above, you generally would be taxed on the cash you receive as a dividend to the extent paid out of our current and accumulated earnings and profits. Any amount in excess of our current or accumulated earnings and profits would first reduce your tax basis in the Series F Preferred Stock and thereafter would be treated as capital gain. If a redemption of the Series F Preferred Stock is treated as a distribution that is taxable as a dividend, you should consult your own tax advisor regarding the allocation of your basis between the redeemed shares and any shares of Series F Preferred Stock that you still hold (or are held by a person related to you).

Medicare Tax

A United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the United States holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year and (2) the excess of the United States holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances). A United States holder's net investment income generally includes its dividend income and its net gains from the disposition of the Series F Preferred Stock, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a United States holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Series F Preferred Stock.

Non-United States Holders

This section summarizes the material U.S. federal income tax consequences of the purchase, ownership and disposition of the Series F Preferred Stock by a non-United States holder. You are a non-United States holder if you are a beneficial owner of a share of the Series F Preferred Stock and you are, for U.S. federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from the Series F Preferred Stock.

Distributions on the Series F Preferred Stock

Except as described below, if you are a non-United States holder of the Series F Preferred Stock, dividends (including any redemption treated as a dividend for U.S. federal income tax purposes as discussed above under "—United States Holders—Redemption of the Series F Preferred Stock") paid to you are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, certain payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to such payor:

- a valid IRS Form W-8BEN or W-8BEN-E, or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a person who is not a U.S. person and your entitlement to the lower treaty rate with respect to such payments; or

- in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If you are eligible for a reduced rate of U.S. withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the IRS.

If dividends paid to you are "effectively connected" with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment or fixed base that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, *provided* that you have furnished to the relevant payor a valid IRS Form W-8ECI or an acceptable substitute form upon which you certify, under penalties of perjury, that:

- you are not a U.S. person; and
- the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

"Effectively connected" dividends are taxed to non-United States holders on a net income basis at rates applicable to U.S. citizens, resident aliens and domestic U.S. corporations. If you are a corporate non-United States holder, "effectively connected" dividends that you receive may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposition or Redemption of the Series F Preferred Stock

Subject to the discussion below under "—Withholdable payments to foreign financial entities and other foreign entities" and "—Backup withholding and information reporting," if you are a non-United States holder, you generally will not be subject to U.S. federal income tax on gain that you recognize on a disposition (including a redemption that is treated as a disposition) of the Series F Preferred Stock unless:

- the gain is "effectively connected" with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment or fixed base that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis;
- you are an individual, you are present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions exist; or
- we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes and certain other conditions are met.

If you are a non-United States holder described in the first bullet point immediately above you will be subject to tax on the net gain derived from the disposition under regular graduated U.S. federal income tax rates. If you are a corporate non-United States holder, "effectively connected" gains that you recognize may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. If you are an individual non-United States holder described in the second bullet point immediately above you will be subject to a flat 30% tax on the gain derived from the disposition, which may be offset by U.S. source capital losses, even though you are not considered a resident of the United States.

We have not been, are not and do not anticipate becoming a U.S. real property holding corporation for U.S. federal income tax purposes.

As discussed above in "United States Holders—Redemption of the Series F Preferred Stock," certain redemptions may be treated as dividends for U.S. federal income tax purposes. See "—Distributions on the Series F Preferred Stock," above, for a discussion of the tax treatment of such redemptions. Furthermore, if a broker or other paying agent is unable to determine whether the redemption should be treated as a distribution, such paying agent may be required to withhold tax at a 30% rate on the full amount you receive (in which case you may be eligible to obtain a refund of all or a portion of any tax).

Withholdable payments to foreign financial entities and other foreign entities

A 30% withholding tax may be imposed on certain payments to certain foreign financial institutions, investment funds and other non-U.S. persons if you or any such institution receiving payments on your behalf fails to comply with information reporting requirements ("FATCA withholding"). Such payments will include U.S.-source dividends. You could be affected by this withholding with respect to your Series F Preferred Stock if you are subject to the information reporting requirements and fail to comply with them or if you hold Series F Preferred Stock through another person (e.g., a foreign bank or broker) that is subject to withholding because it fails to comply with these requirements (even if you would not otherwise have been subject to withholding). You should consult your own tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

Backup withholding and information reporting

If you are a non-corporate United States holder, information reporting requirements, on IRS Form 1099, generally will apply to dividend payments or other taxable distributions made to you, and the payment of proceeds to you from the sale of Series F Preferred Stock effected at a U.S. office of a broker.

Additionally, backup withholding may apply to such payments if you fail to comply with applicable certification requirements or (in the case of dividend payments) are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

If you are a non-United States holder, we and other payors are required to report payments of dividends on IRS Form 1042-S even if the payments are exempt from withholding. You are otherwise generally exempt from backup withholding and information reporting requirements with respect to dividend payments and the payment of the proceeds from the sale of preferred stock effected at a U.S. office of a broker provided that either (i) the payor or broker does not have actual knowledge or reason to know that you are a U.S. person and you have furnished a valid IRS Form W-8 or other documentation upon which the payor or broker may rely to treat the payments as made to a non-U.S. person, or (ii) you otherwise establish an exemption.

Payment of the proceeds from the sale of Series F Preferred Stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by timely filing a refund claim with the IRS.

THE PRECEDING DISCUSSION OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT BEING PROVIDED AS, OR INTENDED TO CONSTITUTE, TAX ADVICE. ACCORDINGLY, YOU SHOULD CONSULT YOUR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF PURCHASING, HOLDING OR DISPOSING OF THE SERIES F PREFERRED STOCK, INCLUDING

THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS, AND OF ANY CHANGES OR PROPOSED CHANGES IN APPLICABLE LAW.

CERTAIN ERISA CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan (a "Plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Series F Preferred Stock. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts, Keogh plans and any other plans subject to Section 4975 of the Code (also "Plans") from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless relief is available under an applicable statutory or administrative exemption. Employee benefit plans and arrangements that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other regulations, rules or laws ("Similar Laws").

We and certain of our affiliates may be considered a party in interest or a disqualified person with respect to many Plans. The acquisition of the Series F Preferred Stock by a Plan or any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") with respect to which we or certain of our affiliates is or becomes a party in interest or disqualified person may constitute a prohibited transaction under ERISA or Section 4975 of the Code, unless the Series F Preferred Stock is acquired pursuant to an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase of the Series F Preferred Stock. These exemptions include:

(1) PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;

(2) PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;

(3) PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;

(4) PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and

(5) PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the acquisition and disposition of the Series F Preferred Stock, *provided* that neither we nor any of our affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and, *provided*, *further*, that the Plan pays no more and receives no less than "adequate consideration" in connection with the transaction (the "service provider exemption"). There can be no assurance that all of the conditions of any of the above exemptions (or any other exemption) will be satisfied.

Because of the foregoing, the Series F Preferred Stock should not be acquired or held by any person investing "plan assets" of any Plan, Plan Asset Entity or Non-ERISA Arrangement, unless such acquisition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Any purchaser of the Series F Preferred Stock or any interest in the Series F Preferred Stock will be deemed to have represented by its purchase of the Series F Preferred Stock that it either (i) is not a Plan, a Plan Asset Entity or a Non-ERISA Arrangement and is not purchasing those Series F Preferred Stock on behalf of or with "plan assets" of any Plan, Plan Asset Entity or Non-ERISA Arrangement or (ii) any such purchase will not result in a non-exempt prohibited transaction under the rules described above or a violation of any applicable Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the Series F Preferred Stock on behalf of or with "plan assets" of any Plan, Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption, or any other applicable exemption, or the potential consequences of any purchase under applicable Similar Laws.

Purchasers of the Series F Preferred Stock have exclusive responsibility for ensuring that their acquisition of the Series F Preferred Stock does not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any similar provisions of Similar Laws. The sale of any security to a Plan or a Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates that the investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that the investment is appropriate for a Plan or a Non-ERISA Arrangement generally or any particular Plan or Non-ERISA Arrangement.

IF YOU ARE AN INSURANCE COMPANY OR THE FIDUCIARY OF A PENSION PLAN OR AN EMPLOYEE BENEFIT PLAN, AND PROPOSE TO INVEST IN THE SERIES F PREFERRED STOCK, YOU SHOULD CONSULT YOUR LEGAL COUNSEL.

UNDERWRITING

Sandler O'Neill & Partners, L.P. is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, separately and not jointly, to purchase from us, the number of shares of Series F Preferred Stock set forth opposite its name below.

Underwriter	Number of Shares
Sandler O'Neill & Partners, L.P.	448,000
B. Riley FBR, Inc.	448,000
Ladenburg Thalmann & Co. Inc.	448,000
BB&T Capital Markets, a division of BB&T Securities, LLC	192,000
Wedbush Securities Inc.	64,000
Total	1,600,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, separately and not jointly, to purchase all of the shares of Series F Preferred Stock sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters are offering the shares of Series F Preferred Stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and satisfaction of other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Option to Purchase Additional Shares of Series F Preferred Stock

We have granted an option to the underwriters, exercisable for 30 days after the date of this offering circular, to purchase up to 240,000 additional shares of Series F Preferred Stock at the public offering price, less the underwriting discounts and commissions, solely to cover over-allotments, if any. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares of Series F Preferred Stock proportionate to that underwriter's initial amount reflected in the above table.

Commissions and Discounts

The representative has advised us that the underwriters propose initially to offer the shares of Series F Preferred Stock to the public at the public offering price set forth on the cover page of this offering circular and to dealers at that price less a concession not in excess of $0.60 per share. After the initial offering, the public offering price, concession or any other term of this offering may be changed.

The following table shows the public offering price, underwriting discounts and commissions and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares of Series F Preferred Stock.

	Per Share	No Exercise	Full Exercise
Public offering price	$ 25.00	$ 40,000,000.00	$ 46,000,000.00
Underwriting discounts and commissions	$ 1.00	$ 1,600,000.00	$ 1,840,000.00
Proceeds, before expenses, to us	$ 24.00	$ 38,400,000.00	$ 44,160,000.00

The expenses of this offering, not including the underwriting discounts and commissions, are estimated at $1.6 million and are payable by us. We have paid $2,000 for qualification of the offering with the Financial Industry Regulatory Authority. We also have agreed to reimburse the underwriters up to $800,000 for certain of their offering expenses, including their counsel fees and certain costs related to the road show. In accordance with FINRA Rule 5110, these reimbursed fees are deemed underwriting compensation for this offering.

Indemnification and Contribution

We have agreed to indemnify the underwriters and persons who control the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters and persons who control the underwriters may be required to make in respect of those liabilities.

No Sales of Similar Securities

We have agreed that, for a period of 30 days from the date of the underwriting agreement, we and MFIN will not, without the prior written consent of the representative of the underwriters, directly or indirectly offer, sell, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act or otherwise dispose of or transfer, or announce the offering of, or file an offering circular with the FDIC or a registration statement under the Securities Act in respect of, except as provided hereunder, any shares of Series F Preferred Stock or any of our securities that are substantially similar to the Series F Preferred Stock, including but not limited to any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, Series F Preferred Stock or any such substantially similar securities.

Listing; New Issue of Securities

The Series F Preferred Stock is a new issue of securities with no established trading market. We have applied to list the Series F Preferred Stock on NASDAQ Capital Market under the symbol "MBNKP." If the application is approved, trading of the Series F Preferred Stock on NASDAQ Capital Market is expected to begin within 30 days after the original issuance date of the Series F Preferred Stock. However, there can be no assurance that the Series F Preferred Stock will be listed and, if listed, that it will continue to be listed.

Some or all of the underwriters have advised us that they presently intend to make a market in the shares of the Series F Preferred Stock after the completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. There is currently no secondary market for the Series F Preferred Stock and we cannot assure you that one will develop, even if the Series F Preferred Stock is approved for listing. If the secondary market for the Series F Preferred Stock is limited, there may be few or no buyers if you choose to sell your shares and this may reduce the price you receive or your ability to sell the shares at all. See "Risk Factors— The Series F Preferred Stock is a new issue of securities and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares."

Price Stabilization and Short Positions

In connection with this offering, the underwriters may purchase and sell the Series F Preferred Stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares of Series F Preferred Stock than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares of Series F Preferred Stock described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of Series F Preferred Stock or purchasing shares of Series F Preferred Stock in the open market. In determining the source of Series F Preferred Stock to close out the covered short position, the underwriters will consider, among other things, the price of shares of Series F Preferred Stock available for purchase in the open market as compared to the price at which they may purchase shares of Series F Preferred Stock through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares of Series F Preferred Stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Series F Preferred Stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of shares of Series F Preferred Stock made by the underwriters in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Series F Preferred Stock or preventing or retarding a decline in the market price of the Series F Preferred Stock. As a result, the price of the Series F Preferred Stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on NASDAQ in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series F Preferred Stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

This offering circular may be made available in electronic format on one or more websites or through other online services maintained by the underwriters or by their respective affiliates. Other than the offering circular in electronic format, information on such websites and any information contained in any other website maintained by any of the underwriters or any of their affiliates is not part of this offering circular, has not been approved or endorsed by us or any of the underwriters in their capacity as underwriter and should not be relied on by investors.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Delivery of the Shares of the Series F Preferred Stock

We expect that delivery of the shares of the Series F Preferred Stock will be made against payment therefor on or about December 17, 2019, which will be the fifth business day after the date of this offering circular. Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade shares of the Series F Preferred Stock on the date of pricing or the next succeeding two business days will be required, by virtue of the fact that the shares will settle in five business days, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Such purchasers should consult their own advisors in this regard.

VALIDITY OF PREFERRED STOCK

Certain legal matters relating to the offering will be passed upon for us by Sullivan & Cromwell LLP, New York, New York, and, with respect to matters of Utah law, by Jones Waldo Holbrook & McDonough, PC, and for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements of the Bank as of December 2018 and 2017 and for the years ended December 2018, 2017 and 2016 have been audited by Mazars USA LLP, an independent registered public accounting firm, as indicated in their report with respect thereto and included herein.

AVAILABLE INFORMATION

We currently are not required to file reports with the SEC or the FDIC or to deliver an annual report to holders of the Series F Preferred Stock pursuant to the Exchange Act.

We have filed a registration statement with the FDIC to register our Series F Preferred Stock under Section 12(b) of the Exchange Act. Upon completion of this offering, we will be subject to the reporting and other requirements of the Exchange Act. In accordance with Sections 12, 13 and 14 of the Exchange Act and as a bank that is not a member of the Federal Reserve System, we will file certain reports, information statements and other information with the FDIC, copies of which can be inspected and downloaded at the Securities Exchange Act Filings System webpage maintained by the FDIC, at *https://efr.fdic.gov/fcxweb/efr/index.html*.

Certain financial information filed by us with the FDIC is also available electronically at the FDIC's website at *http://www.fdic.gov*. We also maintain a website containing additional information about us at *www.medallionbank.com*. None of the information about us maintained on the FDIC's website or on or accessible through our website is incorporated into this offering circular by reference.

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Annual Financial Statements

Interim Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholder and the Board of Directors of Medallion Bank

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Medallion Bank (the "Bank") (a wholly owned subsidiary of Medallion Financial Corp.) as of December 31, 2018 and 2017, and the related statements of income and comprehensive income, changes in shareholder's equity, and cash flows for each of the three years in the three-year period ended December 31, 2018, and the related notes (collectively the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchanges 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Mazars USA LLP

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

New York, New York
March 29, 2019

Medallion Bank

Statements of Income and Comprehensive Income

For the years ended December 31, 2018, 2017, and 2016

(Dollars in thousands)	2018	2017	2016
Interest income			
Investments	**$ 1,733**	$ 1,288	$ 973
Loan interest including fees	**114,340**	109,993	102,481
Total interest income	**116,073**	111,281	103,454
Interest expense	**17,844**	13,869	11,762
Net interest income	**98,229**	97,412	91,692
Provision for loan losses	**50,673**	51,282	69,466
Net interest income after provision for loan losses	**47,556**	46,130	22,226
Non-interest income	**237**	121	308
Write-downs of loan collateral in process of foreclosure	**(12,590)**	(6,259)	(3)
Gain on sale of loans	**2,914**	7,163	3,386
Total non-interest income (loss)	**(9,439)**	1,025	3,691
Non-interest expense			
Loan servicing	**10,211**	9,833	9,324
Salaries and benefits	**7,709**	6,575	5,784
Professional fees	**2,628**	1,469	2,006
Computer expense	**552**	491	494
Collection costs	**2,966**	2,437	2,123
Regulatory fees	**2,349**	2,410	1,287
Affiliate services	**571**	531	544
Occupancy and equipment	**565**	405	340
Insurance	**273**	254	212
Credit reports	**394**	296	239
Director's fees	**232**	230	216
Dues and subscriptions	**214**	222	98
(Gain)/provision for losses on other assets	**(891)**	1,476	—
Other	**1,106**	880	1,614
Total non-interest expense	**28,879**	27,509	24,281
Income before income taxes	**9,238**	19,646	1,636
Provision (benefit) for income taxes	**3,572**	15,093	(326)
Net income	**5,666**	4,553	1,962
Other comprehensive income, net of tax			
Net change in unrealized gains (losses) on investment securities	**(533)**	159	(245)
Total comprehensive income	**$ 5,133**	$ 4,712	$ 1,717

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

Medallion Bank

Balance Sheets

December 31, 2018

(Dollars in thousands)	2018	2017
Assets		
Cash and cash equivalents, substantially all of which are federal funds sold	**$ 33,995**	$ 110,233
Investment securities, available-for-sale	**45,324**	43,478
Loans, inclusive of net deferred loan acquisition costs	**938,222**	928,232
Allowance for loan losses	**(60,137)**	(63,416)
Loans, net	**878,085**	864,816
Loan collateral in process of foreclosure	**28,723**	27,706
Fixed assets, net	**513**	314
Deferred and other tax assets, net	**11,648**	10,181
Accrued interest receivable and other assets	**24,224**	20,626
Total assets	**$ 1,022,512**	$ 1,077,354
Liabilities and shareholder's equity		
Liabilities		
Funds borrowed	**$ 848,040**	$ 906,748
Accrued interest payable	**1,730**	1,488
Other liabilities	**5,476**	3,833
Due to affiliates	**271**	1,055
Total liabilities	**855,517**	913,124
Commitments and contingencies (Note 10)		
Shareholder's equity		
Preferred stock, $1.00 par value, 26,303,000 shares at December 31, 2018 and 2017 authorized, issued, and outstanding	**26,303**	26,303
Common stock, $1.00 par value, 7,000,000 shares authorized, 1,000,000 issued and outstanding	**1,000**	1,000
Additional paid in capital	**77,500**	77,500
Accumulated other comprehensive income/(loss), net of tax	**(916)**	(382)
Retained earnings	**63,108**	59,809
Total shareholder's equity	**166,995**	164,230
Total liabilities and shareholder's equity	**$ 1,022,512**	$ 1,077,354

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

Medallion Bank

Statements of Changes in Shareholder's Equity

For the years ended December 31, 2018, 2017, and 2016

(Dollars in thousands)	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
Balance at December 31, 2015	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 74,500	$ (296)	$ 60,911	$ 162,418
Capital contributions	—	—	—	—	3,000	—	—	3,000
Net income							1,962	1,962
Dividends declared to parent	—	—	—	—	—	—	(3,000)	(3,000)
Dividends declared to U.S. Treasury	—	—	—	—	—	—	(2,250)	(2,250)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(245)	—	(245)
Balance at December 31, 2016	26,303,000	26,303	1,000,000	1,000	77,500	(541)	57,623	161,885
Net income	—	—	—	—	—	—	4,553	4,553
Dividends declared to U.S. Treasury	—	—	—	—	—	—	(2,367)	(2,367)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	159	—	159
Balance at December 31, 2017	26,303,000	26,303	1,000,000	1,000	77,500	(382)	59,809	164,230
Net income	—	—	—	—	—	—	5,666	5,666
Dividends declared to U.S. Treasury	—	—	—	—	—	—	(2,367)	(2,367)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(534)	—	(534)
Balance at December 31, 2018	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	($ 916)	$ 63,108	$ 166,995

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

Medallion Bank

Statements of Cash Flows

For the years ended December 31, 2018, 2017, and 2016

(Dollars in thousands)	**2018**	2017	2016
Cash flows from operating activities			
Net income from operations	**$ 5,666**	$ 4,553	$ 1,962
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	**5,556**	5,065	5,056
Deferred tax benefit	**2,643**	4,731	(11,889)
Provision for loan losses	**50,673**	51,282	69,466
Provision for losses on other assets	**5,161**	1,476	—
Write-downs of loan collateral in process of foreclosure and other assets, net	**12,571**	6,261	—
Gain from sale of loans, net	**(2,914)**	(7,163)	(3,386)
Changes in operating assets and liabilities:			
Interest receivable	**(514)**	(582)	(197)
Other tax assets	**(3,914)**	8,236	(6,210)
Other assets	**(5,870)**	(4,564)	(960)
Interest payable	**242**	394	82
Other liabilities	**1,154**	380	347
Net cash provided by operating activities	**70,454**	70,069	54,271
Cash flows from investing activities			
Increase in loans, net	**(197,531)**	(218,279)	(188,826)
Proceeds from sale of loans	**105,919**	231,906	144,818
Purchase of investments	**(9,409)**	(12,722)	(6,496)
Proceeds from maturity/sale of investments	**6,732**	6,452	4,781
Proceeds from sale of repossessed loan collateral	**9,406**	6,234	5,510
Purchase of fixed assets	**(364)**	(218)	(263)
Net cash provided by (used in) investing activities	**(85,247)**	13,373	(40,476)
Cash flows from financing activities			
Issuance of time deposits and other borrowed funds	**452,488**	549,542	494,350
Repayments of funds borrowed	**(511,295)**	(551,236)	(494,805)
Federal funds purchased	**13,000**	28,000	42,000
Repayments of federal funds purchased	**(13,000)**	(28,000)	(42,000)
Change in due to affiliates	**(271)**	(29)	(303)
Additional paid-in capital contributed by parent	**—**	—	3,000
Dividends paid to parent	**—**	—	(6,000)
Dividends paid to U.S. Treasury	**(2,367)**	(2,367)	(2,250)
Net cash (used in) financing activities	**(61,445)**	(4,090)	(6,008)
Net change in cash and cash equivalents	**(76,238)**	79,352	7,787
Cash and cash equivalents, beginning of the year	**110,233**	30,881	23,094
Cash and cash equivalents, end of the year	**$ 33,995**	$ 110,233	$ 30,881
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 13,331	$ 12,145	$ 10,311
Cash paid for income taxes	4,842	4,762	17,773
Non-cash investing activities - loans transferred to loan collateral in process of foreclosure	33,170	44,968	10,941

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

1. Organization and summary of significant accounting policies

Description of business – Medallion Bank (the Bank) is a limited service industrial bank headquartered in Salt Lake City, Utah. The Bank was formed in May 2002 for the purpose of obtaining an industrial bank (IB) charter pursuant to the laws of the State of Utah. The Bank is a wholly owned subsidiary of Medallion Financial Corp. (Medallion). The Bank originates consumer loans on a national basis for the purchase of recreational vehicles ("RVs"), boats and trailers and to finance home improvements such as replacement windows and roofs. Prior to 2014 the Bank originated medallion commercial loans to finance the purchase of taxi medallions, which are serviced by the Bank's affiliates who have extensive experience in this asset group. The loans are financed primarily with time certificates of deposits which are originated nationally through a variety of brokered deposit relationships.

Basis of presentation – The Bank's financial statements are presented in accordance with accounting principles generally accepted in the US and prevailing industry practices, which require management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates, by their nature, are based upon judgment and available information. Actual results could differ materially from those estimates.

Cash and cash equivalents – The Bank considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents. A non-interest bearing compensating balance of $100,000 is maintained at a correspondent bank. Cash balances are generally held in accounts at large national or regional banking organizations in amounts that frequently exceed the federally insured limits.

Investment securities – FASB ASC Topic 320, "Investments – Debt and Equity Securities," requires that all applicable investments 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. At December 31, 2018 and 2017, the net premium on investment securities totaled $154,000 and $265,000, and $101,000, $81,000, and $82,000 was amortized to interest income for the years ended December 31, 2018, 2017, and 2016. The Bank had $45,324,000 and $43,324,000 of available-for-sale securities at fair value as of December 31, 2018 and 2017. The Topic further requires that held-to-maturity securities be reported at amortized cost and available-for-sale securities be reported at fair value, with unrealized gains and losses excluded from earnings at the date of the financial statements, and reported in accumulated other comprehensive income (loss) as a separate component of shareholder's equity, net of the effect of income taxes, until they are sold. The Bank had $1,099,000 and $369,000 of pretax net unrealized loss on available-for-sale securities as of December 31, 2018 and 2017. 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 shareholder's equity, which were recorded net of the income tax effect, will be reversed**.**

Loans – Loans are 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. At December 31, 2018 and 2017, net loan origination costs were $14,385,000 and $11,093,000. Net amortization expense for the years ended December 31, 2018, 2017, and 2016 was $3,966,000 $3,513,000, and $3,489,000.

Interest income is recognized on an accrual basis. Taxicab 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. In 2017, the Bank adopted a policy to charge-off all taxicab medallion loans which reached 120 days past due down to their net realizable value and then generally moves the remaining balances to repossessed loan collateral on the balance sheet. The consumer portfolio has different characteristics compared to commercial loans, typified by a larger number of lower dollar loans that have similar characteristics. A loan is considered to be impaired, or nonperforming, when based on current information and events, it is likely the Bank will be unable to collect all amounts due according to the contractual terms of the original loan agreement. Management considers loans that are in bankruptcy status, but have not been charged-off, to be impaired. These 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 (loans in bankruptcy are not charged-off at 120 days), whichever occurs first, at which time appropriate collection and recovery efforts against both the borrower and the underlying collateral are initiated. Other loans are charged off when management determines that a loss has occurred. All interest accrued but not collected for loans that are charged off is reversed against interest income. For the recreational consumer 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 to write 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 a recovery. Total loans more than 90 days past due were $17,326,000, $16,115,000, and $42,269,000 at December 31, 2018, 2017, and 2016, or 1.9%, 1.8%, and 4.2% of the total loan portfolio.

At December 31, 2018, $5,925,000 or 1% of consumer loans, no commercial loans, and $16,049,000 or 10% of medallion loans were on nonaccrual, compared to $5,367,000 or 1% of consumer loans, no commercial loans, and $27,332,000 or 12% medallion loans on nonaccrual at December 31, 2017, and $4,179,000 or 1% of consumer loans, no commercial loans, and $47,841,000 or 16% medallion loans on nonaccrual at December 31, 2016. The amount of interest income on nonaccrual loans that would have been recognized if the loans had been paying in accordance with their original terms was $608,000 ($333,000 of which had been applied to principal), $1,487,000 and $106,000 as of December 31, 2018, 2017, and 2016.

Commercial loans are reserved down to fair value and placed on nonaccrual status. Fair value is determined based upon comparable market prices for substantially similar collateral plus management’s estimate of disposal costs. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on a cash basis and applied to principal until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Troubled Debt Restructurings (TDRs) – In situations where, for economic or legal reasons related to a borrower’s financial difficulties, the Bank grants a concession for other than an insignificant period of time to the borrower that the Bank would not otherwise consider, the related loan is classified as a TDR. The Bank strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before it reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize the economic loss to the Bank and to avoid foreclosure or repossession of the collateral. For modifications where the Bank forgives principal, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs are considered impaired loans.

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

If the Bank determines that the value of an impaired loan is less than the recorded investment in the loan (net of previous charge offs, deferred loan fees or costs and unamortized premium or discount), the Bank recognizes impairment. When the value of an impaired loan is calculated by discounting expected cash flows, interest income is recognized using the loan’s effective interest rate over the remaining life of the loan.

Allowance for loan losses – In analyzing the adequacy of the allowance for loan losses, the Bank uses historical delinquency and actual loss rates with a three year lookback period for medallion loans and a one year lookback period for consumer loans. The allowance for loan 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. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Credit losses are deducted from the allowance and subsequent recoveries are added back to the allowance.

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

Income taxes – The Bank uses the asset and liability method in providing income taxes on all transactions that have been recognized in the financial statements. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their existing tax bases. The Bank files its tax returns on a consolidated company basis with Medallion.

Other comprehensive income (loss) – The Bank had $(533,000), $159,000, and $(245,000) of net unrealized gains/(loss) due to the change in fair value of available-for-sale securities for the years ended December 31, 2018, 2017, and 2016.

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

Financial instruments – FASB ASC Topic 825, "Financial Instruments," requires disclosure of fair value information about certain financial instruments, whether assets, liabilities, or off-balance-sheet commitments, if practicable.

Fair value of assets and liabilities – The Bank follows FASB ASC Topic 820, "Fair Value Measurements and Disclosures," (FASB ASC 820), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 defines fair value as an exit price (i.e. a price that would be received to sell, as opposed to acquire, an asset or transfer a liability), and emphasizes that fair value is a market-based measurement. It establishes a fair value hierarchy that distinguishes between assumptions developed based on market data obtained from independent external sources and the reporting entities own assumptions. Further, it specifies that fair value measurement should consider adjustment for risk, such as the risk inherent in the valuation technique or its inputs. See also Note 12 to the 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.

Recently issued accounting standards – In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, Income Statement- Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The objective of this update is to allow a reclassification from accumulated income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Acts and will update certain disclosures about stranded tax effects. Early adoption is permitted. The Bank has assessed the impact of the update and has determined it will not have a material effect on its financial condition and results of operations.

In May 2017, the FASB issued Accounting Standards Update (ASU) 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting. The objective of this update is to provide clarity and reduce both diversity in practice and cost and complexity when applying the guidance of Topic 718. The amendments in this update are effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years.

The Bank has adopted the update and it did not have a material effect on its financial condition and results of operations.

In January 2017, the FASB issued Accounting Standards Update (ASU) 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The objective of this update is to simplify the subsequent measurement of goodwill, by eliminating step 2 from the goodwill impairment test. The amendments in this update are effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. The Bank does not believe this update will have a material impact on its financial condition.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The update clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows with the objective of reducing the existing diversity in practice related to eight specific cash flow issues. The amendments in this update are effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Bank has adopted this update and it did not have a material effect on its financial condition and results of operations.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The main objective of this new standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial assets and other commitments to extend credit held by a reporting entity at each reporting date. Effective dates vary according to business entity type, and early adoption is permitted for all entities. The aftermath of the global economic crisis and the delayed recognition of credit losses associated with loans (and other financial instruments) was identified as a weakness in the application of existing accounting standards. Specifically, because the existing "incurred" loss model delays recognition until it is probable a credit loss was incurred, the FASB explored alternatives that would use more forward-looking information. Under the FASB's new standard, the concepts used by entities to account for credit losses on financial instruments will fundamentally change. The existing "probable" and "incurred" loss recognition threshold is removed. Loss estimates are based upon lifetime "expected" credit losses. The use of past and current events must now be supplemented with "reasonable and supportable" expectations about the future to determine the amount of credit loss. The collective changes to the recognition and measurement accounting standards for financial instruments and their anticipated impact on the allowance for credit losses modeling have been universally referred to as the CECL (current expected credit loss) model. ASU 2016-13 applies to all entities and is effective for fiscal years beginning after December 15, 2019 for public entities and is effective for fiscal years beginning after December 15, 2020 for all other entities, with early adoption permitted. The Bank is assessing the impact the update will have on its financial statement, but expects the update to have a significant impact on how the Bank expects to account for estimated credit losses on its loans.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for leases classified as operating under GAAP. ASU 2016-02 applies to all entities and is effective for fiscal years beginning after December 15, 2018 for public entities. The Bank has assessed the impact the update will have on its financial condition and determined that effective January 1, 2019, a right-of-use asset and lease liability each of $946,000 would be recorded, and accrued/amortized over the remaining lease life terms. See Note 10 for additional information.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The main objective of this Update is to enhance the reporting model for financial instruments and provide users of financial statements with more decision-useful information. ASU 2016-01 requires equity investments to be measured at fair value, simplifies the impairment assessment of equity investment without readily determinable fair value, eliminates the requirements to disclose the fair value of financial instruments measured at amortized cost, and requires public business entities to use the exit price notion when measuring the fair value of financial instruments. The update, as amended, is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Bank has assessed the impact of the modified retrospective transition method on its financial statements, and the impact is not expected to be material.

2. Investment securities

Fixed maturity securities available-for-sale at December 31 consisted of the following.

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2018				
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 32,184	$ 15	$ 742	$ 31,456
State and municipalities	14,239	35	407	13,868
Total	$ 46,423	$ 50	$ 1,149	$ 45,324
2017				
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 32,749	$ 47	$ 354	$ 32,442
State and municipalities	11,098	52	114	11,036
Total	$ 43,847	$ 99	$ 468	$ 43,478

The amortized cost and estimated market value of investment securities as of December 31, 2018 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.

(Dollars in thousands)	Amortized Cost	Market Value
Due in one year or less	$ 26	$ 26
Due after one year through five years	9,039	8,834
Due after five years through ten years	11,487	11,218
Due after ten years	25,871	25,246
Total	$ 46,423	$ 45,324

Information pertaining to securities with gross unrealized losses at December 31, 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	
(Dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
2018				
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 54	$ 4,616	$ 689	$ 24,871
State and municipalities	78	5,429	329	6,259
Total	$ 132	$ 10,045	$ 1,018	$ 31,130
2017				
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 192	$ 19,432	$ 162	$ 7,068
State and municipalities	16	3,445	98	4,234
Total	$ 208	$ 22,877	$ 260	$ 11,302

Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, and the Bank 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.

3. Loans and allowance for loan losses

Loans are summarized as follows at December 31,

Loans *(Dollars in thousands)*	**2018**	**2017**
Consumer [1]	$ 768,209	$ 693,289
Medallion [2]	153,742	222,806
Other commercial [2]	1,886	1,044
Deferred loan acquisition costs, net	14,385	11,093
Total loans	$ 938,222	$ 928,232

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

Changes in the allowance for loan losses are summarized as follows.

(Dollars in thousands)	**Medallion** [1]	**Asset-based and commercial** [1]	**Consumer** [2]	**Total**
Balance at 12/31/15	$ 6,136	$ 618	$ 17,327	$ 24,081
Provision for loan losses	56,239	(612)	13,841	69,466
Loan charge-offs	(27,646)	—	(15,749)	(43,395)
Recoveries	—	—	4,667	4,667
Balance at 12/31/16	34,729	4	20,086	54,819
Provision for loan losses	36,491	(1)	14,792	51,282
Loan charge-offs	(30,121)	—	(19,608)	(49,729)
Recoveries	1,285	—	5,759	7,044
Balance at 12/31/17	42,384	3	21,029	63,416
Provision for loan losses	30,576	25	20,072	50,673
Loan charge-offs	(37,322)	—	(24,235)	(61,557)
Recoveries	478	—	7,127	7,605
Balance at 12/31/18	$ 36,116	$ 28	$ 23,993	$ 60,137

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

There were no loans acquired with deteriorated credit quality.

See Note 1 to the financial statements which describes the nature of the portfolios, their collection and income recognition processes, and the methodology used to assess the adequacy of the allowance.

Other commercial or construction loans are infrequent, and made on a case by case basis, after performing thorough borrower review, credit, and collateral checks. The risk associated with these types of loans is individual to that particular credit, and they are monitored and tracked closely.

The consumer loan portfolio is primarily customer driven, whereby borrowers are assessed a score based on income level, home ownership, FICO score, and other factors weighted in a credit scoring model that determines whether a borrower is qualified. Loan losses in this portfolio fluctuate with economic conditions, and can range widely over time. The consumer loan portfolio is analyzed and evaluated in the aggregate, as a pool of loans.

Allocations for the allowance for credit losses may be made for specific loans, but the allowance is general in nature and is available to absorb losses from any loan type.

The following table provides a summary of the loan portfolio by its performance status and by type.

(Dollars in thousands)	Performing		Nonperforming		Total	
	2018	2017	**2018**	2017	**2018**	2017
Medallion	$ 126,677	$ 176,081	$ 27,065	$ 46,725	$ 153,742	$ 222,806
Asset-based and commercial	1,886	1,044	—	—	1,886	1,044
Consumer	762,447	687,800	5,762	5,489	768,209	693,289
Total	$ 891,010	$ 864,925	$ 32,827	$ 52,214	$ 923,837	$ 917,139

The following tables provide additional information on attributes of the nonperforming loan portfolio.

(Dollars in thousands) **December 31, 2018**	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Medallion	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Asset-based and commercial	—	—	—	—	—
Consumer	—	—	—	—	—
With an allowance recorded					
Medallion	27,065	27,065	14,770	23,536	333
Asset-based and commercial	—	—	—	—	—
Consumer	5,762	5,762	201	4,883	413
Total					
Medallion	27,065	27,065	14,770	23,536	333
Asset-based and commercial	—	—	—	—	—
Consumer	5,762	5,762	201	4,883	413

(Dollars in thousands) **December 31, 2017**	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Medallion	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Asset-based and commercial	—	—	—	—	—
Consumer	—	—	—	—	—
With an allowance recorded					
Medallion	46,725	46,725	23,164	37,983	1,221
Asset-based and commercial	—	—	—	—	—
Consumer	5,489	5,489	170	4,200	320
Total					
Medallion	46,725	46,725	23,164	37,983	1,221
Asset-based and commercial	—	—	—	—	—
Consumer	$ 5,489	$ 5,489	$ 170	$ 4,200	$ 320

The table below shows the aging of all loan types as of December 31,

(Dollars in thousands)	Days Past Due						Recorded Investment >90 Days and Accruing
2018	**31-60**	**61-90**	**91 +**	**Total Past Due**	**Current**	**Total**	
Medallion	$ 5,448	$ 1,966	$ 13,039	$ 20,453	$ 133,289	$ 153,742	$ —
Asset-based and commercial	—	—	—	—	1,886	1,886	—
Consumer	19,784	6,120	4,287	30,191	738,018	768,209	—
Total	$ 25,232	$ 8,086	$ 17,326	$ 50,644	$ 873,193	$ 923,837	$ —

(Dollars in thousands)	Days Past Due						Recorded Investment >90 Days and Accruing
2017	**31-60**	**61-90**	**91 +**	**Total Past Due**	**Current**	**Total**	
Medallion	$ 13,859	$ 11,167	$ 12,170	$ 37,196	$ 185,610	$ 222,806	$ —
Asset-based and commercial	—	—	—	—	1,044	1,044	—
Consumer	16,252	5,021	3,945	25,218	668,071	693,289	—
Total	$ 30,111	$ 16,188	$ 16,115	$ 62,414	$ 854,725	$ 917,139	$ —

4. Fixed assets

Fixed assets and their related useful lives at December 31 were as follows:

(Dollars in thousands)	**Useful lives**	**2018**	**2017**
Computer software	3 years	$ 468	$ 431
Equipment	5 years	25	25
Furniture and fixtures	5-10 years	311	81
Leasehold improvements	3-5 years	129	9
Telephone equipment	3 years	30	25
		963	571
Less accumulated depreciation and amortization		(450)	(257)
Net fixed assets		$ 513	$ 314

Depreciation expense was $193,000, $138,000, and $115,000 for the years ended December 31, 2018, 2017, and 2016.

5. Deposits and other borrowings

At December 31, 2018, the scheduled maturities of all borrowed funds, which were primarily composed of brokered certificates of time deposit as follows.

(Dollars in thousands)	
2019	$ 325,890
2020	191,054
2021	158,846
2022	136,508
2023	35,742
Total	**$** 848,040

All time deposits are in denominations of less than $250,000 and have been originated through Certificate of Deposit Broker relationships. The weighted average interest rate of deposits outstanding at December 31, 2018 was 2.14%.

Deposits are raised through the use of investment brokerage firms who package deposits qualifying for FDIC insurance into pools that are sold to Medallion 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%, and which is capitalized and amortized to interest expense over the life of the respective pool. The total amount capitalized at December 31, 2018 and 2017 was $2,184,000 and $1,941,000, and $1,295,693, $1,330,000, and $1,369,000 was amortized to interest expense during 2018, 2017, and 2016. Interest on the deposits is accrued daily and paid monthly, quarterly, semiannually, or at maturity.

At December 31, 2018, the Bank had unsecured and undrawn Federal Funds lines with correspondent banks of $45,000,000.

6. Income taxes

The components of the provisions for income taxes were as follows for the years ended December 31,

(Dollars in thousands)	**2018**	2017	2016
Current			
Federal	$ 210	$ 10,145	$ 8,772
State	688	218	2,791
Deferred			
Federal	1,514	(2,255)	(9,021)
Change in federal tax rate	—	7,396	—
State	1,160	(411)	(2,868)
Net provision for income taxes	$ 3,572	$ 15,093	$ (326)

The following table reconciles the provision for income taxes to the U.S. federal statutory income tax rate for the years ended December 31, 2018, 2017, and 2016.

	2018	**2017**	**2016**
Statutory Federal Income tax at 21% (2018) and 35% (2017 and 2016)	$ 1,940	$ 6,876	$ 573
State and local income taxes, net of federal income tax benefit	438	766	64
Change in state tax nexus	—	—	(770)
Change in federal tax rate	—	7,396	—
Change in effective state income tax rate	1,343	—	—
Other	(149)	55	(193)
Total	$ 3,572	$ 15,093	$ (326)

On December 22, 2017, the U.S. Government signed into law the “Tax Cuts and Jobs Act” which, starting in 2018, reduces the Company’s corporate statutory income tax rate from 35% to 21%, but eliminates or increases certain permanent differences. As of the date of enactment, the Company has adjusted its deferred tax assets and liabilities for the new statutory rate which resulted in a $7.4 million increase in income tax expense for the year ended December 31, 2017.

The Bank has filed tax returns in many states. Federal, New York State, New York City, and Utah tax filings of the Bank for the tax years 2015 through the present are the more significant filings that are open for examination. Currently the Bank is undergoing various state exams covering the years 2009 to 2011 and 2013 to 2017.

Deferred tax and other asset balances reflected in the balance sheet were as follows as of December 31,

(Dollars in thousands)	**2018**	2017
Provision for loan losses	$ 15,252	$ 16,962
Deferred loan acquisition costs	(3,708)	(2,899)
Unrealized gains on investments	339	141
Other	278	403
Net deferred tax asset	12,161	14,607
Prepaid (accrued) taxes	(513)	(4,426)
Net deferred tax and other assets	$ 11,648	$ 10,181

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible pursuant to ASC Topic 740, "Income Taxes." Management considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management's evaluation of the realizability of deferred tax assets must consider both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Based on these considerations, no valuation allowance was deemed necessary as of December 31, 2018 and 2017.

The Bank has filed U.S. federal tax returns as well as tax returns with various states as part of Medallion's consolidated tax return since 2016. Generally, tax years 2014 through the present are open for examination. Currently the Bank is undergoing a state tax examination covering the years 2009 to 2011 and 2013 to 2017. In 2017, the Bank's state tax accruals have decreased due to changes in the state nexus rules in a state and locality where the Bank conducts business. In addition, the Bank began accruing additional state income tax due to a change in their determination regarding nexus in certain other states where the Bank conducts business.

7. Other transactions with affiliates

The Bank's taxi medallion, and commercial loans aggregated $154,000,000 and $223,000,000 at December 31, 2018 and 2017. These loans are sourced and serviced by its affiliates. The Bank paid $34,000, $2,000, and $2,000 for loan servicing fees to Medallion for 2018, 2017, and 2016, and also in 2018, 2017, and 2016, paid $5,158,000, $5,272,000, and $5,421,000 to another Medallion affiliate. Origination fees of $0, $0, and $110,000 were paid to Medallion for 2018, 2017, and 2016. Amortization costs were $23,000, $92,000, and $99,000 for 2018, 2017, and 2016.

At December 31, 2018 and 2017, the Bank owed $849,000 and $1,055,000 to affiliates for origination fees, monthly servicing fees on loans, charges for corporate overhead, and legal and business development expenses due to the affiliates, partially offset by payments due the Bank from collection of loan payments by affiliates. The Bank reimbursed the parent for expenses incurred on its behalf of $272,000, $865,000, and $1,006,000 for 2018, 2017, and 2016.

8. 401(k) plan

The Bank participates in the 401(k) plan offered by Medallion. The 401(k) Plan covers all full and part-time employees of the Bank who have attained the age of 21 and have a minimum of one year of service. Under the 401(k) Plan, an employee may elect to defer not less than 1% and no more than 15% of the total annual compensation that would otherwise be paid to the employee, *provided*, *however*, that employees' contributions may not exceed certain maximum amounts determined under the Internal Revenue Code. Employee contributions are invested in various mutual funds according to the directions of the employee. At the discretion of Medallion's Board of Directors, the Bank can provide for employer matching contributions. Medallion has elected to match employee contributions up to one-third of the employee's contribution, but not greater than 2% of the portion of the employee's annual salary eligible for 401(k) benefits. For the years ended December 31, 2018, 2017, and 2016, the Bank provided $78,000, $70,000, and $55,000 in employer matching, which amount is included in salaries and benefits expense in the accompanying statements of income and comprehensive income.

9. Segment reporting

The Bank has four business segments, which reflect the main types of lending performed at the Bank, which are recreation, home improvement, medallion and other. The segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of the segments are intended to reflect each segment as if it were essentially a stand-alone business.

The recreation segment is conducted in all 50 states, with the highest concentrations in Texas, California and Florida, at 17.75%, 10.88%, and 10.49% at December 31, 2018 and 17.49%, 11.59% and 11.29% at December 31, 2017. The recreation lending segment is a consumer finance business that works with third-party dealers and financial service providers for the purpose of financing RV's, boats, and other consumer recreational equipment.

The home improvement segment is conducted in all 50 states, with the highest concentrations in Texas, Florida and Ohio, at 14.42%, 10.93% and 9.49% at December 31, 2018 and had the highest concentrations in Texas, California and Florida, at 18.13%, 11.15% and 11.49% at December 31, 2017. The home improvement lending segment works with contractors and financial service providers to finance residential home improvements concentrated in pools, solar panels, and roofing, at 31.11%, 16.30% and 14.66% of total loans outstanding as of December 31, 2018 and 36.38%, 18.58%, 10.32% at December 31, 2017.

The medallion lending segment arose in connection with the financing of taxicab medallions, of which 95.00% were in New York City as of December 31, 2018 and 89.59% as of December 31, 2017. The other segment includes real estate loans.

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

The following table presents segment results for the periods indicated.

(Dollars in thousands)	Recreation	Home Improvement	Medallion	Other	Total
Total interest income					
2018	$89,663	$18,035	$6,348	$2,027	$116,073
2017	82,083	19,867	7,994	1,338	111,281
2016	68,947	21,264	10,393	2,850	103,454
Total interest expense					
2018	$10,084	$3,325	$3,022	$1,413	$17,844
2017	7,244	2,604	2,964	1,056	13,869
2016	5,208	2,372	3,298	884	11,762
Net interest income (loss)					
2018	$79,578	$14,709	$3,327	$615	$98,229
2017	74,838	17,262	5,030	282	97,412
2016	63,739	18,892	7,095	1,966	91,692
Provision for loan losses					
2018	$17,915	$2,159	$30,576	$23	$50,673
2017	13,884	928	36,490	(21)	51,282
2016	11,212	2,650	56,239	(635)	69,466
Other income (expense)					

(Dollars in thousands)	**Recreation**	**Home Improvement**	**Medallion**	**Other**	**Total**
2018	($14,247)	($4,177)	($20,475)	$581	($38,318)
2017	(10,511)	(320)	(13,779)	(1,874)	(26,484)
2016	(9,081)	(2,137)	(7,807)	(1,566)	(20,590)
Net income before taxes					
2018	$47,416	$8,373	($47,724)	$1,173	$9,238
2017	50,443	16,014	(45,240)	(1,571)	19,646
2016	43,447	14,106	(56,951)	1,035	1,636
Income tax benefit (provision)					
2018	$14,325	$2,456	($13,355)	$146	$3,572
2017	18,477	5,435	(8,790)	(28)	15,093
2016	17,564	5,719	(24,066)	457	(326)
Net Income (loss) after tax					
2018	$33,091	$5,917	($34,369)	$1,027	$5,666
2017	31,967	10,579	(36,450)	(1,543)	4,553
2016	25,883	8,387	(32,886)	578	1,962
Return on equity					
2018	35.86%	20.78%	(149.93%)	7.68%	3.51%
2017	38.46%	38.98%	(110.71%)	(6.05%)	2.71%
2016	34.40%	22.25%	(78.03%)	4.94%	1.15%
Return on assets					
2018	5.62%	3.25%	(23.48%)	1.20%	0.54%
2017	6.02%	6.10%	(17.34%)	(0.95%)	0.42%
2016	5.33%	3.45%	(12.10%)	0.77%	0.18%
Interest yield					
2018	15.81%	9.49%	3.38%	2.09%	11.14%
2017	15.55%	9.55%	3.12%	1.64%	10.37%
2016	15.47%	9.71%	3.13%	2.85%	9.44%
Net interest margin					
2018	14.03%	7.74%	1.77%	25.88%	9.44%
2017	14.18%	8.30%	1.96%	22.56%	9.08%
2016	14.31%	8.62%	2.14%	6.90%	8.36%
Reserve coverage					
2018	3.52%	1.90%	23.49%	1.50%	6.51%
2017	3.47%	1.75%	19.02%	0.28%	6.91%
2016	3.39%	1.75%	11.65%	0.37%	5.44%
Delinquency status					
2018	5.31%	0.62%	13.30%	0.00%	5.68%
2017	4.93%	0.85%	16.69%	0.00%	7.00%
2016	4.55%	0.51%	23.02%	0.00%	9.05%
Charge-off %					
2018	2.72%	0.89%	19.60%	(37.72%)	5.60%
2017	2.24%	0.98%	11.26%	(1.63%)	4.30%
2016	2.01%	0.98%	8.34%	(0.08%)	3.78%
Total loans					
2018	580,790	187,419	153,742	1,886	923,837
2017	517,347	175,942	222,806	1,044	917,139
Total assets					
2018	589,242	181,850	146,377	85,415	1,002,884
2017	530,822	173,306	210,249	162,977	1,077,354

(Dollars in thousands)	Recreation	Home Improvement	Medallion	Other	Total
Total funds borrowed					
2018	551,332	156,097	102,909	49,742	860,080
2017	543,485	177,259	136,262	49,742	906,748

10. Commitments and contingencies

Loans – At December 31, 2018, the Bank had no commitments to extend credit to taxi medallion customers for unfunded amounts.

Leases – The Bank leases office space under two non-cancelable operating leases that expire in August 2021 and November 2022. Rental expense related to the leases was $372,000, $267,000, and $225,000 for the years ended December 31, 2018, 2017, and 2016.

Future minimum lease payments under these operating leases as of December 31, 2018 were as follows:

	(Dollars in thousands)
2019	$ 375
2020	386
2021	398
2022	404
2023	323
Total	$ 1,886

11. Capital requirements

The Bank is subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation (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.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as defined in the regulations (set forth in the table below). Additionally, as conditions of granting the Bank's application for federal deposit insurance, the FDIC ordered that the Tier 1 leverage capital to total assets ratio, as defined, be not less than 15%, and that an adequate allowance for loan losses be maintained. As of December 31, 2018, the Bank's Tier 1 leverage capital ratio was 15.8%. The Bank's actual capital amounts and ratios as of December 31, 2018 and 2017, and the regulatory minimum ratios are presented in the following tables.

(Dollars in thousands)	**As of December 31, 2018**		**As of December 31, 2017**		**Minimum Ratio for Capital Adequacy Purposes**	**Minimum Ratio To be Well Capitalized Under Prompt Corrective Action Provisions**
	Amount	**Ratio**	**Amount**	**Ratio**		
Tier 1 Capital (to average assets)	$ 167,911	15.8%	$ 163,797	14.5%	4.0%	5.0%
Common Equity Tier 1 (to risk-weighted assets)	141,608	14.3	137,494	13.8	4.5	6.5
Tier 1 Capital (to risk-weighted assets)	167,911	16.9	163,797	16.5	6.0	8.0

(Dollars in thousands)	As of December 31, 2018		As of December 31, 2017		Minimum Ratio for Capital Adequacy Purposes	Minimum Ratio To be Well Capitalized Under Prompt Corrective Action Provisions
	Amount	Ratio	Amount	Ratio		
Total Capital (to risk-weighted assets)	180,917	18.2	176,876	17.8	8.0	10.0

In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer on top of the minimum risk-based capital ratios. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will increase by 0.625% each subsequent January 1 until January 1, 2019. Including the buffer, by January 1, 2019, the Bank will be required to maintain the following minimum capital ratios: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0%, a Tier 1 risk-based capital ratio of greater than 8.5% and a total risk-based capital ratio of greater than 10.5%.

12. Fair value of financial instruments

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

(a) Loans – Current fair value most closely approximates book value.

(b) Investments – The Bank's investments are recorded at the estimated fair value of such investments.

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

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

(e) 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, 2018 and 2017, the estimated fair value of these off-balance-sheet instruments was not material.

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

	December 31, 2018		December 31, 2017	
(Dollars in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans	$ 878,085	$ 878,085	$ 864,816	$ 864,816
Investment securities	45,324	45,324	43,478	43,478
Cash	33,995	33,995	110,233	110,233
Accrued interest receivable	7,251	7,251	6,740	6,740
Financial Liabilities				
Funds borrowed	848,040	848,040	906,748	906,748
Accrued interest payable	1,730	1,730	1,488	1,488

13. Fair value of assets and liabilities

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

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

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

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

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

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

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

B) Quoted 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).

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

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

The following tables present the Bank’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017.

2018 *(Dollars in thousands)*	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investment securities [(1)]	$ —	$ 45,324	$ —	$ 45,324

(1) Total unrealized loss of ($533), net of tax was included in accumulated other comprehensive income (loss) for 2018 related to these assets.

2017 *(Dollars in thousands)*	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investment securities [(1)]	$ —	$ 43,478	$ —	$ 43,478

(1) Total unrealized gain of $159, net of tax was included in accumulated other comprehensive income (loss) for 2017 related to these assets.

The following tables present the Bank's fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2018 and 2017.

2018 *(Dollars in thousands)*	Level 1	Level 2	Level 3	Total
Assets [(1)]				
Impaired loans	$ —	$ —	$ 17,575	$ 17,575
Loan collateral in process of foreclosure	—	—	28,723	28,723
Total	$ —	$ —	$ 46,298	$ 46,298

(1) Total unrealized losses $14,970 for impaired loans, $0 for repossessed loan collateral, and $0 for other receivables were included in income for 2018 related to these assets.

2017 *(Dollars in thousands)*	Level 1	Level 2	Level 3	Total
Assets [(1)]				
Impaired loans	$ —	$ —	$ 19,356	$ 19,356
Loan collateral in process of foreclosure	—	—	27,706	27,706
Other receivables	—	—	5,161	5,161
Total	$ —	$ —	$ 52,223	$ 52,223

(1) Total unrealized losses of $13,495 for impaired loans, $0 for repossessed loan collateral, and $1,476 for other receivables were included in income for 2017 related to these assets.

14. Small Business Lending Fund Program (SBLF) and Troubled Assets Relief Program (TARP)

On February 27, 2009 and December 22, 2009, Medallion Bank issued, and the U.S. Treasury purchased under the TARP Capital Purchase Program (the CPP) Medallion Bank's fixed rate non-cumulative Perpetual Preferred Stock, Series A, B, C, and D for an aggregate purchase price of $21,498,000 in cash. On July 21, 2011, Medallion Bank issued, and the U.S. Treasury purchased 26,303 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series E (Series E) for an aggregate purchase price of $26,303,000 under the SBLF. The SBLF is a voluntary program intended to encourage small business lending by providing capital to qualified smaller banks at favorable rates. In connection with the issuance of the Series E, the Bank exited the CPP by redeeming the Series A, B, C, and D; and received approximately $4,000,000, net of dividends due on the repaid securities. The Bank previously paid a dividend rate of 1% on the Series E, which increased to 9% in first quarter of 2016.

15. Subsequent Events

We have evaluated subsequent events that have occurred through March 29, 2019, the date of financial statement issuance.

MEDALLION BANK
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(unaudited)			
Interest income:				
Investments	$ 423	$ 417	$ 1,316	$ 1,163
Loan interest including fees	32,690	30,731	91,561	85,504
Total interest income	33,113	31,148	92,877	86,667
Interest expense	6,003	5,064	16,409	12,879
Net interest income	27,110	26,084	76,468	73,788
Provision for loan losses	7,316	6,617	32,701	39,449
Net interest income after provision for loan losses	19,794	19,467	43,767	34,339
Non-interest income	50	169	284	210
Write-downs of loan collateral in process of foreclosure	(18)	(107)	(2,409)	(10,799)
Gain on sale of loans	—	2,914	—	2,914
Total non-interest income (loss)	32	2,976	(2,125)	(7,675)
Non-interest expense:				
Loan servicing	2,704	2,618	7,881	7,684
Salaries and benefits	2,295	1,985	6,547	5,768
Professional fees	717	666	3,358	1,749
Computer expense	137	115	313	428
Collection costs	798	724	2,476	2,242
Regulatory fees	268	580	1,196	1,775
Affiliate services	269	144	641	428
Occupancy and equipment	138	144	403	403
Insurance	70	67	224	200
Credit reports	117	108	360	329
Director’s fees	60	57	181	172
Dues and subscriptions	57	54	156	154
Other	289	294	820	814
Total non-interest expense	7,919	7,556	24,556	22,146
Income before income taxes	11,907	14,887	17,086	4,518
Provision for income taxes	2,621	4,162	3,338	1,274
Net income	9,286	10,725	13,748	3,244
Other comprehensive income, net of tax:				
Net change in unrealized gains (losses) on investment securities	95	(214)	1,322	(920)
Total comprehensive income	$ 9,381	$ 10,511	$ 15,070	$ 2,324

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

MEDALLION BANK
BALANCE SHEETS
(dollars in thousands)

	As of September 30, 2019	As of December 31, 2018
	(unaudited)	
Assets		
Cash and cash equivalents, substantially all of which are federal funds sold	$ 33,405	$ 33,995
Investment securities, available-for-sale	47,422	45,324
Loans, inclusive of net deferred loan acquisition costs	1,061,713	938,222
Allowance for loan losses	(58,573)	(60,137)
Loans, net	1,003,140	878,085
Loan collateral in process of foreclosure	31,991	28,723
Fixed assets and right of use assets, net	2,593	513
Deferred and other tax assets, net	8,462	11,648
Accrued interest receivable and other assets	32,174	24,224
Total assets	$ 1,159,187	$ 1,022,512
Liabilities and Shareholder's Equity		
Liabilities		
Funds borrowed	$ 966,987	$ 848,040
Accrued interest payable	2,391	1,730
Other liabilities	8,908	5,476
Due to affiliates	612	271
Total liabilities	978,898	855,517
Commitments and Contingencies (Note 9)		
Shareholder's Equity		
Preferred stock, $1.00 par value, 26,303 and 26,303 shares authorized, issued, and outstanding as of September 30, 2018 (unaudited) and December 31, 2017, respectively	26,303	26,303
Common stock, $1.00 par value, 7,000,000 and 7,000,000 shares authorized as of September 30, 2018 (unaudited) and December 31, 2017, respectively; 1,000,000 and 1,000,000 shares issued and outstanding as of September 30, 2018 (unaudited) and December 31, 2017, respectively	1,000	1,000
Additional paid in capital	77,500	77,500
Accumulated other comprehensive income/(loss), net of tax	406	(916)
Retained earnings	75,080	63,108
Total shareholder's equity	180,289	166,995
Total liabilities and shareholder's equity	$ 1,159,187	$ 1,022,512

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

MEDALLION BANK
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(dollars in thousands)

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
Balance as of June 30, 2019 (unaudited)	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ 311	$ 66,386	$ 171,500
Net income (unaudited)	—	—	—	—	—	—	9,286	9,286
Dividends declared to U.S. Treasury (unaudited)	—	—	—	—	—	—	(592)	(592)
Net change in unrealized losses on investment securities, net of tax (unaudited)	—	—	—	—	—	95	—	95
Balance as of September 30, 2019 (unaudited)	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ 406	$ 75,080	$ 180,289

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
Balance as of June 30, 2018	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ (1,088)	$ 51,145	$ 154,860
Net income	—	—	—	—	—	—	10,725	10,725
Dividends declared to U.S. Treasury (unaudited)	—	—	—	—	—	—	(592)	(592)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(214)	—	(214)
Balance as of September 30, 2018	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ (1,302)	$ 61,278	$ 164,779

	Preferred Stock		Common Stock					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
Balance as of December 31, 2018	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ (916)	$ 63,108	$ 166,995
Net income (unaudited)	—	—	—	—	—	—	13,748	13,748
Dividends declared to U.S. Treasury (unaudited)	—	—	—	—	—	—	(1,776)	(1,776)
Net change in unrealized losses on investment securities, net of tax (unaudited)	—	—	—	—	—	1,322	—	1,322
Balance as of September 30, 2019 (unaudited)	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ 406	$ 75,080	$ 180,289

	Preferred Stock		Common Stock			Accumulated		
	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
Balance as of December 31, 2017	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ (382)	$ 59,809	$ 164,230
Net income	—	—	—	—	—	—	3,244	3,244
Dividends declared to U.S. Treasury (unaudited)	—	—	—	—	—	—	(1,775)	(1,775)
Net change in unrealized losses on investment securities, net of tax	—	—	—	—	—	(920)	—	(920)
Balance as of September 30, 2018	26,303,000	$ 26,303	1,000,000	$ 1,000	$ 77,500	$ (1,302)	$ 61,278	$ 164,779

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

MEDALLION BANK
STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	(unaudited)	
Cash Flows from Operating Activities		
Net income	$ 13,748	$ 3,244
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,807	4,198
Deferred tax benefit	451	268
Provision for loan losses	32,701	39,449
Write-downs of loan collateral in process of foreclosure and other assets, net	2,409	10,799
Gain from sale of loans, net	—	(2,914)
Changes in operating assets and liabilities:		
Interest receivable	(641)	33
Other tax assets	2,247	(3,804)
Other assets	(4,714)	(4,213)
Interest payable	661	571
Other liabilities	1,268	511
Net cash provided by operating activities	52,937	48,142
Cash Flows from Investing Activities		
Increase in loans, net	(179,440)	(172,513)
Proceeds from sale of loans	—	105,919
Purchase of investments	(4,252)	(7,419)
Proceeds from maturity/sale of investments	3,918	3,812
Proceeds from sale of repossessed loan collateral	8,758	6,670
Purchase of fixed assets	(23)	(50)
Net cash used in investing activities	(171,039)	(63,581)
Cash Flows from Financing Activities		
Issuance of time deposits and other borrowed funds	424,557	424,557
Repayments of funds borrowed	(305,610)	(384,330)
Federal funds purchased	13,000	13,000
Repayments of federal funds purchased	(13,000)	(13,000)
Change in due to affiliates	340	(246)
Dividends paid to U.S. Treasury	(1,776)	(1,775)
Net cash provided by financing activities	117,511	38,206
Net change in cash and cash equivalents	(590)	22,767
Cash and cash equivalents, beginning of the period	33,995	110,233
Cash and cash equivalents, end of the period	$ 33,405	$ 133,000
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 11,878	$ 11,968
Cash paid for income taxes	641	4,809
Non-cash investing activities - loans transferred to loan collateral in process of foreclosure	23,178	23,636

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

MEDALLION BANK
NOTES TO INTERIM FINANCIAL STATEMENTS
As of September 30, 2019 (unaudited) and December 31, 2018, and
the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

1. Organization and Summary of Significant Accounting Policies

Description of Business – Medallion Bank (the Bank) is a limited service industrial bank headquartered in Salt Lake City, Utah. The Bank was formed in May 2002 for the purpose of obtaining an industrial bank (IB) charter pursuant to the laws of the State of Utah. The Bank is a wholly owned subsidiary of Medallion Financial Corp. (Medallion). The Bank originates consumer loans on a national basis for the purchase of recreational vehicles ("RVs"), boats and trailers and to finance home improvements such as replacement windows and roofs. Prior to 2014 the Bank originated medallion commercial loans to finance the purchase of taxi medallions, of which are serviced by the Bank's affiliates who have extensive experience in this asset group. The loans are financed primarily with time certificates of deposits which are originated nationally through a variety of brokered deposit relationships.

Basis of Presentation – The interim financial statements of the Bank for the three and nine-month periods ended September 30, 2019 and 2018 are unaudited. The Bank's financial statements are prepared in accordance with the requirements for unaudited interim periods. In the opinion of management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position as of September 30, 2019, and results of operations and cash flows for the three and nine-month periods ended September 30, 2019 and 2018. The results of operations for the three and nine-month periods ended September 30, 2019 and 2018 are not necessarily indicative of the results for a full-year period. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2018.

Recently Issued or Adopted Accounting Standards – In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, "Fair Value Measurement—Changes to the Disclosure Requirements for Fair Value Measurement." This update eliminates the requirements to disclose the amount and reason for transfers between Level 1 and Level 2 fair value methodology, the policy for the timing of transfers between levels and the valuation process for Level 3 fair value measurements. ASU 2018-13 requires an entity to disclose relevant quantitative information used to develop Level 3 fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019 and is not expected to have a significant impact on the Bank's financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and subsequent amendments to the initial guidance in November 2018, ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, in April 2019, ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, and in May 2019, ASU 2019-05, Financial Instruments – Credit Losses, Topic 326, all of which clarifies codification and corrects unintended application of the guidance. The main objective of this new standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial assets and other commitments to extend credit held by a reporting entity at each reporting date. Effective dates vary according to business entity type, and early adoption is permitted for all entities. The aftermath of the global economic crisis and the delayed recognition of credit losses associated with loans (and other financial instruments) was identified as a weakness in the application of existing accounting standards. Specifically, because the existing "incurred" loss model delays recognition until it is probable a credit loss was incurred, the FASB explored alternatives that would use more forward-looking information. Under the FASB's new standard, the concepts used by entities to account for credit losses on financial instruments will fundamentally change. The existing "probable" and "incurred" loss recognition threshold is removed. Loss estimates are based upon lifetime "expected" credit losses. The use of past and current events must now be supplemented with "reasonable and supportable" expectations about the future to determine the amount of credit loss. The collective changes to the recognition and measurement accounting standards for financial instruments and their anticipated impact on the allowance for credit losses modeling have been universally referred to as the CECL (current expected credit loss) model. ASU 2016-13 applies to all entities and is effective for fiscal years beginning after December 15, 2019 for public entities that are not "smaller reporting companies" as defined by the Securities and Exchange Commission and is effective, per the vote by FASB in October 2019, for fiscal years beginning after December 15, 2022 for all other entities, with early adoption permitted. As an emerging growth company, the Bank is permitted, and has elected, to take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies that are not "smaller reporting companies" and, as a result, the Bank will be required to comply with the CECL model for fiscal years beginning after December 15, 2022. The Bank is assessing the impact the update will have on its financial statements, but expects the update to have a significant impact on how the Bank expects to account for estimated credit losses on its loans.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASC 842"), which requires lessees to recognize right-of-use ("ROU") assets and related lease liabilities on the balance sheet for all leases greater than one year in duration. The Bank adopted ASC 842 on January 1, 2019 using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach did not require any transition accounting for leases that expired before the earliest comparative period presented. The adoption of this standard resulted in the recording of ROU assets and lease liabilities for all of the Bank's lease agreements with original terms of greater than one year. The adoption of ASC 842 did not have a significant impact on the Bank's statements of operations or cash flows. See Note 9 for additional information.

2. Investment Securities

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

	September 30, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(unaudited) (in thousands)		
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 34,431	$ 568	$ (64)	$ 34,935
State and municipalities	12,279	262	(54)	12,487
Total	$ 46,710	$ 830	$ (118)	$ 47,422

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 32,184	$ 15	$ (742)	$ 31,456
State and municipalities	14,239	35	(407)	13,868
Total	$ 46,423	$ 50	$ (1,149)	$ 45,324

The amortized cost and estimated market value of investment securities as of September 30, 2019 and December 31, 2018 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.

	September 30, 2019	
	Amortized Cost	Market Value
	(unaudited) (in thousands)	
Due in one year or less	$ 35	$ 35
Due after one year through five years	12,416	12,497
Due after five years through ten years	10,267	10,416
Due after ten years	23,992	24,474
Total	$ 46,710	$ 47,422

	December 31, 2018	
	Amortized Cost	Market Value
	(in thousands)	
Due in one year or less	$ 26	$ 26
Due after one year through five years	9,039	8,834
Due after five years through ten years	11,487	11,218
Due after ten years	25,871	25,246
Total	$ 46,423	$ 45,324

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

	September 30, 2019			
	Less than Twelve Months		Twelve Months and Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(unaudited) (in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ (39)	$ 4,083	$ (26)	$ 5,075
State and municipalities	(1)	169	(53)	2,770
Total	$ (40)	$ 4,252	$ (79)	$ 7,845

	December 31, 2018			
	Less than Twelve Months		Twelve Months and Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ (54)	$ 4,616	$ (689)	$ 24,871
State and municipalities	(78)	5,429	(329)	6,259
Total	$ (132)	$ 10,045	$ (1,018)	$ 31,130

Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, and the Bank 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.

3. Loans and Allowance for Loan Losses

Loans are summarized as follows:

	September 30, 2019	December 31, 2018
	(unaudited)	
	(in thousands)	
Consumer [1]	$ 928,837	$ 768,209
Medallion [2]	113,249	153,742
Other commercial [2]	1,846	1,886
Deferred loan acquisition costs, net	17,781	14,385
Total loans	$ 1,061,713	$ 938,222

(1) Collectively evaluated for impairment

(2) Individually evaluated for impairment

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

	Medallion [1]	Other commercial [1]	Consumer [2]	Total
		(in thousands)		
Balance as of 12/31/18	$ 36,116	$ 28	$ 23,993	$ 60,137
Provision for loan losses (unaudited)	12,753	—	19,948	32,701
Loan charge-offs (unaudited)	(22,417)	—	(20,754)	(43,171)
Recoveries (unaudited)	2,032	—	6,874	8,906
Balance as of 9/30/19 (unaudited)	$ 28,484	$ 28	$ 30,061	$ 58,573

(1) Individually evaluated for impairment.

(2) Collectively evaluated for impairment.

There were no loans acquired with deteriorated credit quality.

See Note 1 in the financial statements for the year ended December 31, 2018, which describes the nature of the portfolios, their collection and income recognition processes, and the methodology used to assess the adequacy of the allowance. In 2019, the Bank changed its accounting methodology for Chapter 13 bankruptcies, and now accounts for such bankruptcies as troubled debt restructured loans, which are nonperforming loans.

Other commercial or construction loans are infrequent, and made on a case by case basis, after performing thorough borrower review, credit, and collateral checks. The risk associated with these types of loans is specific to that particular credit, and such risks are monitored and tracked closely.

The consumer loan portfolio is primarily customer driven, whereby borrowers are assessed a score based on income level, home ownership, FICO score, and other factors weighted in a credit scoring model that determines whether a borrower is qualified. Loan losses in this portfolio fluctuate with economic conditions, and can range widely over time. The consumer loan portfolio is analyzed and evaluated in the aggregate, as a pool of loans.

Allocations for the allowance for credit losses may be made for specific loans, but the allowance is general in nature and is available to absorb losses from any loan type.

The following tables provide a summary of the loan portfolio by its performance status and by type:

	Performing		Nonperforming		Total	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
	(unaudited)		(unaudited)		(unaudited)	
			(in thousands)			
Medallion	$ 101,162	$ 126,677	$ 12,087	$ 27,065	$ 113,249	$ 153,742
Other commercial	1,846	1,886	—	—	1,846	1,886
Consumer	921,708	762,447	7,129	5,762	928,837	768,209
Total	$ 1,024,716	$ 891,010	$ 19,216	$ 32,827	$ 1,043,932	$ 923,837

The following tables provide additional information on attributes of the nonperforming loan portfolio:

	September 30, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(unaudited) (in thousands)		
With no related allowance recorded					
Medallion	$ —	$ —	$ —	$ —	$ —
Other commercial	—	—	—	—	—
Consumer	—	—	—	—	—
With an allowance recorded					
Medallion	12,087	12,087	5,845	7,973	144
Other commercial	—	—	—	—	—
Consumer	7,129	7,129	266	6,101	368
Total					
Medallion	12,087	12,087	5,845	7,973	144
Other commercial	—	—	—	—	—
Consumer	$ 7,129	$ 7,129	$ 266	$ 6,101	$ 368

	December 31, 2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(in thousands)		
With no related allowance recorded					
Medallion	$ —	$ —	$ —	$ —	$ —
Other commercial	—	—	—	—	—
Consumer	—	—	—	—	—
With an allowance recorded					
Medallion	27,065	27,065	14,770	23,536	333
Other commercial	—	—	—	—	—
Consumer	5,762	5,762	201	4,883	413
Total					
Medallion	27,065	27,065	14,770	23,536	333
Other commercial	—	—	—	—	—
Consumer	$ 5,762	$ 5,762	$ 201	$ 4,883	$ 413

The tables below show the aging of all loan types:

	September 30, 2019						
	Days Past Due						
	31-60	61-90	91+	Total Past Due	Current	Total	Recorded Investment >90 Days and Accruing
				(unaudited) (in thousands)			
Medallion	$ 27,944	$ 921	$ 2,342	$ 31,207	$ 82,042	$ 113,249	$ —
Other commercial	—	—	—	—	1,846	1,846	—
Consumer	21,792	7,232	4,776	33,800	895,037	928,837	—
Total	$ 49,736	$ 8,153	$ 7,118	$ 65,007	$ 978,925	$1,043,932	$ —

	December 31, 2018						
	Days Past Due						
	31-60	61-90	91+	Total Past Due	Current	Total	Recorded Investment >90 Days and Accruing
				(in thousands)			
Medallion	$ 5,448	$ 1,966	$ 13,039	$ 20,453	$ 133,289	$ 153,742	$ —
Other commercial	—	—	—	—	1,886	1,886	—
Consumer	19,784	6,120	4,287	30,191	738,018	768,209	
Total	$ 25,232	$ 8,086	$ 17,326	$ 50,644	$ 873,193	$ 923,837	$ —

4. Deposits and Other Borrowings

The scheduled maturities of all borrowed funds, which were primarily composed of brokered certificates of time deposit, were as follows:

	September 30, 2019
	(unaudited)
	(in thousands)
Remainder of 2019	$ 84,392
2020	276,993
2021	206,215
2022	206,605
2023	101,740
2024	87,042
Total Time Deposits	$ 962,987
Federal Funds Purchased	4,000
Total Funds Borrowed	$ 966,987

	December 31, 2018
	(in thousands)
2019	$ 325,890
2020	191,054
2021	158,846
2022	136,508
2023	35,742
Total	$ 848,040

All time deposits are in denominations of less than $250,000 and have been originated through Certificate of Deposit Broker relationships. The weighted average interest rate of deposits outstanding as of September 30, 2019 and December 31, 2018 was 2.37% and 2.14%.

Deposits are raised through the use of investment brokerage firms who package deposits qualifying for FDIC insurance into pools that are sold to the Bank. The rates paid on 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%, and which is capitalized and amortized to interest expense over the life of the respective pool. The total amount capitalized as of September 30, 2019 and December 31, 2018 was $2,756,000 and $2,184,000, of which $341,000 and $344,000 was amortized to interest expense for the three months ended September 30, 2019 and 2018, and $977,000 and $970,000 for the nine months ended September 30, 2019 and 2018. Interest on the deposits is accrued daily and paid monthly, quarterly, semiannually, or at maturity.

As of September 30, 2019 and December 31, 2018, the Bank had unsecured and undrawn Federal Funds lines with correspondent banks of $41,000,000 and $45,000,000. The Federal Funds Purchased of $4,000,000 was paid off as of October 1, 2019.

5. Income Taxes

The Bank's provision for income taxes for the three months ended September 30, 2019 and 2018 was approximately $2.6 million and $4.2 million, respectively, which resulted in an effective tax rate of 22.0% and 28.0%, respectively. The change in the effective tax rate for the third quarter of 2019 compared to the third quarter of 2018 is primarily due to larger tax accruals in the prior year recorded in connection with settlement talks held with state taxing authorities related to ongoing state tax audits, all of which were settled during 2019.

The Bank's provision for income taxes for the nine months ended September 30, 2019 and 2018 was a tax expense of approximately $3.3 million and $1.3 million, respectively, which resulted in an effective tax rate of 19.5% and 28.2%, respectively. The change in the effective income tax rate for the nine months ended September 30, 2019 compared to the corresponding period of 2018 was primarily due to a higher state income tax rate in the current year period being applied to deferred tax charges and resulting in a larger deferred tax asset.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible pursuant to ASC Topic 740, "Income Taxes." Management considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management's evaluation of the realizability of deferred tax assets must consider both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Based on these considerations, no valuation allowance was deemed necessary as of September 30, 2019 and December 31, 2018.

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

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. Although the Bank believes its tax estimates are reasonable, the Bank can make no assurance that the final tax outcome of these matters will not be different from that which it has reflected in its historical income tax provisions and accruals. Such differences could have a material impact on the Bank's income tax provision and operating results in the period in which the Bank makes such determination.

6. Other Transactions with Affiliates

The Bank's taxi medallion and commercial loans aggregated $115,094,000 and $155,628,000 as of September 30, 2019 and December 31, 2018. These loans are sourced and serviced by its affiliates. The Bank paid $1,211,000 and $1,321,000 of loan servicing fees to Medallion affiliates for the three months ended September 30, 2019 and 2018, and $3,643,000 and $3,917,000 for the nine months ended September 30, 2019 and 2018. Amortization costs were $1,000 and $1,000 for the three months ended September 30, 2019 and 2018, and $5,000 and $24,000 for the nine months ended September 30, 2019 and 2018.

As of September 30, 2019, and December 31, 2018, the Bank owed $612,000 and $849,000 to affiliates for monthly servicing fees on loans, charges for corporate overhead, and legal and business development expenses due to the affiliates, partially offset by payments due the Bank from collection of loan payments by affiliates. The Bank reimbursed Medallion for expenses incurred on its behalf of $288,000 and $179,000 for the three months ended September 30, 2019 and 2018, and $741,000 and $633,000 for the nine months ended September 30, 2019 and 2018.

7. 401(k) Plan

The Bank participates in the 401(k) plan offered by Medallion. The 401(k) Plan covers all full and part-time employees of the Bank who have attained the age of 21 and have a minimum of one year of service. Under the 401(k) Plan, an employee may elect to defer not less than 1% and no more than 15% of the total annual compensation that would otherwise be paid to the employee, *provided, however*, that employees' contributions may not exceed certain maximum amounts determined under the Internal Revenue Code. Employee contributions are invested in various mutual funds according to the directions of the employee. At the discretion of Medallion's Board of Directors, the Bank can provide for employer matching contributions. Medallion has elected to match employee contributions up to one-third of the employee's contribution, but not greater than 2% of the portion of the employee's annual salary eligible for 401(k) benefits. The Bank provided $22,000 and $20,000 in employer matching for the three months ended September 30, 2019 and 2018, and $64,000 and $58,000 in employer matching for the nine months ended September 30, 2019 and 2018, which is included in salaries and benefits expense in the accompanying statement of income and comprehensive income.

8. Segment Reporting

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

The Recreation Lending segment is a consumer finance business that works with third-party dealers and financial service providers for the purpose of financing RV's, boats, and other consumer recreational equipment. The Home Improvement Lending segment works with contractors and financial service providers to finance residential home improvements concentrated in pools, solar panels, and roofing. The Medallion Lending segment arose in connection with the financing of taxicab medallions. The Other segment includes loans that are not Recreation, Home Improvement or Medallion loans, as well as cash, investments and net non-interest earning assets.

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

The following table presents segment results for the three months ended September 30, 2019 and 2018:

	Recreation	Home Improvement	Medallion	Other	Total
			(unaudited) (dollars in thousands)		
Total interest income					
Three months ended September 30, 2019	$ 26,206	$ 5,291	$ 1,175	$ 441	$ 33,113
Three months ended September 30, 2018	24,123	4,992	1,549	484	31,148
Total interest expense					
Three months ended September 30, 2019	3,740	1,230	598	435	6,003
Three months ended September 30, 2018	2,825	956	840	443	5,064
Net interest income (loss)					
Three months ended September 30, 2019	22,466	4,061	577	6	27,110
Three months ended September 30, 2018	21,298	4,036	709	41	26,084
Provision for loan losses					
Three months ended September 30, 2019	6,607	(653)	1,362	0	7,316
Three months ended September 30, 2018	3,297	(279)	3,600	(1)	6,617
Other income (expense)					
Three months ended September 30, 2019	(4,548)	(1,460)	(1,852)	(27)	(7,887)
Three months ended September 30, 2018	(2,349)	(155)	(2,005)	(71)	(4,580)
Net income before taxes					
Three months ended September 30, 2019	11,311	3,254	(2,637)	(21)	11,907
Three months ended September 30, 2018	15,652	4,160	(4,897)	(28)	14,887
Income tax benefit (provision)					
Three months ended September 30, 2019	(2,450)	(521)	347	3	(2,621)
Three months ended September 30, 2018	(4,474)	(1,168)	1,477	3	(4,162)
Net income (loss) after tax					
Three months ended September 30, 2019	8,861	2,733	(2,290)	(18)	9,286
Three months ended September 30, 2018	11,178	2,992	(3,420)	(25)	10,725
Total loans					
As of September 30, 2019	693,488	235,349	113,249	1,846	1,043,932
As of December 31, 2018	580,790	187,419	153,742	1,886	923,837

The following table presents segment results for the nine months ended September 30, 2019 and 2018:

	Recreation	Home Improvement	Medallion	Other	Total
	(unaudited) (dollars in thousands)				
Total interest income					
Nine months ended September 30, 2019	$ 73,192	$ 14,514	$ 3,726	$ 1,445	$ 92,877
Nine months ended September 30, 2018	66,697	13,715	4,897	1,358	86,667
Total interest expense					
Nine months ended September 30, 2019	10,041	3,285	1,922	1,161	16,409
Nine months ended September 30, 2018	7,250	2,396	2,229	1,004	12,879
Net interest income (loss)					
Nine months ended September 30, 2019	63,151	11,229	1,804	284	76,468
Nine months ended September 30, 2018	59,447	11,319	2,666	356	73,788
Provision for loan losses					
Nine months ended September 30, 2019	19,311	640	12,752	(2)	32,701
Nine months ended September 30, 2018	12,964	1,366	25,096	23	39,449
Other income (expense)					
Nine months ended September 30, 2019	(13,974)	(4,454)	(8,183)	(70)	(26,681)
Nine months ended September 30, 2018	(10,191)	(2,829)	(16,567)	(234)	(29,821)
Net income before taxes					
Nine months ended September 30, 2019	29,866	6,135	(19,131)	216	17,086
Nine months ended September 30, 2018	36,292	7,124	(38,997)	99	4,518
Income tax benefit (provision)					
Nine months ended September 30, 2019	(7,800)	(1,342)	5,881	(77)	(3,338)
Nine months ended September 30, 2018	(10,302)	(2,017)	11,082	(37)	(1,274)
Net income (loss) after tax					
Nine months ended September 30, 2019	22,066	4,793	(13,250)	139	13,748
Nine months ended September 30, 2018	25,990	5,107	(27,915)	62	3,244

9. Commitments and Contingencies

Loans – As of September 30, 2019 and December 31, 2018, the Bank no had commitments to extend credit to customers for unfunded amounts.

Leases – The Bank adopted ASC 842 using the modified retrospective approach, electing the practical expedient that allows the Bank not to restate comparative periods prior to the adoption of the standard on January 1, 2019. As such, the disclosures required under ASC 842 are not presented for periods before the date of adoption. For the comparative periods prior to adoption, the disclosures which were required under ASC 840 are presented.

Adoption of the new standard resulted in recording of additional net operating lease right-of-use assets and lease liabilities of approximately $938 thousand as of January 1, 2019. The standard did not materially impact net earnings and cash flows.

The Bank leases office space under two non-cancelable operating leases that expire in October 2027 and November 2022. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Bank recognizes lease expense for these leases on a straight-line basis over the lease term. For leases beginning in 2019 and later, the Bank accounts for lease components including rent, real estate taxes and insurance costs separately from non-lease components like common-area maintenance fees. Leases include options to renew, with renewal terms that can extend the lease term for one or more years. The exercise of lease renewal options is at the Bank’s sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Operating lease right-of-use assets and lease liabilities are as follows (dollar amounts in thousands):

	September 30, 2019	January 1, 2019
	(unaudited) (in thousands)	
Assets		
Operating lease right-of-use assets	$ 2,164	$ 938
Liabilities		
Operating lease liabilities	$ 2,164	$ 938

Lease expenses is recognized on a straight-line basis over the term of the lease. Operating lease cost related to the leases was $102,000 and $98,000 for the three months ended September 30, 2019 and 2018, and $296,000 and $268,000 for the nine months ended September 30, 2019 and 2018.

Supplemental cash flow information related to operating leases for the nine-months ended September 30, 2019 was as follows:

- Payments of $296 thousand against amounts included in the measurement of lease liabilities.
- Lease assets obtained in exchange for lease liabilities totaled $1.2 million.

The weighted-average remaining lease term for operating leases was 7.5 years. The weighted-average discount rate for operating leases was 1.9 percent as of September 30, 2019.

There were no material operating leases that the Bank entered into and that were yet to commence as of September 30, 2019.

	September 30, 2019
	(unaudited) (in thousands)
Remainder of 2019	$ 133
2020	598
2021	615
2022	616
2023	549
Thereafter	2,210
Total lease payments	4,721
Less imputed interest	(2,557)
Present value of lease liabilities	$ 2,164

10. Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation (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.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as defined in the regulations (set forth in the table below). Additionally, as conditions of granting the Bank's application for federal deposit insurance, the FDIC ordered that the Tier 1 leverage capital to total assets ratio, as defined, be not less than 15%, and that an adequate allowance for loan losses be maintained. As of September 30, 2019 and December 31, 2018, the Bank's Tier 1 leverage capital ratio was 15.9% and 15.8%. The Bank's actual capital amounts and ratios and the regulatory minimum ratios are presented in the following table (dollars in thousands):

	September 30, 2019		December 31, 2018		Minimum Regulatory Requirements as of December 31, 2018	Minimum Regulatory Requirements as of September 30, 2019	Well-Capitalized Requirements
(unaudited)	Amount	Ratio	Amount	Ratio			
					(dollars in thousands)		
Tier 1 leverage capital	$ 179,883	15.9%	$ 167,911	15.8%	4.0%	4.0%	5.0%
CET1 risk-based capital	153,580	13.7	141,608	14.3	6.4	7.0	6.5
Tier 1 risk-based capital	179,883	16.1	167,911	16.9	7.9	8.5	8.0
Total risk-based capital	194,436	17.4	180,917	18.2	9.9	10.5	10.0

In the table above, the minimum risk-based ratios as of December 31, 2018 reflect the 75% phase-in of the capital conservation buffer of 2.5%, and the minimum risk-based ratios as of September 30, 2019 reflect the capital conservation buffer of 2.5%. The "well-capitalized" requirements were the binding requirements for risk-based capital ratios as of December 2018 because of the transitional provisions then applicable to the capital conservation buffer and were the binding requirements for Tier 1 leverage capital as of both September 2019 and December 2018.

11. Fair Value of Financial Instruments

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

(a) Loans – Current fair value most closely approximates book value.

(b) Investments – The Bank's investments are recorded at the estimated fair value of such investments.

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

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

(e) 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. As of September 30, 2019 and December 31, 2018, the estimated fair value of these off-balance-sheet instruments was not material.

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

The Bank's financial instruments consisted of the following:

	September 30, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(unaudited)			
	(in thousands)			
Financial Assets				
Loans	$1,003,140	$1,003,140	$ 878,085	$ 878,085
Investment securities	47,422	47,422	45,324	45,324
Cash	33,405	33,405	33,995	33,995
Accrued interest receivable	7,892	7,892	7,251	7,251
Financial Liabilities				
Funds borrowed	966,987	966,987	848,040	848,040
Accrued interest payable	2,391	2,391	1,730	1,730

12. Fair Value of Assets and Liabilities

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

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

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

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

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

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

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

B) Quoted 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).

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

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

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

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(unaudited) (in thousands)			
Assets				
Available-for-sale investment securities [1]	$ —	$ 47,422	$ —	$ 47,422

(1) Total unrealized gain of $1,322 net of tax was included in accumulated other comprehensive income (loss) for the nine months ended September 30, 2019 related to these assets.

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Available-for-sale investment securities [1]	$ —	$ 45,324	$ —	$ 45,324

(1) Total unrealized loss of ($533) net of tax was included in accumulated other comprehensive income (loss) for 2018 related to these assets.

The following tables present the Bank's fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(unaudited) (in thousands)			
Assets [1]				
Impaired loans	$ —	$ —	$ 13,116	$ 13,116
Loan collateral in process of foreclosure	—	—	31,991	31,991
Total	$ —	$ —	$ 45,107	$ 45,107

(1) Total unrealized losses of $13,116 for impaired loans and $0 for repossessed loan collateral related to these assets were included in income for the nine months ended September 30, 2019.

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets (1)				
Impaired loans	$ —	$ —	$ 17,575	$ 17,575
Loan collateral in process of foreclosure	—	—	28,723	28,723
Total	$ —	$ —	$ 46,298	$ 46,298

(1) Total unrealized losses of $14,970 for impaired loans and $0 for repossessed loan collateral were included in income for 2018 related to these assets.

13. Small Business Lending Fund Program (SBLF) and Troubled Assets Relief Program (TARP)

On February 27, 2009 and December 22, 2009, Medallion Bank issued, and the U.S. Treasury purchased under the TARP Capital Purchase Program (the CPP) Medallion Bank's fixed rate non-cumulative Perpetual Preferred Stock, Series A, B, C, and D for an aggregate purchase price of $21,498,000 in cash. On July 21, 2011, Medallion Bank issued, and the U.S. Treasury purchased 26,303 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series E (Series E) for an aggregate purchase price of $26,303,000 under the SBLF. The SBLF is a voluntary program intended to encourage small business lending by providing capital to qualified smaller banks at favorable rates. In connection with the issuance of the Series E, the Bank exited the CPP by redeeming the Series A, B, C, and D; and received approximately $4,000,000, net of dividends due on the repaid securities. The Bank previously paid a dividend rate of 1% on the Series E, which increased to 9% in first quarter of 2016.

14. Subsequent Events

We have evaluated subsequent events that have occurred through the date of financial statement issuance.

1,600,000 Shares

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

OFFERING CIRCULAR

Sandler O'Neill + Partners, L.P.

B. Riley FBR

Ladenburg Thalmann

BB&T Capital Markets

Wedbush Securities

December 10, 2019

EXHIBIT 99.2 TO FORM 10

Underwriting Agreement, dated December 10, 2019

EXECUTION VERSION

Medallion Bank

1,600,000 Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F

Underwriting Agreement

December 10, 2019

Sandler O'Neill & Partners, L.P.
as Representative of the several
Underwriters named in Schedule I hereto
c/o Sandler O'Neill & Partners, L.P.
1251 Avenue of the Americas, 6th Floor
New York, New York 10020

Ladies and Gentlemen:

Medallion Bank, a Utah industrial bank (the "Bank"), a wholly-owned subsidiary of Medallion Financial Corp. ("MFIN"), proposes to issue and sell, subject to the terms and conditions stated herein, to the Underwriters named in Schedule I hereto (the "Underwriters"), for whom Sandler O'Neill & Partners, L.P. is acting as representative (the "Representative"), an aggregate of 1,600,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share (the "Preferred Stock") of the Bank. The aggregate of 1,600,000 shares of Preferred Stock to be purchased from the Bank are herein called the "Firm Shares." In addition, the Bank proposes to sell to the Underwriters, at the election of the Underwriters and subject to the terms and conditions stated herein, up to 240,000 additional shares of Preferred Stock (the "Optional Shares"). The Firm Shares and the Optional Shares are herein collectively called the "Shares." The Preferred Stock shall have the rights, powers, preferences and designations set forth in the articles of amendment to be dated on or about December 11, 2019 relating thereto (the "Articles of Amendment").

The Shares will be sold to the Underwriters without being registered under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemption therefrom provided under Section 3(a)(2) of the Act. The Bank has prepared a preliminary offering circular dated December 9, 2019 (the "Preliminary Offering Circular") and will prepare an offering circular dated the date hereof (the "Offering Circular") setting forth information concerning the Bank and the Shares. Any references herein to the Preliminary Offering Circular or the Offering Circular shall be deemed to include any information specifically incorporated by reference therein and all amendments and supplements thereto, unless otherwise noted.

Copies of the Preliminary Offering Circular have been, and copies of the Offering Circular will be, delivered by the Bank to the Underwriters pursuant to the terms of this Agreement. The Bank hereby confirms that it has authorized the use of the Preliminary Offering Circular and the Offering Circular in connection with the offering of the Shares by the Underwriters in the manner contemplated by this Agreement.

1. (a) The Bank represents and warrants to, and agrees with each of the Underwriters as of the date hereof and as of each Time of Delivery (as hereinafter defined below), that:

(i) The Preliminary Offering Circular, as of its date, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that the Bank makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with Underwriter's Information (as defined in Section 8(a)).

(ii) As of the date of the Offering Circular and any amendment or supplement thereto and as of each Time of Delivery, the Offering Circular did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however,* that the Bank makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information.

(iii) The Preliminary Offering Circular, the Offering Circular and the Form 10 of which the Preliminary Offering Circular forms a part comply in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") and the rules and regulations of the Federal Deposit Insurance Corporation ("FDIC") promulgated thereunder (including, to the extent incorporated therein, the rules and regulations of the Securities and Exchange Commission (the "Commission") promulgated under the 1934 Act (the "1934 Act Regulations")), and the FDIC Statement of Policy Regarding Use of Offering Circulars (61 Fed. Reg. 46807, September 5, 1996; the "FDIC Policy Statement"), and the Banking Code (as hereinafter defined) and applicable rules and regulations promulgated thereunder.

(iv) As of the Applicable Time, the General Disclosure Package (as defined below) did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information. As used in this paragraph and elsewhere in this Underwriting Agreement (the "Agreement"):

"Applicable Time" means 7:35 p.m. (Eastern time) on the date of this Agreement.

"General Disclosure Package" means (i) any Issuer Written Communication issued at or prior to the Applicable Time and (ii) the Preliminary Offering Circular.

"Issuer Written Communication" means any "written communication" (within the meaning of the regulations of the Commission), other than the Preliminary Offering Circular and the Offering Circular, prepared by or on behalf of the Bank, or used or referred to by the Bank, that constitutes an offer to sell or a solicitation of an offer to buy the Shares, including, without limitation, any such written communication that would, if the sale of the Shares were to be conducted as a public offering pursuant to a registration statement filed with the Commission and the Offering Circular were to be considered a prospectus satisfying the requirements of Section 10(a) of the Act, constitute an "issuer free writing prospectus," as defined in Rule 433 under the Act, whether or not required to be filed with the Commission.

"Testing-the-Waters Communication" means any oral or written communication with potential investors that would satisfy the requirements of Section 5(d) of the Act as if the Bank were subject to such requirements.

"Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act as if the Bank were subject to such provisions.

(v) Each Issuer Written Communication, when taken together with the General Disclosure Package, did not, and as of each Time of Delivery, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and did not, does not and will not include information that conflicted, conflicts or will conflict with the information contained in the Offering Circular and the General Disclosure Package; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information.

(vi) From the time of the initial confidential submission of the Offering Circular to the FDIC (or, if earlier, the first date on which the Bank engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication (as defined above)) through the date hereof, the Bank has met the criteria to be deemed an "emerging growth company", as defined in Section 3(a)(80) of the 1934 Act (an "Emerging Growth Company") (as if the Bank were subject to the provisions of the Act).

(vii) The Bank (i) has not alone engaged in any Testing-the-Waters Communications other than Testing-the-Waters Communications with the consent of the Representative and with entities that are either (1) qualified institutional buyers within the meaning of Rule 144A under the Act or (2) institutions that are accredited investors within the meaning of Rule 501 under the Act and (ii) has not authorized anyone other than the Representative to engage in Testing-the-Waters Communications. The Bank reconfirms that the Representative has been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Bank has not distributed or approved for distribution any Written Testing-the-Waters Communications other than those listed on Schedule III hereto.

(viii) Pursuant to the provisions of the Utah Code Title 7 Financial Institutions Act, as amended, and the rules and regulations of the Utah Department of Financial Institutions (the "Department") thereunder (collectively, the "Banking Code"), the Bank has obtained or will obtain from the Department any necessary approvals and authorizations to allow the Shares to be offered or sold under the provisions of the Banking Code.

(ix) It is not necessary, in connection with the sale of the Shares to the Underwriters and the offer, resale and delivery of the Shares by the Underwriters in the manner contemplated by this Agreement, the General Disclosure Package and the Offering Circular, to register the Shares under the Act by virtue of Section 3(a)(2) thereunder.

(x) Since the date of the most recently dated audited balance sheet contained in the financial statements included in each of the General Disclosure Package and the Offering Circular, the Bank has not sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in each of the General Disclosure Package and the Offering Circular; and, since the respective dates as of which information is given in the General Disclosure Package and the Offering Circular, except as set forth or contemplated in each of the General Disclosure Package and the Offering Circular, (A) there has not been any material change in the capital stock or long-term debt of the Bank or any material adverse change in or affecting the general affairs, management, earnings, business, properties, assets, financial position, stockholders' equity or results of operations of the Bank (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Bank, other than those in the ordinary course of business, which are material with respect to the Bank, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Bank on any class of its capital stock.

(xi) The Bank has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by it, in each case free and clear of all mortgages, pledges, security interests, claims, restrictions, liens, encumbrances and defects except such as are described in each of the General Disclosure Package and the Offering Circular or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Bank; and any real property and buildings held under lease by the Bank is held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Bank (subject to the effects of (A) bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights or remedies of creditors generally and (B) the application of general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether enforcement is considered in proceedings at law or in equity); and the Bank has not had any written or oral notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Bank under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Bank to the continued possession of the leased or subleased premises under any such lease or sublease.

(xii) The Bank is not required to register as a bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"), and Regulation Y of the Board of Governors of the Federal Reserve System ("FRB") and has been duly incorporated and is validly chartered as an industrial bank under the laws of the State of Utah, with power and authority to own, lease and operate its properties and to conduct its business as described in each of the General Disclosure Package and the Offering Circular and to enter into and perform its obligations under this Agreement. The Bank is an insured depository institution under the provisions of the Federal Deposit Insurance Act of 1950, as amended, and the deposit accounts of the Bank are insured up to applicable legal limits by the FDIC and no proceedings for the termination or revocation of such insurance are pending or, to the knowledge of the Bank, threatened. The Bank has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to so qualify or to be in good standing would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect.

(xiii) The Bank is "well capitalized" (as that term is defined at 12 C.F.R. 324.403) and has received an overall Community Reinvestment Act ("CRA") rating of at least "satisfactory." The Bank has not been informed that either its status as "well-capitalized" (for purposes of 12 C.F.R. Part 324, subpart H) or its rating of at least "satisfactory" for purposes of the CRA will change within one year from the date hereof, and the Bank reasonably believes that there will be no such changes within one year from the date hereof.

(xiv) The Bank has an authorized capitalization as set forth in the General Disclosure Package and the Offering Circular under the caption "Capitalization," and all of the issued shares of capital stock of the Bank have been duly and validly authorized and issued, are fully paid and nonassessable and have been issued in compliance with federal and state securities laws, and conform in all material respects to the description of the capital stock contained in each of the General Disclosure Package and the Offering Circular; except as contemplated by this Agreement, there are no outstanding rights (including, without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Bank, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Bank, any such convertible or exchangeable securities or any such rights, warrants or options; the description of the Bank's or, as applicable, MFIN's, stock option, restricted share awards and other stock plans or compensation arrangements and the options, restricted share awards or other rights granted thereunder, set forth in the General Disclosure Package and the Offering Circular, accurately and fairly presents, in all material respects, the information required to be shown with respect to such plans, arrangements, options, awards and rights.

(xv) This Agreement has been duly authorized, executed and delivered by the Bank and, when duly executed by the Representative, will constitute the valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles and except as any indemnification or contribution provisions thereof may be limited under applicable securities laws.

(xvi) The Preferred Stock has been duly authorized by the Company and, when issued and delivered against payment therefore as provided herein, will be duly and validly issued and fully paid and non-assessable; and the Shares and the Articles of Amendment will conform in all material respects to the description thereof contained in each of the General Disclosure Package and the Offering Circular.

(xvii) Except as described in each of the General Disclosure Package and the Offering Circular, (A) there are no outstanding rights (contractual or otherwise), warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of, any shares of capital stock of or other equity interest in the Bank and (B) there are no contracts, agreements or understandings between the Bank and any person granting such person the right to require the Bank to file an offering circular with the FDIC or otherwise register any securities of the Bank owned or to be owned by such person.

(xviii) The issue and sale of the Shares by the Bank and the compliance by the Bank with all of the provisions of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action of the Bank and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any contract, indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument (collectively, the "Agreements and Instruments") to which the Bank is a party or by which the Bank is bound or to which any of the property or assets of the Bank is subject (collectively, the "Bank Agreements and Instruments"), except for those conflicts, breaches, violations or defaults that would not reasonably be expected to result in a Material Adverse Effect, nor will any such action (A) result in any violation of the provisions of the articles of incorporation or bylaws of the Bank, (B) result in any violation of any law, statute or any order, rule or regulation of any federal, state, local or foreign court, arbitrator, regulatory authority or governmental agency or body (each, a "Governmental Entity") having jurisdiction over the Bank or any of its properties or (C) constitute a Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or other encumbrance upon any assets or operations of the Bank pursuant to, any of the Bank Agreements and Instruments, except for such Repayment Events, liens, charges or other encumbrances that would not reasonably be expected to result in a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such Governmental Entity is required for the issue and sale of the Shares, the performance by the Bank of its obligations hereunder or the consummation by the Bank of the transactions contemplated by this Agreement, except the registration of the Preferred Stock pursuant to the 1934 Act with the FDIC, the approval of the Department, if required, of the Shares and except as may be required under the rules and regulations of the Nasdaq Capital Market ("Nasdaq") or the Financial Industry Regulatory Authority Inc. ("FINRA"), and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters. As used herein, a "Repayment Event" means any event or condition that gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Bank prior to its scheduled maturity.

(xix) The Bank is not (A) in violation of its articles of incorporation or bylaws or (B) in breach, violation or default in the performance or observance of any obligation, agreement, covenant or condition contained in any of the Bank Agreements and Instruments, except with respect to subsection (B) for such breach, violation or default that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(xx) The statements set forth in each of the General Disclosure Package and the Offering Circular under the captions "Description of Capital Stock," insofar as they purport to constitute a summary of the terms of the Stock of the Bank, and "Description of Series F Preferred Stock," insofar as they purport to constitute a summary of the terms of the Shares, and under the captions "Supervision and Regulation", "Material U.S. Federal Income Tax Considerations", and "Underwriting", insofar as they purport to describe the provisions of the laws and regulations specifically referred to therein, are accurate and fair in all material respects.

(xxi) The financial statements, together with the supporting schedules, if any, and notes, included in each of the General Disclosure Package and the Offering Circular, together with the supporting schedules, if any, and notes, comply in all material respects with the applicable requirements of the 1934 Act and the 1934 Act Regulations, the FDIC Policy Statement and the Banking Code, present fairly in all material respects the financial condition of the Bank at the dates indicated and the statements of income, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows of the Bank for the periods specified. Such financial statements and supporting schedules, if any, have been prepared in all material respects in conformity with generally accepted accounting principles in effect in the United States ("GAAP") applied on a consistent basis throughout the periods involved. No other financial statements or supporting schedules are required to be included in the General Disclosure Package and the Offering Circular under the 1934 Act and the 1934 Act Regulations and the FDIC Policy Statement. The selected financial data included in each of the General Disclosure Package and the Offering Circular under the caption "Selected Financial Information" presents fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the General Disclosure Package and the Offering Circular in all material respects. Pro forma financial statements are not required to be included in the General Disclosure

Package or the Offering Circular under the 1934 Act and the 1934 Act Regulations or GAAP; to the extent applicable, all disclosures contained in the General Disclosure Package and Offering Circular regarding "non-GAAP financial measures" as such term is defined by the rules and regulations of the Commission comply in all material respects with Regulation G promulgated under the 1934 Act and Item 10(e) of Regulation S-K.

(xxii) The Bank maintains a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; the Bank maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the 1934 Act as if such provisions applied to the Bank) that complies in all material respects with the requirements of the 1934 Act applicable to them; the Bank's internal control over financial reporting is effective in all material respects; and as of the date of the most recent balance sheet of the Bank reviewed or audited by Mazars USA LLP and the audit committee of the board of directors of the Bank, (X) there were no material weakness in the Bank's internal control over financial reporting and (Y) there were no changes in the Bank's internal control over financial reporting that has materially affected adversely, or is reasonably likely to materially affect adversely, the Bank's internal control over financial reporting.

(xxiii) The Bank has established and maintains "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the 1934 Act) that comply in all material respects with the requirements of the 1934 Act that are applicable to an issuer that has a class of securities registered under Section 12 of the 1934 Act.

(xxiv) Except as disclosed in the General Disclosure Package, or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (A) the Bank is not a party to or otherwise subject to any order, decree, agreement, memorandum of understanding, corrective or cease and desist order, order of prohibition or suspension, written agreement, or other written statement as described under 12 U.S.C. 1818(u) or other regulatory enforcement action, proceeding or order with or by, or is a party to or recipient of a commitment letter, supervisory letter or similar undertaking to or from, or is subject to any directive by, any federal, state, local or foreign Regulatory Agencies (whether or not such Regulatory Agency has determined that publication would be contrary to the public interest) or has adopted any board resolutions at the request of any of the Regulatory Authorities; and (B) the Bank has not been advised by any such entity that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, decree, agreement, memorandum of understanding, corrective or cease and desist order, order of prohibition or suspension, commitment letter, supervisory letter, or similar undertaking or other written agreement or statement. As used herein, the term "Regulatory Agency" means any Governmental Entity having supervisory or regulatory authority with respect to the Bank, including, but not limited to, any federal or state agency charged with the supervision or regulation of depositary institutions, or engaged in the insurance of depositary institution deposits.

(xxv) Except as set forth in each of the General Disclosure Package and the Offering Circular, there are no legal or governmental actions, suits or proceedings, or to the Bank's knowledge, investigations, before or by any Governmental Entity, now pending or, to the Bank's knowledge, threatened or contemplated by Governmental Entities or threatened by others, to which the Bank is a party or of which any property or asset of the Bank is the subject (A) that are required to be disclosed pursuant to the requirements of the 1934 Act or by the FDIC Policy Statement or by the 1934 Act Regulations and not disclosed therein or (B) which, if determined adversely to the Bank, would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; all pending legal or governmental proceedings to which the Bank is a party or of which any of its property is the subject which are not described in including ordinary routine litigation incidental to its businesses, are not reasonably expected to result, individually or in the aggregate, in a Material Adverse Effect; and there are no contracts or documents of the Bank that are required to be described in the Offering Circular or to be filed as exhibits thereto by the FDIC Policy Statement or 1934 Act or the 1934 Act Regulations which have not been so described or filed.

(xxvi) Except as set forth in the General Disclosure Package and the Offering Circular, the Bank is conducting its business in compliance with all orders and decrees of any Regulatory Agency (including, without limitation, all regulations and orders of, or agreements with, the Department and the FDIC), except for where the failure to so comply would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and the Bank has not received any written communication from any Regulatory Agency asserting that the Bank is not in compliance with any statute, law, rule, regulation, decision, directive, or order, except as would not, individually or in the aggregate, result in a Material Adverse Effect.

(xxvii) The Bank is in compliance in all material respects with applicable privacy of customer information requirements contained in any federal or state privacy act laws and regulations.

(xxviii) The Bank possesses such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by the Bank; the Bank is in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Bank has not received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Effect; the Bank has not failed to file with applicable regulatory authorities any statement, report, information or form required by any applicable law, regulation or order, except where the failure to so file in compliance would not, individually or in the aggregate, have a Material Adverse Effect; and all such filings were in compliance in all material respects with applicable laws when filed and no material deficiencies have been asserted in writing by any regulatory commission, agency or authority with respect to any such filings or submissions.

(xxix) Except as disclosed in the General Disclosure Package and the Offering Circular and except as would not, individually or in the aggregate, result in a Material Adverse Effect, (A) the Bank is not in violation of any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law or any applicable judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Bank has all permits, authorizations and approvals required under any applicable Environmental Laws and is in compliance with their requirements, (C) there are no pending or, to the actual knowledge of the Bank, threatened, administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Bank, and (D) to the knowledge of the Bank, there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against or affecting the Bank relating to Hazardous Materials or any Environmental Laws.

(xxx) The statistical and market-related data contained in each of the General Disclosure Package and the Offering Circular are based on or derived from sources that the Bank believes are reliable and accurate; no forward-looking statement (within the meaning of Section 27A of the Act and Section 21E of the 1934 Act) contained in the General Disclosure Package or the Offering Circular has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(xxxi) Neither the Bank nor any person acting on its behalf (other than the Underwriters), has taken, nor will the Bank or any person acting on its behalf (other than the Underwriters), take, directly or indirectly, any action that is designed to or that has constituted or that would be expected to cause or result in stabilization or manipulation of the price of any security of the Bank to facilitate the sale or resale of the Shares.

(xxxii) The Bank is not and, after giving effect to the offering and sale of the Shares, and after receipt of payment for the Shares and the application of such proceeds as described in each of the General Disclosure Package and the Offering Circular, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(xxxiii) Except as disclosed in the General Disclosure Package and the Offering Circular or as contemplated by this Agreement, there are no contracts, agreements or understandings between the Bank and any person that would give rise to a valid claim against the Bank or the Underwriters for a brokerage commission, finder's fee or other like payment in connection with the sale of the Shares.

(xxxiv) The Bank has not distributed and, prior to the later to occur of (i) the Time of Delivery and (ii) completion of the distribution of the Shares, will not distribute any offering circular (treating any such document as if it were a prospectus as defined in the Act and the 1933 Act Regulations) in connection with the offering and sale of the Shares other than by the General Disclosure Package, the Offering Circular or such other materials, if any, permitted by the Act or the FDIC Policy Statement or the 1933 Act Regulations (as if the Shares were being registered under the Act) and approved by the Representative.

(xxxv) Mazars USA LLP, which has audited the financial statements of the Bank included in the General Disclosure Package and the Offering Circular, is an independent registered public accounting firm as required by the Act and the 1933 Act Regulations, and, to the knowledge of the Bank, is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") with respect to the Bank.

(xxxvi) No labor problem or dispute with the employees of the Bank exists or, to the Bank's knowledge, is threatened or imminent that, in any case, would reasonably be expected to have a Material Adverse Effect.

(xxxvii) The Bank is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Bank believes are prudent and customary in the business in which the Bank is engaged; there are no claims by the Bank under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause where the denial of liability for such claim or an adverse determination in connection with such reservation of rights could reasonably be expected to result in a Material Adverse Effect; the Bank has not been refused any material insurance coverage sought or applied for; and the Bank has not had any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect.

(xxxviii) The Bank has filed all federal, state and foreign income and franchise tax returns that are required to be filed or has requested extensions thereof, except as set forth or contemplated in each of the General Disclosure Package and the Offering Circular or as would not reasonably be expected to have a Material Adverse Effect, and all such tax returns are true, complete and correct in all material respects, and the Bank has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as would not reasonably be expected to have a Material Adverse Effect; the Bank has made adequate charges, accruals and reserves in the applicable Financial Statements referred to in Section 1(a)(xxi) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Bank has not been finally determined.

(xxxix) Except as would not, individually or in the aggregate, result in a Material Adverse Effect, (i) any "employee benefit plan" (as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Bank or its "ERISA Affiliates" (defined to mean, with respect to the Bank, any member of any group of organizations described in Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code"), of which the Bank is a member) is in compliance with ERISA; (ii) no "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Bank, or any of its ERISA Affiliates; (iii) no "employee benefit plan" established or maintained by the Bank, or any of its ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA); (iv) neither the Bank nor any of its ERISA Affiliates has incurred or reasonably expects to incur any liability under (A) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (B) Sections 412, 4971, 4975 or 4980B of the Code; and (v) each "employee benefit plan" established or maintained by the Bank, or any of its ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(xl) The Bank owns or possesses adequate rights to use or can acquire on reasonable terms ownership or rights to use all patents, patent applications, patent rights, licenses, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and know-how (including trade secrets and other unpatented and/or unpatentable property or confidential information, systems or procedures and excluding generally commercially available "off the shelf" software programs licensed pursuant to shrink wrap or "click and accept" licenses) (collectively, "Intellectual Property") necessary for the conduct of its business, except where the failure to own or possess such rights would not, individually or in the aggregate, result in a Material Adverse Effect, and has not received any notice of any claim of infringement or conflict with, any such rights of others or any facts or circumstances that would render any Intellectual Property invalid or inadequate to protect the interest of the Bank, except where such infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect.

(xli) Neither the Bank nor, to the knowledge of the Bank, any director, officer, agent, employee or other person associated with or acting on behalf of the Bank has (A) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (B) made, offered, promised, authorized or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment of corporate funds or benefit to any foreign or domestic government official or employee, including of any government owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (C) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption law; (D) made, offered, promised, authorized, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit; or (E) made any payment of funds to the Bank or received or retained funds in violation of any applicable anti-bribery law, rule or regulation, which payment, receipt or retention of funds is of a character required to be disclosed in each of the General Disclosure Package and the Offering Circular, that is not described in each of the General Disclosure Package and the Offering Circular as required. The Bank has instituted, maintained and enforces policies and procedures designed to promote and ensure compliance with all applicable anti-bribery laws and regulations.

(xlii) The operations of the Bank are and have been conducted at all times in compliance in all material respects with applicable financial record-keeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions, the applicable rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency having jurisdiction over the Bank (collectively, the “Anti-Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Bank with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Bank, threatened.

(xliii) No relationship, direct or indirect, exists between or among the Bank, on the one hand, and the directors, officers, stockholders, customers, suppliers or other affiliates of the Bank on the other, that is required by the Act to be described in each of the General Disclosure Package and the Offering Circular and that is not so described in such documents.

(xliv) The Bank is in compliance in all material respects with the provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder applicable to it as of the date of this Agreement.

(xlv) All of the information, as may have been updated or amended, provided to the Representative or to counsel for the Underwriters by the Bank, to the Bank's knowledge, its officers and directors and the holders of any securities (debt or equity) or options to acquire any securities of the Bank, in connection with letters, filings or other supplemental information provided to FINRA pursuant to FINRA Rules 5110 and 5121, is true, complete and correct in all material respects.

(xlvi) The Shares have been approved for listing, subject to official notice of issuance and evidence of satisfactory distribution, on the Nasdaq, and the Bank has taken no action designed to, or reasonably likely to, have the effect of delisting the Shares from Nasdaq, nor has the Bank received any notification that the Commission, the FDIC or Nasdaq is contemplating terminating such registration or listing.

(xlvii) The Bank has no debt securities or preferred stock (other than the Shares offered in the transaction contemplated hereby) to which a rating is accorded by any "nationally recognized statistical rating organization", as defined in Section 3(a)(62) of the 1934 Act.

(xlviii) Neither the Bank nor, to the knowledge of the Bank, any director, officer, employee or affiliate of the Bank is (a) currently the subject of any U.S. sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of Treasury ("OFAC") or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person") or other relevant sanctions authority (collectively, "Sanctions") or (b) located, organized or resident in a country or territory that is the subject or target of Sanctions (each, a "Sanctioned Country"). The Bank will not, directly or, to the Bank's knowledge, indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to its joint venture partner or other person or entity, (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. For the past five years, the Bank has not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(xlix) To the actual knowledge of the Bank, after inquiry of its officers and directors, there are no affiliations with any FINRA member firm among the Bank's officers or directors, except as set forth in the General Disclosure Package and the Offering Circular, or as otherwise disclosed in writing to the Underwriters.

(l) Neither the FDIC nor the Department has issued any order or taken any similar action preventing or suspending the use of any part of the General Disclosure Package, Issuer Written Communications or the Offering Circular (any such order or action, a "stop order"); no stop order has been issued, no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Bank, threatened by the FDIC or the Department; neither the FDIC nor the Department has objected to the use of the General Disclosure Package, any Issuer Written Communication or the Offering Circular; and the Bank has complied to the FDIC's satisfaction with any request on the part of the FDIC for additional information.

(li) At or prior to the First Time of Delivery, the Bank will have filed a Form 10 for the Shares to be registered under Section 12(b) of the 1934 Act (the "1934 Act Registration Statement").

(b) Any certificate signed by an officer of the Bank and delivered to the Representative or to counsel for the Underwriters in connection with the offering of Shares shall be deemed to be a representation of the Bank, as to the matters set forth therein as of the date of such certificate.

2. Subject to the terms and conditions herein set forth, (a) the Bank agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees to purchase from the Bank, at a purchase price per share of $24.00, a number of Firm Shares equal to the number of Firm Shares set forth opposite such Underwriter's name on Schedule I hereto, and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Bank agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees to purchase from the Bank, at the purchase price per share set forth in clause (a) of this Section 2, a number of Optional Shares (to be adjusted by the Representative so as to eliminate fractional shares) determined by multiplying the number of Optional Shares as to which such election shall have been exercised by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Bank hereby grants to the Underwriters the right to purchase at its election up to 240,000 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering overallotments in the sale of the Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from the Representative to the Bank, given within a period of thirty (30) calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by the Representative but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless the Representative and the Bank otherwise agree in writing, earlier than two (2) or later than ten (10) business days after the date of such notice.

It is understood that each Underwriter has authorized the Representative, for such Underwriter's account, to accept delivery of, receipt for, and make payment of the purchase price for, the Firm Shares and the Optional Shares, if any, which such Underwriter has agreed to purchase. Sandler O'Neill & Partners, L.P., individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Firm Shares or the Optional Shares, if any, to be purchased by any Underwriter whose funds have not been received by Sandler O'Neill & Partners, L.P. by the relevant Time of Delivery but such payment shall not relieve such Underwriter from its obligations hereunder.

3. Upon the authorization by the Representative of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Offering Circular.

4. (a) The Shares to be purchased by each Underwriter hereunder and in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight (48) hours prior notice to the Bank, shall be delivered by or on behalf of the Bank to the Representative, through the facilities of The Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of federal (same day) funds to the account specified by the Bank. The Bank will cause certificates, if any, representing the Shares to be made available for checking and packaging at least forty-eight (48) hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., Eastern time, on December 17, 2019 or such other time and date as the Representative and the Bank may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the written notice given by the Representative of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representative and the Bank may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery."

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7 hereof, will be delivered at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held, which may be via facsimile and telephonic, at the Closing Location at 4:00 p.m., New York time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Bank further covenants and agrees with each of the Underwriters as follows:

(a) To prepare the Offering Circular in a form approved by the Representative and to file such Offering Circular, to the extent required, with the FDIC and/or the Department; to make no further amendment or any supplement to the Offering Circular which shall be disapproved by the Representative promptly after reasonable notice thereof; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment or supplement to the Offering Circular has been filed with the FDIC or the Department and to furnish the Representative with copies thereof; to advise the Representative, promptly after it receives notice thereof, of the issuance by the FDIC or the Department of any stop order with respect to the Offering Circular or any order preventing or suspending the use of any Preliminary Offering Circular, Issuer Written Communication or Offering Circular, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the FDIC and /or the Department for the amending or supplementing of any Preliminary Offering Circular, any Issuer Written Communication or Offering Circular or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Offering Circular, Issuer Written Communication or Offering Circular or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order.

(b) If at any time following issuance of an Issuer Written Communication there occurred or occurs an event or development as a result of which such Issuer Written Communication conflicted or would conflict with the information contained in the Offering Circular or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Bank has notified or will notify as promptly as reasonably practicable the Representative so that any use of such Issuer Written Communication may cease until it is amended or supplemented and the Bank has promptly amended or will promptly amend or supplement such Issuer Written Communications to eliminate or correct such conflict, untrue statement or omission; *provided*, *however*, that this covenant shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information.

(c) The Bank represents and agrees that, unless it obtains the prior written consent of the Representative, and each Underwriter represents and agrees that, unless it obtains the prior written consent of each of the Bank and the Representative, it has not made and will not make any offer relating to the Shares that would constitute an "issuer free writing prospectus," as defined in Rule 433 under the Act, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 under the Act, required to be filed with the Commission assuming the sale of the Shares were to be conducted as a public offering pursuant to a registration statement filed with the Commission and the Offering Circular were considered a prospectus satisfying the requirements of Section 10(a) of the Act. Any such Issuer Written Communication consented to by the Bank and the Representative is hereinafter referred to as a "Permitted Issuer Written Communication." The Bank represents that it has treated or agrees that it will treat each Permitted Issuer Written Communication as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Issuer Written Communication, including filing, if required by the FDIC, legending and record-keeping, as if the Shares were being sold pursuant to a prospectus subject to the Act. The Bank represents that it has satisfied, to the extent required, the conditions of Rule 433 of the Act to avoid a requirement to file with the FDIC the electronic road show.

(d) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as the Representative may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith, the Bank shall not be required to qualify as a foreign corporation, to file a general consent to service of process in any jurisdiction or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(e) Within two business days following the date of this Agreement, to furnish the Underwriters with copies of the Offering Circular in New York City in such quantities as the Representative may from time to time reasonably request. The Bank will furnish, without charge, during the period when an Offering Circular relating to the Shares is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Act (as if the Shares were being sold pursuant to a prospectus subject to the Act), such number of copies of the Offering Circular (as amended or supplemented) as such Underwriter may reasonably request.

(f) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen (18) months after the date of the 1934 Act Registration Statement, an earnings statement of the Bank complying with Section 11(a) of the Act and the 1933 Act Regulations thereunder (as if the Shares had been registered under the Act) (including, at the option of the Bank, Rule 158).

(g) During the period beginning from the date hereof and continuing to and including the date 30 days after the date hereof (the "Lock-Up Period"), the Bank will not directly or indirectly offer, sell, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the 1934 Act or otherwise dispose of or transfer, or announce the offering of, or file an offering circular with the FDIC or a registration statement under the Act in respect of, except as provided hereunder, any Shares or any securities of the Bank that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, Preferred Stock or any such substantially similar securities, without the Representative's prior written consent.

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in each of the General Disclosure Package and the Offering Circular under the caption "Use of Proceeds."

(i) The Bank will comply with the registration requirements under Section 12(b) of the 1934 Act with respect to the Preferred Stock.

(j) To use its best efforts to list the Shares on Nasdaq.

(k) The Bank will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Preferred Stock or any other security, whether to facilitate the sale or resale of the Shares or otherwise, and the Bank will, and shall use its best efforts to cause each of its controlled affiliates to, comply with all applicable provisions of Regulation M with respect to the Shares.

(l) If at any time following the distribution of any Written Testing-the-Waters Communication, there occurred or occurs an event or development as a result of which such

Written Testing-the-Waters Communication would include any information that conflicted, conflicts or will conflict with the information contained in the Offering Circular, or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Bank will promptly notify the Representative and, if not already superseded by a later Offering Circular or amendment or supplement thereto, will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission; *provided, however,* that this covenant shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter's Information.

(m) For a period of two years after the date of this Agreement, the Bank will furnish to the Representative, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports relating to the Bank's securities and financial statements of the Bank that are furnished to or filed with the Department, the FDIC, including under Sections 13(a), 13(c), 14 and 15(d) of the 1934 Act, or any national securities exchange or automatic quotation system; provided the Bank will be deemed to have furnished such reports and financial statements to the Representative to the extent they are posted on the Bank's website or on the FDIC's Securities Exchange Act Filings System; and provided further that the Bank will not furnish to the Representative any confidential reports, correspondence or other documents furnished to or received from the Department, the FDIC or other bank regulatory agency.

6. The Bank covenants and agrees with the Representative that the Bank will pay or cause to be paid the following, whether or not the transactions contemplated herein are completed: (i) reasonable out-of-pocket expenses incurred by the Representative in connection with its engagement, including without limitation, legal fees and expenses, marketing, syndication and travel expenses, not to exceed $800,000 in the aggregate without the Bank's prior approval; (ii) the cost of obtaining all securities and bank regulatory approvals, including any required FINRA fees, including the filing fees incident thereto, and the reasonable and documented fees and disbursements of counsel for the Underwriters in connection therewith, which fees and disbursements of counsel shall not exceed $50,000 in the aggregate; (iii) all fees and disbursements of the Bank's counsel and accountants in connection with the registration of the Shares under the 1934 Act and all other expenses in connection with the preparation and printing of the Preliminary Offering Circular and the Offering Circular and the mailing and delivery of copies thereof to the Underwriters and dealers; (iv) solely to the extent applicable to this offering, expenses in connection with the qualification of the Shares for offering and sale under state securities laws, including the reasonable and documented fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey, which fees and disbursements of counsel shall not exceed $25,000 in the aggregate; (v) all fees and expenses in connection with listing the Shares on Nasdaq; (vi) the cost of preparing stock certificates (if any); (vii) the cost and charges of any transfer agent or registrar; and (viii) the costs and expenses of the Bank relating to investor presentations on any "road show" undertaken in connection with the marketing of the Shares, including without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Bank and any such consultants, and

the cost of aircraft and other transportation chartered in connection with the road show with the consent of the Bank.

7. The obligations of the Underwriters hereunder to purchase and pay for the Shares as provided herein to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties of the Bank herein are, at and as of such Time of Delivery, true and correct, the condition that the Bank shall have performed all of its respective obligations hereunder theretofore to be performed, and the following additional conditions:

(a) No stop order shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the FDIC, the Department or any other governmental agency or authority; all requests for additional information on the part of the FDIC, the Department or any other governmental agency or authority shall have been complied with to the Representative's reasonable satisfaction and FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements;

(b) Davis Polk & Wardwell LLP, counsel for the Underwriters, shall have furnished to the Representative such written opinion, dated the First Time of Delivery, in the form and substance satisfactory to the Representative, as to such matters as the Representative may reasonably request. In giving such opinion such counsel may rely upon the opinions of counsel satisfactory to the Representative. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Bank and certificates of public officials;

(c) Sullivan & Cromwell LLP, counsel for the Bank, shall have furnished to the Representative its written opinion, dated the First Time of Delivery, in form and substance reasonably satisfactory to counsel for the Underwriters to the effect set forth in Exhibit A hereto. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Bank and certificates of public officials;

(d) Jones Waldo Holbrook & McDonough, P.C., Utah counsel for the Bank, shall have furnished to the Representative its written opinion, dated the First Time of Delivery, in form and substance reasonably satisfactory to counsel for the Underwriters to the effect set forth in Exhibit B hereto. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Bank and certificates of public officials;

(e) On the date of this Agreement and at each Time of Delivery, Mazars USA LLP shall have furnished to the Representative a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountants "comfort letters" to underwriters with respect to the financial statements of the Bank and certain financial information contained in the General Disclosure Package and the Offering Circular, provided that the letter delivered as of such Time of Delivery shall use a "cut-off" date no more than three (3) business days prior to such Time of Delivery, as applicable;

(f) (i) The Bank shall not have sustained since the date of the latest audited financial statements included in each of the General Disclosure Package and the Offering Circular any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental or regulatory action, order or decree, otherwise than as set forth or contemplated in the General Disclosure Package or the Offering Circular, and (ii) since the respective dates as of which information is given in each of the General Disclosure Package and the Offering Circular, there shall not have been any change in the capital stock (other than as a result of the exercise of outstanding stock options or the vesting of restricted stock awards that are described in the Offering Circular) or long-term debt of the Bank or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, capital adequacy for regulatory purposes, shareholders' equity or results of operations of the Bank, otherwise than as set forth or contemplated in each of the General Disclosure Package and the Offering Circular, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Offering Circular;

(g) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Nasdaq; (ii) a suspension or material limitation in trading in the Bank's securities on the Nasdaq; (iii) a general moratorium on commercial banking activities declared by either federal, New York State or Utah State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or a material adverse change in general economic, political or financial conditions in the United States or elsewhere, including without limitation as a result of terrorist activities after the date hereof, or any other calamity or crisis, if the effect of any such event specified in this clause (g) in the judgment of the Representative makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Offering Circular;

(h) The Shares to be sold at such Time of Delivery shall have been approved for listing, subject to official notice of issuance, on the Nasdaq;

(i) The Bank shall have furnished or caused to be furnished to the Representative at such Time of Delivery certificates of officers of the Bank reasonably satisfactory to the Representative as to the accuracy of the representations and warranties of the Bank herein at and as of such Time of Delivery, as to the performance by the Bank of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (f) of this Section 7 and as to such other matters as you may reasonably request.

(j) The Articles of Amendment shall have been duly filed with the Secretary of State of the State of Utah and become effective.

8. (a) The Bank agrees to indemnify and hold harmless each Underwriter, its affiliates (as such term is defined in Rule 501(b) under the Act) ("Affiliates"), its selling agents, and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act and their respective partners, directors, officers, employees and agents, to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability (joint or several), claim, damage and expense whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact included in any Preliminary Offering Circular, Issuer Written Communication, any Written Testing-the-Waters Communication provided to investors by, or with the approval of, the Bank, any road show presentation made to investors by the Bank, the General Disclosure Package or the Offering Circular (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that any such settlement is effected with the written consent of the Bank; and

(iii) against any and all expense whatsoever (including the fees and disbursements of counsel chosen by the Representative) reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Bank by any Underwriter through the Representative expressly for use in the 1934 Act Registration Statement (or any amendment thereto), or any Preliminary Offering Circular, any Issuer Written Communication, any Written Testing-the-Waters Communication, any road show presentation, the General Disclosure Package, or the Offering Circular (or any amendment or supplement thereto), provided that the Bank and the Underwriters hereby acknowledge and agree that the only information that the Underwriters have furnished to the Bank specifically for inclusion in any Preliminary Offering Circular, the General Disclosure Package, the Offering Circular or any individual Issuer Written Communication, any Written Testing-the-Waters Communication, and any road show presentation, when considered together with the General Disclosure Package, or any amendment or supplement thereto, are (A) the first paragraph appearing in the Offering Circular in the section entitled "Underwriting—Commissions and Discounts," (B) the first sentence in the second paragraph of the section "Underwriting—Listing; New Issue of Securities" and (C) the second sentence of the first paragraph, the first sentence of the second paragraph and the first sentence of the third paragraph in the section "Underwriting—Price Stabilization and Short Positions" (collectively, the "Underwriter's Information").

(b) Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Bank, its officers, directors and each person, if any, who controls the Bank within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made any Preliminary Offering Circular, the General Disclosure Package, any Written Testing-the-Waters Communication or any Issuer Written Communication when considered together with the General Disclosure Package, any road show presentation, the General Disclosure Package or the Offering Circular (or any amendment or supplement thereto) in reliance upon and in conformity with the Underwriter's Information; and will reimburse the Bank for any legal or other expenses reasonably incurred by the Bank in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection, unless the indemnifying party has been materially prejudiced thereby. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (which consent shall not be unreasonably withheld, and which counsel shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to its and/or other indemnified parties which are materially different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume the legal defense of such indemnified party or parties (but not to control the defense of such action as to the indemnifying party) and to otherwise participate in the defense of such action on behalf of such indemnified party or parties.

(d) After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein (other than as a result of the limitations imposed on indemnification described in such preceding sections of this Section 8), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Bank on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Bank on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Bank on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Bank bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Offering Circular. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Bank on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Bank and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection

(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The obligations of the Bank under this Section 8 shall be in addition to any liability that the Bank may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls (within the meaning of the Act) any Underwriter, or any of the respective partners, directors, officers and employees of any Underwriter or any such controlling person; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls (within the meaning of the Act) the Bank or any of the respective directors and officers of the Bank or any such controlling person.

(g) The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, the Representative may in the Representative's discretion arrange for the Representative or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six (36) hours after such default by any Underwriter, the Representative does not arrange for the purchase of such Shares, then the Bank shall be entitled to a further period of thirty-six (36) hours within which to procure another party or other parties reasonably satisfactory to the Representative to purchase such Shares on such terms. In the event that, within the respective prescribed periods, the Representative notifies the Bank that the Representative has so arranged for the purchase of such Shares, or the Bank notifies the Representative that it has so arranged for the purchase of such Shares, the Representative or the Bank shall have the right to postpone such Time of Delivery for a period of not more than seven (7) days, in order to effect whatever changes may thereby be made necessary in the Offering Circular, or in any other documents or arrangements, and the Bank agrees to file promptly any amendments to the Offering Circular which in the Representative's opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representative and the Bank as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-tenth of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Bank shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representative and the Bank as provided in Section 9(a) hereof, the aggregate number of such Shares which remains unpurchased exceeds one-tenth of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Bank shall not exercise the right described in Section 9(b) hereof to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Bank to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Bank, except for the expenses to be borne by the Bank as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Bank and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Bank or any officer or director or controlling person of the Bank and shall survive delivery of and payment for the Shares.

11. If this Agreement is terminated pursuant to Section 9 hereof, the Bank shall not be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Bank to the extent required hereby, the Bank will reimburse the Underwriters through the Representative for all documented out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred by the Underwriters in connection with the transactions contemplated hereby, including, without limitation, marketing, syndication and travel expenses incurred in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Bank shall then be under no further liability to any Underwriter except as provided in Sections 8 and 10 hereof, which shall survive such termination and remain in full force and effect.

12. The Bank acknowledges and agrees that:

(a) In connection with the sale of the Shares, the Underwriters have been retained solely to act as underwriters, and no fiduciary, advisory or agency relationship between the Bank on the one hand, and the Underwriters on the other hand, has been created in respect of any of the transactions contemplated by this Agreement;

(b) The price of the Shares set forth in this Agreement was established following discussions and arm’s-length negotiations between the Bank and the Underwriters, and the Bank is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) It has been advised that the Underwriters and their respective affiliates are engaged in a broad range of transactions that may involve interests that differ from those of the

Bank and that the Underwriters have no obligation to disclose such interests and transactions to the Bank by virtue of any fiduciary, advisory or agency relationship; and

(d) It waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Bank in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Bank, including shareholders, employees or creditors of the Bank.

13. In all dealings hereunder, the Representative shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representative.

14. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to 1251 Avenue of the Americas, 6th Floor, New York, NY 10020, Attention: General Counsel; with a copy to Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attention: John Crowley, Esq.; if to the Bank shall be delivered or sent by mail to Medallion Financial Corp., 437 Madison Avenue, 38th Floor, New York, NY 10022, Attention: Marisa T. Silverman, with a copy to Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004, Attention: Benjamin H. Weiner. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

15. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Bank, and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Bank and each person who controls the Bank or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Agreement. As used herein, the term “business day” shall mean any day when the FDIC’s office in Washington, D.C. is open for business.

17. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of laws principles of said state other than Section 5-1401 of the New York General Obligations Law.

THE BANK AND EACH OF THE UNDERWRITERS HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE CITY OF NEW YORK IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING RELATED TO THIS AGREEMENT OR ANY OF THE MATTERS CONTEMPLATED HEREBY, IRREVOCABLY WAIVES ANY DEFENSE OF LACK OF PERSONAL JURISDICTION AND IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. THE BANK AND EACH OF THE

UNDERWRITERS IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

18. The Bank and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated thereby.

19. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

20. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto or the party granting such waiver.

21. The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

22. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Bank and the Underwriters, or any of them, with respect to the subject matter hereof.

[*Signature pages follow*]

If the foregoing is in accordance with the Representative's understanding, please sign and return to us four counterparts hereof, and upon the acceptance hereof by the Representative, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Bank in accordance with its terms.

Very truly yours,

MEDALLION BANK

By: /s/ Donald S. Poulton
Name: Donald S. Poulton
Title: Chief Executive Officer and President

Accepted as of the date hereof:

SANDLER O'NEILL & PARTNERS, L.P.,
as Representative of the several Underwriters

By: Sandler O'Neill & Partners Corp.,
the sole general partner

By: /s/ Robert Kleinert
Name: Robert Kleinert
Title: Managing Principal

For itself and as Representative of the several Underwriters
listed in Schedule I hereto.

SCHEDULE I

Underwriter	Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Sandler O’Neill & Partners, L.P.	448,000	67,200
B. Riley FBR, Inc.	448,000	67,200
Ladenburg Thalmann & Co. Inc.	448,000	67,200
BB&T Capital Markets, a division of BB&T Securities, LLC	192,000	28,800
Wedbush Securities Inc.	64,000	9,600
Total:	1,600,000	240,000

SCHEDULE II

ISSUER WRITTEN COMMUNICATIONS

Pricing Term Sheet dated December 10, 2019.

SCHEDULE III

WRITTEN TESTING-THE-WATERS COMMUNICATIONS

Investor Presentation as of December 6, 2019.

EXHIBIT A

Form of Opinion of Sullivan & Cromwell LLP

[Attached]

EXHIBIT B

Form of Opinion of Jones Waldo Holbrook & McDonough, P.C.

[Attached]