

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2024
 OR

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

For the transition period from _____ to _____
 Commission File Number 001-36722

TRIUMPH FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Texas
 (State or other jurisdiction of
 incorporation or organization)

20-0477066
 (I.R.S. Employer
 Identification No.)

12700 Park Central Drive, Suite 1700
 Dallas, Texas 75251
 (Address of principal executive offices)

(214) 365-6900
 (Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock — \$0.01 par value, 23,363,651 shares, as of July 15, 2024.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	TFIN	NASDAQ Global Select Market
Depository Shares Each Representing a 1/40th Interest in a Share of 7.125% Series C Fixed-Rate Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share	TFINP	NASDAQ Global Select Market

TRIUMPH FINANCIAL, INC.

FORM 10-Q

June 30, 2024

TABLE OF CONTENTS

[PART I - FINANCIAL INFORMATION](#)

Item 1.	Financial Statements	
	Consolidated Balance Sheets	2
	Consolidated Statements of Income	3
	Consolidated Statements of Comprehensive Income	4
	Consolidated Statements of Changes in Stockholders' Equity	5
	Consolidated Statements of Cash Flows	7
	Condensed Notes to Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	46
Item 3.	Quantitative and Qualitative Disclosures About Market Risks	91
Item 4.	Controls and Procedures	92

[PART II - OTHER INFORMATION](#)

Item 1.	Legal Proceedings	93
Item 1A.	Risk Factors	93
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	93
Item 3.	Defaults Upon Senior Securities	93
Item 4.	Mine Safety Disclosures	93
Item 5.	Other Information	93
Item 6.	Exhibits	95

PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2024 and December 31, 2023
(Dollar amounts in thousands)

	June 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 76,251	\$ 93,072
Interest bearing deposits with other banks	424,412	193,563
Total cash and cash equivalents	500,663	286,635
Securities - equity investments with readily determinable fair values	4,422	4,488
Securities - available for sale	339,661	299,644
Securities - held to maturity, net of allowance for credit losses of \$3,162 and \$3,190, respectively, fair value of \$3,576 and \$4,015, respectively	2,787	2,977
Loans held for sale	1,051	1,236
Loans, net of allowance for credit losses of \$39,591 and \$35,219, respectively	4,248,826	4,127,881
Federal Home Loan Bank and other restricted stock	14,040	14,278
Premises and equipment, net	159,588	113,457
Capitalized software, net	30,582	22,365
Goodwill	233,709	233,709
Intangible assets, net	20,943	23,646
Bank-owned life insurance	42,225	41,946
Deferred tax asset, net	6,641	8,800
Other assets	178,196	166,272
Total assets	\$ 5,783,334	\$ 5,347,334
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	\$ 1,689,531	\$ 1,632,022
Interest bearing	2,702,487	2,345,456
Total deposits	4,392,018	3,977,478
Federal Home Loan Bank advances	280,000	255,000
Subordinated notes	108,939	108,678
Junior subordinated debentures	42,042	41,740
Other liabilities	86,086	100,038
Total liabilities	4,909,085	4,482,934
Commitments and contingencies - See Note 6 and Note 7		
Stockholders' equity - See Note 10		
Preferred stock	45,000	45,000
Common stock, 23,353,519 and 23,302,414 shares outstanding, respectively	291	290
Additional paid-in-capital	559,072	550,743
Treasury stock, at cost	(268,352)	(265,038)
Retained earnings	541,633	536,331
Accumulated other comprehensive income (loss)	(3,395)	(2,926)
Total stockholders' equity	874,249	864,400
Total liabilities and stockholders' equity	\$ 5,783,334	\$ 5,347,334

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2024 and 2023
(Dollar amounts in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest and dividend income:				
Loans, including fees	\$ 54,900	\$ 57,258	\$ 108,452	\$ 109,796
Factored receivables, including fees	40,028	39,819	77,937	80,723
Securities	5,523	5,234	10,874	9,347
FHLB and other restricted stock	234	219	466	344
Cash deposits	6,330	2,956	11,233	5,950
Total interest income	107,015	105,486	208,962	206,160
Interest expense:				
Deposits	15,520	6,877	27,672	10,079
Subordinated notes	1,225	1,312	2,449	2,621
Junior subordinated debentures	1,162	1,090	2,346	2,124
Other borrowings	1,193	4,756	2,545	6,503
Total interest expense	19,100	14,035	35,012	21,327
Net interest income	87,915	91,451	173,950	184,833
Credit loss expense (benefit)	4,155	2,643	10,051	5,256
Net interest income after credit loss expense (benefit)	83,760	88,808	163,899	179,577
Noninterest income:				
Service charges on deposits	1,810	1,769	3,537	3,482
Card income	2,085	2,119	3,953	4,087
Net gains (losses) on sale or call of securities	—	—	—	—
Net gains (losses) on sale of loans	123	87	(69)	3
Fee income	8,517	7,462	17,200	13,612
Insurance commissions	1,505	1,303	3,073	2,896
Other	3,127	(1,229)	4,472	(1,547)
Total noninterest income	17,167	11,511	32,166	22,533
Noninterest expense:				
Salaries and employee benefits	56,005	54,219	110,190	108,905
Occupancy, furniture and equipment	8,565	7,292	16,201	13,995
FDIC insurance and other regulatory assessments	641	868	1,294	1,286
Professional fees	4,558	3,035	8,099	6,120
Amortization of intangible assets	2,869	3,001	5,593	5,851
Advertising and promotion	2,008	1,629	3,222	3,001
Communications and technology	14,307	11,904	26,201	23,250
Software amortization	1,357	1,043	2,531	2,030
Other	7,033	7,405	14,383	15,239
Total noninterest expense	97,343	90,396	187,714	179,677
Net income before income tax expense	3,584	9,923	8,351	22,433
Income tax expense	837	2,273	1,446	3,773
Net income	\$ 2,747	\$ 7,650	\$ 6,905	\$ 18,660
Dividends on preferred stock	(802)	(802)	(1,603)	(1,603)
Net income available to common stockholders	\$ 1,945	\$ 6,848	\$ 5,302	\$ 17,057
Earnings per common share				
Basic	\$ 0.08	\$ 0.30	\$ 0.23	\$ 0.73
Diluted	\$ 0.08	\$ 0.29	\$ 0.22	\$ 0.72

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Six Months Ended June 30, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 2,747	\$ 7,650	\$ 6,905	\$ 18,660
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(344)	608	(554)	2,354
Tax effect	82	(69)	85	(439)
Unrealized holding gains (losses) arising during the period, net of taxes	(262)	539	(469)	1,915
Reclassification of amount realized through sale or call of securities	—	—	—	—
Tax effect	—	—	—	—
Reclassification of amount realized through sale or call of securities, net of taxes	—	—	—	—
Change in unrealized gains (losses) on securities, net of tax	(262)	539	(469)	1,915
Total other comprehensive income (loss)	(262)	539	(469)	1,915
Comprehensive income	<u>\$ 2,485</u>	<u>\$ 8,189</u>	<u>\$ 6,436</u>	<u>\$ 20,575</u>

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three and Six Months Ended June 30, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Preferred Stock	Common Stock		Additional Paid-in- Capital	Treasury Stock		Retained Earnings	Accumulated	
	Liquidation Preference Amount	Shares Outstanding	Par Amount		Shares Outstanding	Cost		Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2024	\$ 45,000	23,302,414	\$ 290	\$ 550,743	5,683,841	\$(265,038)	\$ 536,331	\$ (2,926)	\$ 864,400
Vesting of restricted stock and performance stock units	—	9,877	—	—	—	—	—	—	—
Stock option exercises, net	—	5,401	—	144	—	—	—	—	144
Issuance of common stock pursuant to the Employee Stock Purchase Plan	—	18,328	—	1,099	—	—	—	—	1,099
Stock based compensation	—	—	—	3,627	—	—	—	—	3,627
Purchase of treasury stock, net	—	(1,023)	—	—	1,023	(81)	—	—	(81)
Dividends on preferred stock	—	—	—	—	—	—	(801)	—	(801)
Net income	—	—	—	—	—	—	4,158	—	4,158
Other comprehensive income (loss)	—	—	—	—	—	—	—	(207)	(207)
Balance, March 31, 2024	<u>\$ 45,000</u>	<u>23,334,997</u>	<u>\$ 290</u>	<u>\$ 555,613</u>	<u>5,684,864</u>	<u>\$(265,119)</u>	<u>\$ 539,688</u>	<u>\$ (3,133)</u>	<u>\$ 872,339</u>
Vesting of restricted stock and performance stock units	—	63,401	1	(1)	—	—	—	—	—
Stock based compensation	—	—	—	3,439	—	—	—	—	3,439
Forfeiture of restricted stock awards	—	(278)	—	21	278	(21)	—	—	—
Purchase of treasury stock, net	—	(44,601)	—	—	44,601	(3,212)	—	—	(3,212)
Dividends on preferred stock	—	—	—	—	—	—	(802)	—	(802)
Net income	—	—	—	—	—	—	2,747	—	2,747
Other comprehensive income (loss)	—	—	—	—	—	—	—	(262)	(262)
Balance, June 30, 2024	<u>\$ 45,000</u>	<u>23,353,519</u>	<u>\$ 291</u>	<u>\$ 559,072</u>	<u>5,729,743</u>	<u>\$(268,352)</u>	<u>\$ 541,633</u>	<u>\$ (3,395)</u>	<u>874,249</u>

	Preferred Stock	Common Stock			Treasury Stock			Accumulated Other	Total
	Liquidation Preference Amount	Shares Outstanding	Par Amount	Additional Paid-in- Capital	Shares Outstanding	Cost	Retained Earnings	Comprehensive Income (Loss)	Stockholders' Equity
Balance, January 1, 2023	\$ 45,000	24,053,585	\$ 283	\$ 534,790	4,268,131	\$ (182,658)	\$ 498,456	\$ (6,900)	\$ 888,971
Issuance of restricted stock awards	—	6,852	—	—	—	—	—	—	—
Vesting of restricted stock and performance stock units	—	366,892	4	(4)	—	—	—	—	—
Stock option exercises, net	—	758	—	(33)	—	—	—	—	(33)
Stock based compensation	—	—	—	2,881	—	—	—	—	2,881
Forfeiture of restricted stock awards	—	(10,961)	—	610	10,961	(610)	—	—	—
Issuance of common stock pursuant to the Employee Stock Purchase Plan	—	21,057	—	997	—	—	—	—	997
Purchase of treasury stock, net	—	(1,067,668)	—	—	1,067,668	(77,185)	—	—	(77,185)
Dividends on preferred stock	—	—	—	—	—	—	(801)	—	(801)
Net income	—	—	—	—	—	—	11,010	—	11,010
Other comprehensive income (loss)	—	—	—	—	—	—	—	1,376	1,376
Balance, March 31, 2023	\$ 45,000	23,370,515	\$ 287	\$ 539,241	5,346,760	\$ (260,453)	\$ 508,665	\$ (5,524)	\$ 827,216
Vesting of restricted stock and performance stock units	—	233,728	2	(2)	—	—	—	—	—
Stock option exercises, net	—	829	—	(19)	—	—	—	—	(19)
Stock based compensation	—	—	—	3,320	—	—	—	—	3,320
Forfeiture of restricted stock awards	—	(451)	—	25	451	(25)	—	—	—
Purchase of treasury stock, net	—	(334,736)	—	—	334,736	(4,438)	—	—	(4,438)
Dividends on preferred stock	—	—	—	—	—	—	(802)	—	(802)
Net income	—	—	—	—	—	—	7,650	—	7,650
Other comprehensive income (loss)	—	—	—	—	—	—	—	539	539
Balance, June 30, 2023	\$ 45,000	23,269,885	\$ 289	\$ 542,565	5,681,947	\$ (264,916)	\$ 515,513	\$ (4,985)	\$ 833,466

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 6,905	\$ 18,660
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	7,604	6,567
Net accretion on loans	(1,598)	(2,800)
Amortization of subordinated notes issuance costs	261	434
Amortization of junior subordinated debentures	302	286
Net (accretion) amortization on securities	(593)	(435)
Amortization of intangible assets	5,593	5,851
Software amortization	2,531	2,030
Deferred taxes, net	2,243	8,727
Credit loss expense (benefit)	10,051	5,256
Stock based compensation	7,066	6,201
Net (gains) losses on equity securities	(468)	(18)
Net OREO (gains) losses and valuation adjustments	16	—
Origination of loans held for sale	(3,495)	(1,392)
Proceeds from sale of loans originated or purchased for sale	1,368	1,320
Net (gains) losses on sale of loans	69	(3)
Net change in operating leases	312	(154)
(Increase) decrease in other assets	(22,774)	(43,040)
Increase (decrease) in other liabilities	(15,015)	1,472
Net cash provided by (used in) operating activities	378	8,962
Cash flows from investing activities:		
Proceeds from sales of equity securities	—	783
Purchases of securities available for sale	(83,261)	(69,484)
Proceeds from sales of securities available for sale	—	4,000
Proceeds from maturities, calls, and pay downs of securities available for sale	43,194	18,911
Proceeds from maturities, calls, and pay downs of securities held to maturity	307	352
Purchases of loans held for investment	(2,503)	(18,842)
Proceeds from sale of loans	18,016	43,950
Net change in loans	(141,637)	(234,158)
Purchases of premises and equipment, net	(53,735)	(17,901)
Net proceeds from sale of OREO	64	—
(Purchases) redemptions of FHLB and other restricted stock, net	238	(13,847)
Acquired intangible assets	(2,920)	(3,042)
Net cash provided by (used in) investing activities	(222,237)	(289,278)
Cash flows from financing activities:		
Net increase (decrease) in deposits	414,540	122,130
Increase (decrease) in customer repurchase agreements	—	(340)
Increase (decrease) in Federal Home Loan Bank advances	25,000	250,000
Preferred stock dividends	(1,603)	(1,603)
Stock option exercises, net	144	(52)
Proceeds from employee stock purchase plan common stock issuance	1,099	997
Purchase of treasury stock, net	(3,293)	(81,623)
Net cash provided by (used in) financing activities	435,887	289,509
Net increase (decrease) in cash and cash equivalents	214,028	9,193
Cash and cash equivalents at beginning of period	286,635	408,182
Cash and cash equivalents at end of period	500,663	417,375

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
Supplemental cash flow information:		
Interest paid	\$ 33,824	\$ 18,924
Income taxes paid, net	\$ 646	\$ 13,979
Cash paid for operating lease liabilities	\$ 2,425	\$ 2,763
Supplemental noncash disclosures:		
Loans transferred to OREO	\$ 43	\$ —
Loans held for investment transferred to loans held for sale	\$ 16,388	\$ 38,389
Lease liabilities arising from obtaining right-of-use assets	\$ 2,382	\$ 3,228

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESNature of Operations

Triumph Financial, Inc. (collectively with its subsidiaries, "Triumph Financial", or the "Company" as applicable) is a financial holding company headquartered in Dallas, Texas, offering a diversified line of payments, factoring and banking services. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Triumph CRA Holdings, LLC ("TCRA"), TBK Bank, SSB ("TBK Bank"), TBK Bank's wholly owned factoring subsidiary Triumph Financial Services LLC ("Triumph Financial Services"), and TBK Bank's wholly owned subsidiary Triumph Insurance Group, Inc. ("TIG"). TriumphPay operates as a division of TBK Bank, SSB.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") for interim financial information and in accordance with guidance provided by the Securities and Exchange Commission ("SEC"). Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary for a fair presentation. Transactions between the subsidiaries have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Operating Segments

The Company's reportable segments are comprised of strategic business units primarily based upon industry categories and, to a lesser extent, the core competencies relating to product origination, distribution methods, operations and servicing. Segment determination also considers organizational structure and is consistent with the presentation of financial information to the chief operating decision maker to evaluate segment performance, develop strategy, and allocate resources. The Company's chief operating decision maker is the Chief Executive Officer of Triumph Financial, Inc. Management has determined that the Company has four reportable segments consisting of Banking, Factoring, Payments, and Corporate.

The Banking segment includes the operations of TBK Bank. The Banking segment derives its revenue principally from investments in interest-earning assets as well as noninterest income typical for the banking industry.

The Factoring segment includes the operations of Triumph Financial Services with revenue derived from factoring services.

The Payments segment includes the operations of the TBK Bank's TriumphPay division, which is the payments network for presentment, audit, and payment of over-the-road trucking invoices. The Payments segment derives its revenue from transaction fees and interest income on factored receivables related to invoice payments. These factored receivables consist of (i) invoices where we offer a carrier a quickpay opportunity to receive payment at a discount in advance of the standard payment term for such invoice in exchange for the assignment of such invoice to us, (ii) offering freight brokers the ability to settle their invoices with us on an extended term following our payment to their carriers as an additional liquidity option for such freight brokers, and (iii) factoring transactions where we purchase receivables payable to such freight brokers from their shipper clients.

The Corporate segment includes holding company financing and investment activities as well as management and administrative expenses that support the overall operations of the Company such as human resources, accounting, finance, risk management and information technology expense.

For further discussion of management's operating segments and allocation methodology, see Note 15 – Business Segment Information.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Adoption of New Accounting Standards

In March 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-02, "Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures" ("ASU 2022-02"). ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings ("TDRs") in ASC 310-40, "Receivables - Troubled Debt Restructurings by Creditors" for entities that have adopted the current expected credit loss ("CECL") model introduced by ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13"). ASU 2022-02 also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, "Financial Instruments—Credit Losses—Measured at Amortized Cost".

The Company adopted ASU 2022-02 effective January 1, 2023 on a prospective basis. Adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial statements.

Newly Issued, But Not Yet Effective Accounting Standards

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 Requires public entities to disclose significant segment expenses, an amount and description for other segment items, the title and position of the entity's chief operating decision maker ("CODM") and an explanation of how the CODM uses the reported measures of profit or loss to assess segment performance, and, on an interim basis, certain segment related disclosures that previously were required only on an annual basis. ASU 2023-07 also clarifies that entities with a single reportable segment are subject to both new and existing segment reporting requirements and that an entity is permitted to disclose multiple measures of segment profit or loss, provided that certain criteria are met. ASU 2023-07 is effective for the Company for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company will update its segment related disclosures upon adoption.

In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740), Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 requires public entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. ASU 2023-09 is effective for the Company for fiscal years beginning after December 15, 2024 with early adoption permitted. The Company will update its income tax disclosures upon adoption.

NOTE 2 — SECURITIES

Equity Securities With Readily Determinable Fair Values

The Company held equity securities with readily determinable fair values of \$ 4,422,000 and \$4,488,000 at June 30, 2024 and December 31, 2023, respectively. The gross realized and unrealized gains and losses recognized on equity securities with readily determinable fair values in noninterest income in the Company's consolidated statements of income were as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Unrealized gains (losses) on equity securities held at the reporting date	\$ (19)	\$ (72)	\$ (66)	\$ —
Realized gains (losses) on equity securities sold during the period	—	—	—	18
	<u>\$ (19)</u>	<u>\$ (72)</u>	<u>\$ (66)</u>	<u>\$ 18</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Equity Securities Without Readily Determinable Fair Values

The following table summarizes the Company's investments in equity securities without readily determinable fair values:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
Equity Securities without readily determinable fair value, at cost	\$ 68,525	\$ 65,814
Upward adjustments based on observable price changes, cumulative	10,163	10,163
Equity Securities without readily determinable fair value, carrying value	<u>\$ 78,688</u>	<u>\$ 75,977</u>

Equity securities without readily determinable fair values include Federal Home Loan Bank and other restricted stock, which are reported separately in the Company's consolidated balance sheets. Equity securities without readily determinable fair values also include the Company's investments in the common stock of Trax Group, Inc. and Warehouse Solutions Inc., with carrying amounts of \$9,700,000 and \$38,088,000, respectively, at June 30, 2024. Both investments have been allocated to our Payments segment and are included in other assets in the Company's consolidated balance sheets.

The gross realized and unrealized gains (losses) recognized on equity securities without readily determinable fair values in noninterest income in the Company's consolidated statements of income were as follows:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Unrealized gains (losses) on equity securities still held at the reporting date	\$ —	\$ —	\$ —	\$ —
Realized gains (losses) on equity securities sold during the period	534	—	534	—
	<u>\$ 534</u>	<u>\$ —</u>	<u>\$ 534</u>	<u>\$ —</u>

Management monitors its equity securities without readily determinable fair values for observable transactions in similar equity instruments as well as indicators of impairment either of which would require it to mark such equity securities to fair value. No such transactions or indicators of impairment were detected during the three and six months ended June 30, 2024.

Debt Securities

Debt securities have been classified in the financial statements as available for sale or held to maturity. The following table summarizes the amortized cost, fair value, and allowance for credit losses of debt securities and the corresponding amounts of gross unrealized gains and losses of available for sale securities recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses of held to maturity securities:

<i>(Dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
June 30, 2024					
Available for sale securities:					
Mortgage-backed securities, residential	\$ 70,783	\$ 9	\$ (5,677)	\$ —	\$ 65,115
Asset-backed securities	1,035	—	(2)	—	1,033
State and municipal	3,490	—	(100)	—	3,390
CLO securities	267,164	1,409	—	—	268,573
Corporate bonds	267	—	(8)	—	259
SBA pooled securities	1,385	4	(98)	—	1,291
Total available for sale securities	<u>\$ 344,124</u>	<u>\$ 1,422</u>	<u>\$ (5,885)</u>	<u>\$ —</u>	<u>\$ 339,661</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrecognized Losses	Fair Value
June 30, 2024				
Held to maturity securities:				
CLO securities	\$ 5,949	\$ —	\$ (2,373)	\$ 3,576
Allowance for credit losses	(3,162)			
Total held to maturity securities, net of ACL	\$ 2,787			

(Dollars in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
December 31, 2023					
Available for sale securities:					
Mortgage-backed securities, residential	\$ 60,411	\$ 221	\$ (4,793)	\$ —	\$ 55,839
Asset-backed securities	1,188	—	(18)	—	1,170
State and municipal	4,560	1	(46)	—	4,515
CLO Securities	235,484	1,137	(330)	—	236,291
Corporate bonds	268	7	—	—	275
SBA pooled securities	1,642	3	(91)	—	1,554
Total available for sale securities	\$ 303,553	\$ 1,369	\$ (5,278)	\$ —	\$ 299,644

(Dollars in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2023				
Held to maturity securities:				
CLO securities	\$ 6,167	\$ 30	\$ (2,182)	\$ 4,015
Allowance for credit losses	(3,190)			
Total held to maturity securities, net of ACL	\$ 2,977			

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

	Available for Sale Securities		Held to Maturity Securities	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(Dollars in thousands)				
Due in one year or less	\$ 573	\$ 572	\$ —	\$ —
Due from one year to five years	2,153	2,092	4,614	2,314
Due from five years to ten years	46,719	46,832	1,335	1,262
Due after ten years	221,476	222,726	—	—
	270,921	272,222	5,949	3,576
Mortgage-backed securities, residential	70,783	65,115	—	—
Asset-backed securities	1,035	1,033	—	—
SBA pooled securities	1,385	1,291	—	—
	\$ 344,124	\$ 339,661	\$ 5,949	\$ 3,576

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Proceeds from sales of debt securities and the associated gross gains and losses as well as net gains and losses from calls of debt securities are as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Proceeds	\$ —	\$ 4,000	\$ —	\$ 4,000
Gross gains	—	—	—	—
Gross losses	—	—	—	—
Net gains and losses from calls of securities	—	—	—	—

Debt securities with a carrying amount of approximately \$29,754,000 and \$42,445,000 at June 30, 2024 and December 31, 2023, respectively, were pledged to secure public deposits, customer repurchase agreements, and for other purposes required or permitted by law.

Accrued interest on available for sale securities totaled \$4,021,000 and \$3,789,000 at June 30, 2024 and December 31, 2023, respectively, and was included in other assets on the Company's consolidated balance sheets. There was no accrued interest related to debt securities reversed against interest income for the three and six months ended June 30, 2024 and 2023.

The following table summarizes available for sale debt securities in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2024						
Available for sale securities:						
Mortgage-backed securities, residential	\$ 36,508	\$ (560)	\$ 27,500	\$ (5,117)	\$ 64,008	\$ (5,677)
Asset-backed securities	1,033	(2)	—	—	1,033	(2)
State and municipal	508	(7)	2,345	(93)	2,853	(100)
CLO securities	—	—	—	—	—	—
Corporate bonds	259	(8)	—	—	259	(8)
SBA pooled securities	—	—	1,018	(98)	1,018	(98)
	<u>\$ 38,308</u>	<u>\$ (577)</u>	<u>\$ 30,863</u>	<u>\$ (5,308)</u>	<u>\$ 69,171</u>	<u>\$ (5,885)</u>

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Available for sale securities:						
Mortgage-backed securities, residential	\$ 13,157	\$ (312)	\$ 32,885	\$ (4,481)	\$ 46,042	\$ (4,793)
Asset-backed securities	1,170	(18)	—	—	1,170	(18)
State and municipal	975	(13)	2,424	(33)	3,399	(46)
CLO Securities	2,576	(13)	42,735	(317)	45,311	(330)
Corporate bonds	—	—	—	—	—	—
SBA pooled securities	216	(9)	1,059	(82)	1,275	(91)
	<u>\$ 18,094</u>	<u>\$ (365)</u>	<u>\$ 79,103</u>	<u>\$ (4,913)</u>	<u>\$ 97,197</u>	<u>\$ (5,278)</u>

Management evaluates available for sale debt securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Consideration is given to (1) the extent to which the fair value is less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At June 30, 2024, the Company had 92 available for sale debt securities in an unrealized loss position without an allowance for credit losses. Management does not have the intent to sell any of these securities and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Accordingly, as of June 30, 2024, management believes that the unrealized losses detailed in the previous table are due to noncredit-related factors, including changes in interest rates and other market conditions, and therefore the Company carried no allowance for credit losses on available for sale debt securities at June 30, 2024.

The following table presents the activity in the allowance for credit losses for held to maturity debt securities:

<i>(Dollars in thousands)</i>				
Held to Maturity CLO Securities	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Allowance for credit losses:				
Beginning balance	\$ 3,135	\$ 2,585	\$ 3,190	\$ 2,444
Credit loss expense	27	291	(28)	432
Allowance for credit losses ending balance	<u>\$ 3,162</u>	<u>\$ 2,876</u>	<u>\$ 3,162</u>	<u>\$ 2,876</u>

The Company's held to maturity securities are investments in the unrated subordinated notes of collateralized loan obligation funds. These securities are the junior-most in securitization capital structures, and are subject to suspension of distributions if the credit of the underlying loan portfolios deteriorates materially. The ACL on held to maturity securities is estimated at each measurement date on a collective basis by major security type. At June 30, 2024 and December 31, 2023, the Company's held to maturity securities consisted of three investments in the subordinated notes of collateralized loan obligation ("CLO") funds. Expected credit losses for these securities are estimated using a discounted cash flow methodology which considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Ultimately, the realized cash flows on CLO securities such as these will be driven by a variety of factors, including credit performance of the underlying loan portfolio, adjustments to the portfolio by the asset manager, and the timing of a potential call. At June 30, 2024, \$4,615,000 of the Company's held to maturity securities were classified as nonaccrual.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans Held for Sale

The following table presents loans held for sale:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
1-4 family residential	\$ 1,875	\$ 1,230
Commercial	(824)	6
Total loans held for sale	<u>\$ 1,051</u>	<u>\$ 1,236</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Loans Held for Investment

Loans

The following table presents the amortized cost and unpaid principal balance of loans held for investment:

	June 30, 2024			December 31, 2023		
	Amortized Cost	Unpaid Principal	Difference	Amortized Cost	Unpaid Principal	Difference
<i>(Dollars in thousands)</i>						
Commercial real estate	\$ 842,342	\$ 843,323	\$ (981)	\$ 812,704	\$ 813,623	\$ (919)
Construction, land development, land	216,531	216,944	(413)	136,720	137,209	(489)
1-4 family residential	128,508	128,631	(123)	125,916	126,096	(180)
Farmland	58,495	58,639	(144)	63,568	63,728	(160)
Commercial	1,092,280	1,095,214	(2,934)	1,170,365	1,176,243	(5,878)
Factored receivables	1,207,480	1,211,145	(3,665)	1,116,654	1,119,544	(2,890)
Consumer	7,596	7,597	(1)	8,326	8,328	(2)
Mortgage warehouse	735,185	735,185	—	728,847	728,847	—
Total loans held for investment	4,288,417	\$ 4,296,678	\$ (8,261)	4,163,100	\$ 4,173,618	\$ (10,518)
Allowance for credit losses	(39,591)			(35,219)		
	<u>\$ 4,248,826</u>			<u>\$ 4,127,881</u>		

The difference between the amortized cost and the unpaid principal is due to (1) premiums and discounts associated with acquired loans totaling \$4,211,000 and \$6,861,000 at June 30, 2024 and December 31, 2023, respectively, and (2) net deferred origination and factoring fees totaling \$4,050,000 and \$3,657,000 at June 30, 2024 and December 31, 2023, respectively.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled \$ 33,212,000 and \$30,686,000 at June 30, 2024 and December 31, 2023, respectively, and was included in other assets on the Company's consolidated balance sheets.

At June 30, 2024 and December 31, 2023, the Company had \$ 231,415,000 and \$253,492,000, respectively, of customer reserves associated with factored receivables. These amounts represent customer reserves held to settle any payment disputes or collection shortfalls, may be used to pay customers' obligations to various third parties as directed by the customer, are periodically released to or withdrawn by customers, and are reported as deposits in the consolidated balance sheets.

At June 30, 2024 and December 31, 2023 the balance of the Over-Formula Advance Portfolio, acquired from Transport Financial Solutions during 2020, included in factored receivables was \$2,290,000 and \$3,151,000, respectively. These balances were fully reserved as of those respective dates.

At June 30, 2024 the Company carried a separate \$ 19,361,000 receivable (the "Misdirected Payments") payable by the United States Postal Service ("USPS") arising from accounts factored to the largest Over-Formula Advance Portfolio carrier. This amount is separate from the acquired Over-Formula Advances. The amounts represented by this receivable were paid by the USPS directly to such customer in contravention of notices of assignment delivered to, and previously honored by, the USPS, which amount was then not remitted back to us by such customer as required. The USPS disputes their obligation to make such payment, citing purported deficiencies in the notices delivered to them. We are a party to litigation in the United States Court of Federal Claims against the USPS seeking a ruling that the USPS was obligated to make the payments represented by this receivable directly to us. Based on our legal analysis and discussions with our counsel advising us on this matter, we continue to believe it is probable that we will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, we have not reserved for such balance as of June 30, 2024.

Loans with carrying amounts of \$1,480,032,000 and \$1,588,532,000 at June 30, 2024 and December 31, 2023, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity and Federal Reserve Bank discount window borrowing capacity.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Allowance for Credit Losses

The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the assets. The contractual term does not consider extensions, renewals or modifications. The activity in the allowance for credit losses ("ACL") related to loans held for investment is as follows:

<i>(Dollars in thousands)</i>	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Three months ended June 30, 2024					
Commercial real estate	\$ 5,666	\$ (228)	\$ —	\$ —	\$ 5,438
Construction, land development, land	2,666	(71)	—	1	2,596
1-4 family residential	979	6	(14)	1	972
Farmland	407	(12)	—	—	395
Commercial	16,560	2,018	(1,237)	31	17,372
Factored receivables	11,192	2,166	(1,774)	344	11,928
Consumer	135	96	(77)	2	156
Mortgage warehouse	641	93	—	—	734
	<u>\$ 38,246</u>	<u>\$ 4,068</u>	<u>\$ (3,102)</u>	<u>\$ 379</u>	<u>\$ 39,591</u>

<i>(Dollars in thousands)</i>	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Three months ended June 30, 2023					
Commercial real estate	\$ 4,292	\$ 491	\$ —	\$ —	\$ 4,783
Construction, land development, land	1,139	95	—	1	1,235
1-4 family residential	1,004	34	—	8	1,046
Farmland	472	4	—	—	476
Commercial	16,683	1,368	(5,124)	50	12,977
Factored receivables	17,581	1,521	(5,820)	159	13,441
Consumer	185	44	(133)	70	166
Mortgage warehouse	889	(43)	—	—	846
	<u>\$ 42,245</u>	<u>\$ 3,514</u>	<u>\$ (11,077)</u>	<u>\$ 288</u>	<u>\$ 34,970</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)

Six Months Ended June 30, 2024	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	\$ 6,030	\$ (592)	\$ —	\$ —	\$ 5,438
Construction, land development, land	965	1,630	—	1	2,596
1-4 family residential	927	56	(14)	3	972
Farmland	442	(47)	—	—	395
Commercial	14,060	5,069	(1,821)	64	17,372
Factored receivables	11,896	2,722	(3,332)	642	11,928
Consumer	171	133	(194)	46	156
Mortgage warehouse	728	6	—	—	734
	<u>\$ 35,219</u>	<u>\$ 8,977</u>	<u>\$ (5,361)</u>	<u>\$ 756</u>	<u>\$ 39,591</u>

(Dollars in thousands)

Six months ended June 30, 2023	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	\$ 4,459	\$ 254	\$ —	\$ 70	\$ 4,783
Construction, land development, land	1,155	78	—	2	1,235
1-4 family residential	838	203	(5)	10	1,046
Farmland	483	(7)	—	—	476
Commercial	15,918	2,315	(5,346)	90	12,977
Factored receivables	19,121	2,071	(8,113)	362	13,441
Consumer	175	65	(271)	197	166
Mortgage warehouse	658	188	—	—	846
	<u>\$ 42,807</u>	<u>\$ 5,167</u>	<u>\$ (13,735)</u>	<u>\$ 731</u>	<u>\$ 34,970</u>

The increase in required ACL during the three months ended June 30, 2024 is a function of net charge-offs of \$ 2,723,000 and credit loss expense of \$4,068,000.

The increase in required ACL during the six months ended June 30, 2024 is a function of net charge-offs of \$ 4,605,000 and credit loss expense of \$8,977,000.

The Company uses the discounted cash flow (DCF) method to estimate ACL for the commercial real estate, construction, land development, land, 1-4 family residential, commercial (excluding liquid credit and PPP), and consumer loan pools. For all loan pools utilizing the DCF method, the Company utilizes and forecasts national unemployment as a loss driver. The Company also utilizes and forecasts either one-year percentage change in national retail sales (commercial real estate – non multifamily, commercial general, commercial agriculture, commercial asset-based lending, commercial equipment finance, consumer), one-year percentage change in the national home price index (1-4 family residential and construction, land development, land), or one-year percentage change in national gross domestic product (commercial real estate – multifamily) as a second loss driver depending on the nature of the underlying loan pool and how well that loss driver correlates to expected future losses. Consistent forecasts of the loss drivers are used across the loan segments. The Company also forecasts prepayments speeds for use in the DCF models with higher prepayment speeds resulting in lower required ACL levels and vice versa for shorter prepayment speeds. These assumed prepayment speeds are based upon our historical prepayment speeds by loan type adjusted for the expected impact of the future interest rate environment. The impact of these assumed prepayment speeds is lesser in magnitude than the aforementioned loss driver assumptions.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For all DCF models at June 30, 2024, the Company has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over eight quarters on a straight-line basis. The Company leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the four-quarter forecast period. Other internal and external indicators of economic forecasts are also considered by the Company when developing the forecast metrics. At June 30, 2024 as compared to December 31, 2023, the Company forecasted minimal change in national unemployment and one-year percentage change in national gross domestic product while forecasting improvement in one-year percentage change in the national home price index and some degradation in on-year percentage change in national retail sales. At June 30, 2024 for national unemployment, the Company projected a low percentage in the first quarter followed by a gradual rise in the following three quarters. For percentage change in national retail sales, the Company projected a small increase in the first projected quarter followed by a decline to negative levels over the last three projected quarters to a level below recent actual periods. For percentage change in national home price index, the Company projected an increase in the first projected quarter followed by a steep drop to negative levels for the remaining three quarters with such negative levels peaking in the fourth projected quarter. For percentage change in national gross domestic product, management projected low-to-near-zero growth for each projected quarter with the exception of positive growth in the first projected quarter. At June 30, 2024, the Company used its historical prepayment speeds with minimal adjustment.

The Company uses a loss-rate method to estimate expected credit losses for the farmland, liquid credit, factored receivable, and mortgage warehouse loan pools. For each of these loan segments, the Company applies an expected loss ratio based on internal and peer historical losses adjusted as appropriate for qualitative factors. Qualitative loss factors are based on the Company's judgment of company, market, industry or business specific data, changes in underlying loan composition of specific portfolios, trends relating to credit quality, delinquency, non-performing and adversely rated loans, and reasonable and supportable forecasts of economic conditions. Loss factors used to calculate the required ACL on pools that use the loss-rate method reflect the forecasted economic conditions described above.

For the three months ended June 30, 2024, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period increased the required ACL by \$1,104,000. Changes in loan volume and mix increased the required ACL by \$ 245,000. Changes in required specific reserves did not have a significant impact on the required ACL. Net charge-offs during the period were \$ 2,723,000.

For the three months ended June 30, 2023, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period did not have a significant impact on the required ACL. Likewise, changes in loan volume and mix did not have a significant impact on the ACL during the period. Decreases in required specific reserves decreased the required ACL by \$7,108,000. Net charge-offs during the period were \$10,789,000.

For the six months ended June 30, 2024, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period increased the required ACL by \$2,008,000. Changes in loan volume and mix increased the required ACL by \$ 1,010,000. Increases in required specific reserves increased the required ACL by \$1,354,000. Net charge-offs during the period were \$ 4,605,000.

For the six months ended June 30, 2023, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period did not have a meaningful impact on the required ACL. Likewise, changes in loan volume and mix did not have a meaningful impact on the ACL during the period. Decreases in required specific reserves decreased the required ACL by \$8,019,000. Net charge-offs during the period were \$13,004,000.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans:

(Dollars in thousands)

June 30, 2024	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
Commercial real estate	\$ 5,788	\$ —	\$ —	\$ 4,505	\$ 10,293	\$ 644
Construction, land development, land	306	—	—	—	306	—
1-4 family residential	757	—	—	—	757	97
Farmland	2,763	—	81	73	2,917	—
Commercial	100	—	28,233	18,404	46,737	5,310
Factored receivables	—	36,447	—	—	36,447	6,233
Consumer	—	—	—	159	159	—
Mortgage warehouse	—	—	—	—	—	—
Total	\$ 9,714	\$ 36,447	\$ 28,314	\$ 23,141	\$ 97,616	\$ 12,284

Commercial loans secured by Other collateral primarily consist of large liquid credit loans secured by the underlying enterprise values of the borrowers.

At June 30, 2024 the balance of the Over-Formula Advance Portfolio included in factored receivables was \$ 2,290,000 and was fully reserved. At June 30, 2024 the balance of Misdirected Payments included in factored receivables was \$19,361,000 and carried no ACL allocation.

(Dollars in thousands)

December 31, 2023	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
Commercial real estate	\$ 2,518	\$ —	\$ —	\$ —	\$ 2,518	\$ 777
Construction, land development, land	—	—	—	—	—	—
1-4 family residential	1,156	—	—	22	1,178	113
Farmland	291	—	—	677	968	—
Commercial	920	—	18,259	21,772	40,951	3,322
Factored receivables	—	39,577	—	—	39,577	6,717
Consumer	—	—	—	133	133	—
Mortgage warehouse	—	—	—	—	—	—
Total	\$ 4,885	\$ 39,577	\$ 18,259	\$ 22,604	\$ 85,325	\$ 10,929

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At December 31, 2023 the balance of the Over-Formula Advance Portfolio included in factored receivables was \$ 3,151,000 and carried an ACL allocation of \$3,151,000. At December 31, 2023 the balance of Misdirected Payments included in factored receivables was \$ 19,361,000 and carried no ACL allocation.

Past Due and Nonaccrual Loans

The following tables present an aging of contractually past due loans:

(Dollars in thousands)

June 30, 2024	Past Due 30-59 Days	Past Due 60-90 Days	Past Due 90 Days or More	Total Past Due	Current	Total	Past Due 90 Days or More and Accruing
Commercial real estate	\$ 59	\$ —	\$ 9,289	\$ 9,348	\$ 832,994	\$ 842,342	\$ —
Construction, land development, land	—	—	—	—	216,531	216,531	—
1-4 family residential	1,923	354	361	2,638	125,870	128,508	—
Farmland	250	2,238	293	2,781	55,714	58,495	—
Commercial	5,794	9,461	18,846	34,101	1,058,179	1,092,280	—
Factored receivables	18,494	2,642	24,572	45,708	1,161,772	1,207,480	24,572
Consumer	3	10	18	31	7,565	7,596	—
Mortgage warehouse	—	—	—	—	735,185	735,185	—
Total	\$ 26,523	\$ 14,705	\$ 53,379	\$ 94,607	\$ 4,193,810	\$ 4,288,417	\$ 24,572

(Dollars in thousands)

December 31, 2023	Past Due 30-59 Days	Past Due 60-90 Days	Past Due 90 Days or More	Total Past Due	Current	Total	Past Due 90 Days or More and Accruing
Commercial real estate	\$ —	\$ 74	\$ 1,369	\$ 1,443	\$ 811,261	\$ 812,704	\$ —
Construction, land development, land	—	—	—	—	136,720	136,720	—
1-4 family residential	680	639	309	1,628	124,288	125,916	—
Farmland	173	—	—	173	63,395	63,568	—
Commercial	4,585	4,699	5,423	14,707	1,155,658	1,170,365	—
Factored receivables	32,177	6,438	26,332	64,947	1,051,707	1,116,654	26,332
Consumer	44	96	31	171	8,155	8,326	—
Mortgage warehouse	—	—	—	—	728,847	728,847	—
Total	\$ 37,659	\$ 11,946	\$ 33,464	\$ 83,069	\$ 4,080,031	\$ 4,163,100	\$ 26,332

At June 30, 2024 and December 31, 2023, total past due Over-Formula Advances recorded in factored receivables was \$ 2,290,000 and \$3,151,000, respectively, all of which was considered past due 90 days or more. At June 30, 2024 and December 31, 2023, the Misdirected Payments totaled \$19,361,000, all of which was considered past due 90 days or more. Given the nature of factored receivables, these assets are disclosed as past due 90 days or more still accruing; however, the Company is not recognizing income on the assets. Historically, any income recognized on factored receivables that are past due 90 days or more has not been material.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the amortized cost basis of loans on nonaccrual status and the amortized cost basis of loans on nonaccrual status for which there was no related allowance for credit losses:

<i>(Dollars in thousands)</i>	June 30, 2024		December 31, 2023	
	Total Nonaccrual	Nonaccrual With No ACL	Total Nonaccrual	Nonaccrual With No ACL
Commercial real estate	\$ 10,228	\$ 8,049	\$ 2,447	\$ 190
Construction, land development, land	306	306	—	—
1-4 family residential	757	629	1,178	1,028
Farmland	2,917	2,917	968	968
Commercial	46,736	25,759	40,951	33,188
Factored receivables	—	—	—	—
Consumer	159	159	133	133
Mortgage warehouse	—	—	—	—
	<u>\$ 61,103</u>	<u>\$ 37,819</u>	<u>\$ 45,677</u>	<u>\$ 35,507</u>

The following table presents accrued interest on nonaccrual loans reversed through interest income:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Commercial real estate	\$ —	\$ —	\$ —	\$ 16
Construction, land development, land	—	—	2	—
1-4 family residential	—	6	1	6
Farmland	13	—	13	22
Commercial	5	1	188	8
Factored receivables	—	—	—	—
Consumer	—	1	—	1
Mortgage warehouse	—	—	—	—
	<u>\$ 18</u>	<u>\$ 8</u>	<u>\$ 204</u>	<u>\$ 53</u>

There was no interest earned on nonaccrual loans during the three and six months ended June 30, 2024 and 2023.

The following table presents information regarding nonperforming loans:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
Nonaccrual loans	\$ 61,103	\$ 45,677
Factored receivables greater than 90 days past due	22,282	23,181
	<u>\$ 83,385</u>	<u>\$ 68,858</u>

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current collateral and financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk on a regular basis. Large groups of smaller balance homogeneous loans, such as consumer loans, are analyzed primarily based on payment status. The Company uses the following definitions for risk ratings:

Pass – Pass rated loans have low to average risk and are not otherwise classified.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Classified – Classified loans are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Certain classified loans have the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Management considers the guidance in ASC 310-20 when determining whether a modification, extension, or renewal of loan constitutes a current period origination. Generally, current period renewals of credit are re-underwritten at the point of renewal and considered current period originations for purposes of the table below. As of June 30, 2024 and December 31, 2023, based on the most recent analysis performed, the risk category of loans is as follows:

[Table of Contents](#)

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)

(Dollars in thousands)										Revolving Loans Converted To Term
Year of Origination										
June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Loans	Total	
Commercial real estate										
Pass	\$ 181,481	\$ 142,640	\$ 82,766	\$ 95,297	\$ 109,310	\$ 45,094	\$ 91,488	\$ 14	\$ 748,090	
Classified	—	91,381	662	1,544	665	—	—	—	94,252	
Total commercial real estate	\$ 181,481	\$ 234,021	\$ 83,428	\$ 96,841	\$ 109,975	\$ 45,094	\$ 91,488	\$ 14	\$ 842,342	
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Construction, land development, land										
Pass	\$ 120,327	\$ 87,171	\$ 1,125	\$ 992	\$ 275	\$ 2,624	\$ 3,711	\$ —	\$ 216,225	
Classified	306	—	—	—	—	—	—	—	306	
Total construction, land development, land	\$ 120,633	\$ 87,171	\$ 1,125	\$ 992	\$ 275	\$ 2,624	\$ 3,711	\$ —	\$ 216,531	
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
1-4 family residential										
Pass	\$ 11,009	\$ 22,198	\$ 15,690	\$ 18,061	\$ 6,494	\$ 20,936	\$ 33,121	\$ 212	\$ 127,721	
Classified	19	2	—	90	—	419	257	—	787	
Total 1-4 family residential	\$ 11,028	\$ 22,200	\$ 15,690	\$ 18,151	\$ 6,494	\$ 21,355	\$ 33,378	\$ 212	\$ 128,508	
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ 14	
Farmland										
Pass	\$ 12,424	\$ 6,585	\$ 8,806	\$ 4,678	\$ 7,560	\$ 14,038	\$ 1,392	\$ 81	\$ 55,564	
Classified	68	184	2,238	—	14	427	—	—	2,931	
Total farmland	\$ 12,492	\$ 6,769	\$ 11,044	\$ 4,678	\$ 7,574	\$ 14,465	\$ 1,392	\$ 81	\$ 58,495	
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Commercial										
Pass	\$ 201,925	\$ 177,970	\$ 135,676	\$ 44,201	\$ 29,181	\$ 10,688	\$ 430,463	\$ 884	\$ 1,030,988	
Classified	4,765	29,728	20,861	2,231	3,473	56	178	—	61,292	
Total commercial	\$ 206,690	\$ 207,698	\$ 156,537	\$ 46,432	\$ 32,654	\$ 10,744	\$ 430,641	\$ 884	\$ 1,092,280	
YTD gross charge-offs	\$ —	\$ 1,242	\$ 29	\$ 43	\$ 490	\$ 17	\$ —	\$ —	\$ 1,821	
Factored receivables										
Pass	\$ 1,166,979	\$ —	\$ —	\$ —	\$ 2,290	\$ —	\$ —	\$ —	\$ 1,169,269	
Classified	18,850	—	—	—	19,361	—	—	—	38,211	
Total factored receivables	\$ 1,185,829	\$ —	\$ —	\$ —	\$ 21,651	\$ —	\$ —	\$ —	\$ 1,207,480	
YTD gross charge-offs	\$ 1,774	\$ 1,558	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,332	
Consumer										
Pass	\$ 2,415	\$ 2,300	\$ 981	\$ 416	\$ 254	\$ 1,053	\$ 18	\$ —	\$ 7,437	
Classified	—	17	—	72	—	52	18	—	159	
Total consumer	\$ 2,415	\$ 2,317	\$ 981	\$ 488	\$ 254	\$ 1,105	\$ 36	\$ —	\$ 7,596	
YTD gross charge-offs	\$ —	\$ 175	\$ 18	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 194	
Mortgage warehouse										
Pass	\$ 735,185	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 735,185	
Classified	—	—	—	—	—	—	—	—	—	
Total mortgage warehouse	\$ 735,185	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 735,185	
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Total loans										
Pass	\$ 2,431,745	\$ 438,864	\$ 245,044	\$ 163,645	\$ 155,364	\$ 94,433	\$ 560,193	\$ 1,191	\$ 4,090,479	
Classified	24,008	121,312	23,761	3,937	23,513	954	453	—	197,938	
Total loans	\$ 2,455,753	\$ 560,176	\$ 268,805	\$ 167,582	\$ 178,877	\$ 95,387	\$ 560,646	\$ 1,191	\$ 4,288,417	
YTD gross charge-offs	\$ 1,774	\$ 2,975	\$ 47	\$ 43	\$ 490	\$ 18	\$ 14	\$ —	\$ 5,361	

[Table of Contents](#)

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)

(Dollars in thousands)	Year of Origination						Revolving	Loans	Converted	
							Revolving	To Term		
December 31, 2023	2023	2022	2021	2020	2019	Prior	Loans	Loans		Total
Commercial real estate										
Pass	\$ 244,388	\$ 119,169	\$ 98,484	\$ 116,078	\$ 16,351	\$ 34,724	\$ 88,547	\$ 159		\$ 717,900
Classified	91,456	665	1,630	1,016	37	—	—	—		94,804
Total commercial real estate	\$ 335,844	\$ 119,834	\$ 100,114	\$ 117,094	\$ 16,388	\$ 34,724	\$ 88,547	\$ 159		\$ 812,704
YTD gross charge-offs	\$ 108	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ 108
Construction, land development, land										
Pass	\$ 91,557	\$ 34,683	\$ 1,668	\$ 2,996	\$ 2,928	\$ 276	\$ 2,612	\$ —		\$ 136,720
Classified	—	—	—	—	—	—	—	—		—
Total construction, land development, land	\$ 91,557	\$ 34,683	\$ 1,668	\$ 2,996	\$ 2,928	\$ 276	\$ 2,612	\$ —		\$ 136,720
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ —
1-4 family residential										
Pass	\$ 22,637	\$ 16,336	\$ 19,542	\$ 7,229	\$ 2,462	\$ 20,950	\$ 35,373	\$ 174		\$ 124,703
Classified	296	1	99	—	40	590	187	—		1,213
Total 1-4 family residential	\$ 22,933	\$ 16,337	\$ 19,641	\$ 7,229	\$ 2,502	\$ 21,540	\$ 35,560	\$ 174		\$ 125,916
YTD gross charge-offs	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ 5
Farmland										
Pass	\$ 13,140	\$ 13,628	\$ 5,586	\$ 7,876	\$ 2,296	\$ 18,542	\$ 1,359	\$ 155		\$ 62,582
Classified	677	—	—	18	86	205	—	—		986
Total farmland	\$ 13,817	\$ 13,628	\$ 5,586	\$ 7,894	\$ 2,382	\$ 18,747	\$ 1,359	\$ 155		\$ 63,568
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ —
Commercial										
Pass	\$ 269,496	\$ 196,731	\$ 79,125	\$ 61,440	\$ 24,583	\$ 10,476	\$ 472,269	\$ 370		\$ 1,114,490
Classified	27,547	19,441	5,462	3,291	24	80	30	—		55,875
Total commercial	\$ 297,043	\$ 216,172	\$ 84,587	\$ 64,731	\$ 24,607	\$ 10,556	\$ 472,299	\$ 370		\$ 1,170,365
YTD gross charge-offs	\$ 100	\$ 4,619	\$ 4,493	\$ 499	\$ 44	\$ 49	\$ —	\$ —		\$ 9,804
Factored receivables										
Pass	\$ 1,075,428	\$ —	\$ —	\$ 3,151	\$ —	\$ —	\$ —	\$ —		\$ 1,078,579
Classified	18,714	—	—	19,361	—	—	—	—		38,075
Total factored receivables	\$ 1,094,142	\$ —	\$ —	\$ 22,512	\$ —	\$ —	\$ —	\$ —		\$ 1,116,654
YTD gross charge-offs	\$ 5,374	\$ 2,293	\$ —	\$ 3,330	\$ —	\$ —	\$ —	\$ —		\$ 10,997
Consumer										
Pass	\$ 4,141	\$ 1,442	\$ 593	\$ 406	\$ 83	\$ 1,488	\$ 40	\$ —		\$ 8,193
Classified	19	—	83	1	—	30	—	—		133
Total consumer	\$ 4,160	\$ 1,442	\$ 676	\$ 407	\$ 83	\$ 1,518	\$ 40	\$ —		\$ 8,326
YTD gross charge-offs	\$ 519	\$ 25	\$ 12	\$ 3	\$ —	\$ 4	\$ —	\$ —		\$ 563
Mortgage warehouse										
Pass	\$ 728,847	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ 728,847
Classified	—	—	—	—	—	—	—	—		—
Total mortgage warehouse	\$ 728,847	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ 728,847
YTD gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ —
Total loans										
Pass	\$ 2,449,634	\$ 381,989	\$ 204,998	\$ 199,176	\$ 48,703	\$ 86,456	\$ 600,200	\$ 858		\$ 3,972,014
Classified	138,709	20,107	7,274	23,687	187	905	217	—		191,086
Total loans	\$ 2,588,343	\$ 402,096	\$ 212,272	\$ 222,863	\$ 48,890	\$ 87,361	\$ 600,417	\$ 858		\$ 4,163,100
YTD gross charge-offs	\$ 6,106	\$ 6,937	\$ 4,505	\$ 3,832	\$ 44	\$ 53	\$ —	\$ —		\$ 21,477

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Loan Modifications to Borrowers Experiencing Financial Difficulty

The following tables present the amortized cost basis of loan modifications to borrowers experiencing financial difficulty made during the reporting period:

(Dollars in thousands)	Term Extension			
	Three Months Ended		Six Months Ended	
	Amortized Cost	% of Portfolio	Amortized Cost	% of Portfolio
June 30, 2024				
Commercial real estate	\$ 194	— %	\$ 194	— %
Consumer	18	0.2 %	18	0.2 %
	<u>\$ 212</u>	<u>— %</u>	<u>\$ 212</u>	<u>— %</u>
June 30, 2023				
Commercial real estate	\$ 116	— %	\$ 116	— %
Commercial	—	— %	1,218	0.1 %
	<u>\$ 116</u>	<u>— %</u>	<u>\$ 1,334</u>	<u>— %</u>

(Dollars in thousands)	Term Extension and Rate Reduction			
	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Amortized Cost	% of Portfolio	Amortized Cost	% of Portfolio
Commercial real estate	\$ 143	— %	\$ 143	— %
	<u>\$ 161</u>	<u>— %</u>	<u>\$ 161</u>	<u>— %</u>

(Dollars in thousands)	Term Extension and Principal Forgiveness			
	Three Months Ended		Six Months Ended	
	Amortized Cost	% of Portfolio	Amortized Cost	% of Portfolio
June 30, 2024				
Commercial	\$ 4,128	0.4 %	\$ 4,128	0.4 %
	<u>\$ 4,128</u>	<u>0.1 %</u>	<u>\$ 4,128</u>	<u>0.1 %</u>

(Dollars in thousands)	Payment Delay			
	Three Months Ended		Six Months Ended	
	Amortized Cost	% of Portfolio	Amortized Cost	% of Portfolio
June 30, 2023				
Commercial real estate	\$ —	— %	\$ 756	0.1 %
	<u>\$ —</u>	<u>— %</u>	<u>\$ 756</u>	<u>— %</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty:

Term Extension		
	Three Months Ended	Six Months Ended
June 30, 2024		
Commercial real estate	Modification added a weighted average 0.5 years to the life of the modified loans.	Modification added a weighted average 0.5 years to the life of the modified loans.
Consumer	Modification added a weighted average 6.1 years to the life of the modified loans.	Modification added a weighted average 6.1 years to the life of the modified loans.
June 30, 2023		
Commercial real estate	Modification added a weighted average 0.3 years to the life of the modified loans.	Modification added a weighted average 0.3 years to the life of the modified loans.
Commercial	N/A	Modification added a weighted average 0.3 years to the life of the modified loans.

Term Extension and rate Reduction		
	Three Months Ended	Six Months Ended
June 30, 2024		
Commercial real estate	Modification added a weighted average 1.0 year to the life of the modified loans and reduced the weighted average contractual interest rate from 12.5% to 10.0%.	Modification added a weighted average 1.0 year to the life of the modified loans and reduced the weighted average contractual interest rate from 12.5% to 10.0%.

Term Extension and Principal Forgiveness		
	Three Months Ended	Six Months Ended
June 30, 2024		
Commercial	Modification added a weighted average 1.8 years to the life of the modified loan and resulted in principal forgiveness totaling \$507,000.	Modification added a weighted average 1.8 years to the life of the modified loan and resulted in principal forgiveness totaling 507,000.

Payment Delay		
	Three Months Ended	Six Months Ended
June 30, 2023		
Commercial real estate	N/A	Modification provided a weighted average payment delay of 0.5 years.

Generally, if a loan to a borrower experiencing financial difficulty is modified, the Company will seek to obtain credit enhancements when possible.

The following table presents the payment status of loans that have been modified in the last twelve months:

(Dollars in thousands)	June 30, 2024		
	Current	Past Due 30-89 Days	Past Due 90 Days or More
Commercial real estate	\$ 107,095	\$ —	\$ —
Commercial	20,806	3,559	—
Consumer	18	—	—
	<u>\$ 127,919</u>	<u>\$ 3,559</u>	<u>\$ —</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At June 30, 2024, the Company had no commitments to lend additional funds to borrowers experiencing financial difficulty for which the Company modified the terms of the loans in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension during the current period.

There were no loans to borrowers experiencing financial difficulty that had a payment default during the three and six months ended June 30, 2024 and 2023 and were modified in the twelve months prior to that default. Default is determined at 90 or more days past due, upon charge-off, or upon foreclosure. Modified loans in default are individually evaluated for the allowance for credit losses or if the modified loan is deemed uncollectible, the loan, or a portion of the loan, is written off and the allowance for credit losses is adjusted accordingly.

Residential Real Estate Loans In Process of Foreclosure

At June 30, 2024 and December 31, 2023, the Company had no 1-4 family residential real estate loans for which formal foreclosure proceedings were in process.

NOTE 4 — GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
Goodwill	\$ 233,709	\$ 233,709

<i>(Dollars in thousands)</i>	June 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	\$ 43,578	\$ (39,203)	\$ 4,375	\$ 43,578	\$ (38,084)	\$ 5,494
Customer relationship intangibles	29,954	(21,537)	8,417	29,954	(19,901)	10,053
Software intangible assets	16,932	(13,052)	3,880	16,932	(10,935)	5,997
Other intangible assets	6,419	(2,148)	4,271	3,498	(1,396)	2,102
	<u>\$ 96,883</u>	<u>\$ (75,940)</u>	<u>\$ 20,943</u>	<u>\$ 93,962</u>	<u>\$ (70,316)</u>	<u>\$ 23,646</u>

The changes in goodwill and intangible assets during the three and six months ended June 30, 2024 and 2023 are as follows:

<i>(Dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 257,551	\$ 265,959	\$ 257,355	\$ 265,767
Acquired intangible assets	—	—	2,920	3,042
Amortization of intangibles	(2,869)	(3,001)	(5,593)	(5,851)
Amortization of intangibles included in lease income	(30)	—	(30)	—
Ending balance	<u>\$ 254,652</u>	<u>\$ 262,958</u>	<u>\$ 254,652</u>	<u>\$ 262,958</u>

NOTE 5 — VARIABLE INTEREST ENTITIES

Collateralized Loan Obligation Funds – Closed

The Company holds investments in the subordinated notes of the following closed Collateralized Loan Obligation ("CLO") funds:

<i>(Dollars in thousands)</i>	Offering Date	Offering Amount
Trinitas CLO IV, LTD (Trinitas IV)	June 2, 2016	\$ 406,650
Trinitas CLO V, LTD (Trinitas V)	September 22, 2016	\$ 409,000
Trinitas CLO VI, LTD (Trinitas VI)	June 20, 2017	\$ 717,100

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The net carrying amounts of the Company's investments in the subordinated notes of the CLO funds, which represent the Company's maximum exposure to loss as a result of its involvement with the CLO funds, totaled \$2,787,000 and \$2,977,000 at June 30, 2024 and December 31, 2023, respectively, and are classified as held to maturity securities within the Company's consolidated balance sheets.

The Company performed a consolidation analysis to confirm whether the Company was required to consolidate the assets, liabilities, equity or operations of the closed CLO funds in its financial statements. The Company concluded that the closed CLO funds were variable interest entities and that the Company holds variable interests in the entities in the form of its investments in the subordinated notes of entities. However, the Company also concluded that the Company does not have the power to direct the activities that most significantly impact the entities' economic performance. As a result, the Company was not the primary beneficiary and therefore was not required to consolidate the assets, liabilities, equity, or operations of the closed CLO funds in the Company's financial statements.

NOTE 6 — LEGAL CONTINGENCIES

The Company, through its direct and indirect wholly owned subsidiaries, has purchased and received payments on accounts receivable payable to Surge Transportation, Inc. ('Surge'), a licensed freight broker, as part of factoring services provided to such entity. On July 24, 2023, Surge filed for Chapter 11 Bankruptcy in the US Bankruptcy Court in the Middle District of Florida. In connection with the bankruptcy proceedings, certain claimants comprised of motor carriers, contingency collection agents, and factoring companies filed complaints alleging that such entities have an ownership interest in, or other rights to, amounts paid to the Company in respect of such purchased accounts receivable. The Court has not yet ruled on such complaints. In the event of an adverse ruling with respect to such complaints, Triumph may be required to disgorge or pay to such claimants all or a portion of the amounts it has collected on such receivables. The Company and litigants are finalizing conditional settlements of all claims in conjunction with a Plan of Reorganization which was filed by Surge on March 29, 2024. The Plan is not yet confirmed. Due to the uncertainty of the existence of or extent of any loss exposure, Triumph is unable to calculate any reserve loss at this time.

Additionally, other various legal claims have arisen from time to time in the normal course of business which, in the opinion of management as of June 30, 2024, will have no material effect on the Company's consolidated financial statements.

NOTE 7 — OFF-BALANCE SHEET LOAN COMMITMENTS

From time to time, the Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments.

The contractual amounts of financial instruments with off-balance sheet risk were as follows:

(Dollars in thousands)	June 30, 2024			December 31, 2023		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Unused lines of credit	\$ 73,545	\$ 505,552	\$ 579,097	\$ 53,822	\$ 527,300	\$ 581,122
Standby letters of credit	\$ 15,224	\$ 8,060	\$ 23,284	\$ 15,013	\$ 9,356	\$ 24,369
Commitments to purchase loans	\$ —	\$ 17,210	\$ 17,210	\$ —	\$ 17,125	\$ 17,125
Mortgage warehouse commitments	\$ —	\$ 859,228	\$ 859,228	\$ —	\$ 895,896	\$ 895,896

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Company, upon extension of credit, is based on management's credit evaluation of the customer.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event of nonperformance by the customer, the Company has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The credit risk to the Company in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

Commitments to purchase loans represent loans purchased by the Company that have not yet settled.

Mortgage warehouse commitments are unconditionally cancellable and represent the unused capacity on mortgage warehouse facilities the Company has approved. The Company reserves the right to refuse to buy any mortgage loans offered for sale by a customer, for any reason, at the Company's sole and absolute discretion.

The Company records an allowance for credit losses on off-balance sheet credit exposures through a charge to credit loss expense on the Company's consolidated statements of income. At June 30, 2024 and December 31, 2023, the allowance for credit losses on off-balance sheet credit exposures totaled \$3,940,000 and \$2,838,000, respectively, and was included in other liabilities on the Company's consolidated balance sheets. The following table presents credit loss expense for off balance sheet credit exposures:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Credit loss expense (benefit)	\$ 60	\$ (1,162)	\$ 1,102	\$ (343)

NOTE 8 — FAIR VALUE DISCLOSURES

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The methods of determining the fair value of assets and liabilities presented in this note are consistent with the methodologies disclosed in Note 16 of the Company's 2023 Form 10-K.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Assets and liabilities measured at fair value on a recurring basis are summarized in the table below.

(Dollars in thousands)

(Dollars in thousands)	Fair Value Measurements Using			Total
June 30, 2024	Level 1	Level 2	Level 3	Fair Value
Assets measured at fair value on a recurring basis				
Securities available for sale				
Mortgage-backed securities, residential	\$ —	\$ 65,115	\$ —	\$ 65,115
Asset-backed securities	—	1,033	—	1,033
State and municipal	—	3,390	—	3,390
CLO securities	—	268,573	—	268,573
Corporate bonds	—	259	—	259
SBA pooled securities	—	1,291	—	1,291
	<u>\$ —</u>	<u>\$ 339,661</u>	<u>\$ —</u>	<u>\$ 339,661</u>
Equity securities with readily determinable fair values				
Mutual fund	<u>\$ 4,422</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,422</u>
Loans held for sale	<u>\$ —</u>	<u>\$ 1,051</u>	<u>\$ —</u>	<u>\$ 1,051</u>
Indemnification asset	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,088</u>	<u>\$ 1,088</u>
Revenue share asset	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,789</u>	<u>\$ 2,789</u>

(Dollars in thousands)

(Dollars in thousands)	Fair Value Measurements Using			Total
December 31, 2023	Level 1	Level 2	Level 3	Fair Value
Assets measured at fair value on a recurring basis				
Securities available for sale				
Mortgage-backed securities, residential	\$ —	\$ 55,839	\$ —	\$ 55,839
Asset-backed securities	—	1,170	—	1,170
State and municipal	—	4,515	—	4,515
CLO Securities	—	236,291	—	236,291
Corporate bonds	—	275	—	275
SBA pooled securities	—	1,554	—	1,554
	<u>\$ —</u>	<u>\$ 299,644</u>	<u>\$ —</u>	<u>\$ 299,644</u>
Equity securities with readily determinable fair values				
Mutual fund	<u>\$ 4,488</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,488</u>
Loans held for sale	<u>\$ —</u>	<u>\$ 1,236</u>	<u>\$ —</u>	<u>\$ 1,236</u>
Indemnification asset	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,497</u>	<u>\$ 1,497</u>
Revenue share asset	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,516</u>	<u>\$ 2,516</u>

There were no transfers between levels during 2024 or 2023.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Indemnification Asset

The fair value of the indemnification asset is calculated as the present value of the estimated cash payments expected to be received from Covenant for probable losses on the covered Over-Formula Advance Portfolio acquired during 2020. The cash flows are discounted at a rate to reflect the uncertainty of the timing and receipt of the payments from Covenant. The indemnification asset is reviewed quarterly and changes to the asset are recorded as adjustments to other noninterest income or expense, as appropriate, within the Consolidated Statements of Income. The indemnification asset fair value is considered a Level 3 classification. At June 30, 2024 and December 31, 2023, the estimated cash payments expected to be received from Covenant for probable losses on the covered Over-Formula Advance Portfolio were approximately \$1,145,000 and \$1,575,000, respectively, and a discount rate of 5.0% and 5.0%, respectively, was applied to calculate the present value of the indemnification asset. A reconciliation of the opening balance to the closing balance of the fair value of the indemnification asset is as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 1,292	\$ 3,691	\$ 1,497	\$ 3,896
Indemnification asset recognized in business combination	—	—	—	—
Change in fair value of indemnification asset recognized in earnings	(204)	(121)	(409)	(326)
Indemnification reduction	—	(1,665)	—	(1,665)
Ending balance	<u>\$ 1,088</u>	<u>\$ 1,905</u>	<u>\$ 1,088</u>	<u>\$ 1,905</u>

Revenue Share Asset

On June 30, 2022 and September 6, 2022, the Company entered into and closed two separate agreements to sell two separate portfolios of factored receivables. The June 30, 2022 agreement contains revenue share provisions that entitles the Company to an amount equal to fifteen percent of the future gross monthly revenue of the clients associated with the sold factored receivable portfolio. The September 6, 2022 agreement contains revenue share provisions that entitles the Company to an amount ranging from fifteen to twenty percent, depending on the client, of the future gross monthly revenue of the clients associated with the sold factored receivable portfolio. The fair value of the revenue share assets is calculated each reporting period, and changes in the fair value of the revenue share assets are recorded in noninterest income in the consolidated statements of income. The revenue share asset fair value is considered a Level 3 classification.

At June 30, 2024 and December 31, 2023, the estimated cash payments expected to be received from the purchaser for the Company's share of future gross monthly revenue as \$3,754,000 and \$3,329,000, respectively, and a discount rate of 10.0% was applied to calculate the present value of the revenue share asset. A reconciliation of the opening balance to the closing balance of the fair value of the revenue share asset is as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 2,689	\$ 4,532	\$ 2,516	\$ 5,515
Revenue share asset recognized	—	—	—	—
Change in fair value of revenue share asset recognized in earnings	407	(1,169)	879	(1,789)
Revenue share payments received	(307)	(310)	(606)	(673)
Ending balance	<u>\$ 2,789</u>	<u>\$ 3,053</u>	<u>\$ 2,789</u>	<u>\$ 3,053</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Assets measured at fair value on a non-recurring basis are summarized in the table below. There were no liabilities measured at fair value on a non-recurring basis at June 30, 2024 and December 31, 2023.

(Dollars in thousands)

June 30, 2024	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Collateral dependent loans				
Commercial real estate	\$ —	\$ —	\$ 1,534	\$ 1,534
1-4 family residential	—	—	32	32
Commercial	—	—	29,794	29,794
Factored receivables	—	—	30,214	30,214
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 61,574</u>	<u>\$ 61,574</u>

(Dollars in thousands)

December 31, 2023	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Collateral dependent loans				
Commercial real estate	\$ —	\$ —	\$ 1,480	\$ 1,480
1-4 family residential	—	—	37	37
Commercial	—	—	20,870	20,870
Factored receivables	—	—	32,860	32,860
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55,247</u>	<u>\$ 55,247</u>

Collateral Dependent Loans Specific Allocation of ACL: A loan is considered to be a collateral dependent loan when, based on current information and events, the Company expects repayment of the financial assets to be provided substantially through the operation or sale of the collateral and the Company has determined that the borrower is experiencing financial difficulty as of the measurement date. The ACL is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the underlying fair value of the loan's collateral. For real estate loans, fair value of the loan's collateral is determined by third party appraisals, which are then adjusted for the estimated selling and closing costs related to liquidation of the collateral. For this asset class, the actual valuation methods (income, sales comparable, or cost) vary based on the status of the project or property. For example, land is generally based on the sales comparable method while construction is based on the income and/or sales comparable methods. The unobservable inputs may vary depending on the individual assets with no one of the three methods being the predominant approach. The Company reviews the third party appraisal for appropriateness and adjusts the value downward to consider selling and closing costs, which typically range from 5% to 8% of the appraised value. For non-real estate loans, fair value of the loan's collateral may be determined using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The estimated fair values of the Company's financial instruments not measured at fair value on a recurring or non-recurring basis at June 30, 2024 and December 31, 2023 were as follows:

<i>(Dollars in thousands)</i>	Carrying	Fair Value Measurements Using			Total
June 30, 2024	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	\$ 500,663	\$ 500,663	\$ —	\$ —	\$ 500,663
Securities - held to maturity	2,787	—	—	3,576	3,576
Loans not previously presented, gross	4,226,843	86,057	—	4,080,670	4,166,727
FHLB and other restricted stock	14,040	N/A	N/A	N/A	N/A
Accrued interest receivable	37,515	37,515	—	—	37,515
Financial liabilities:					
Deposits	4,392,018	—	4,386,008	—	4,386,008
Federal Home Loan Bank advances	280,000	—	280,000	—	280,000
Subordinated notes	108,939	—	93,909	—	93,909
Junior subordinated debentures	42,042	—	43,561	—	43,561
Accrued interest payable	8,054	8,054	—	—	8,054

<i>(Dollars in thousands)</i>	Carrying	Fair Value Measurements Using			Total
December 31, 2023	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	\$ 286,635	\$ 286,635	\$ —	\$ —	\$ 286,635
Securities - held to maturity	2,977	—	—	4,015	4,015
Loans not previously presented, gross	4,107,853	105,145	—	3,944,193	4,049,338
FHLB and other restricted stock	14,278	N/A	N/A	N/A	N/A
Accrued interest receivable	34,597	34,597	—	—	34,597
Financial liabilities:					
Deposits	3,977,478	—	3,971,391	—	3,971,391
Federal Home Loan Bank advances	255,000	—	255,000	—	255,000
Subordinated notes	108,678	—	90,084	—	90,084
Junior subordinated debentures	41,740	—	43,072	—	43,072
Accrued interest payable	7,429	7,429	—	—	7,429

NOTE 9 — REGULATORY MATTERS

The Company (on a consolidated basis) and TBK Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's or TBK Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and TBK Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and TBK Bank to maintain minimum amounts and ratios (set forth in the table below) of total, common equity Tier 1, and Tier 1 capital to risk weighted assets, and of Tier 1 capital to average assets. Management believes, as of June 30, 2024 and December 31, 2023, the Company and TBK Bank meet all capital adequacy requirements to which they are subject.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As of June 30, 2024 and December 31, 2023, TBK Bank's capital ratios exceeded those levels necessary to be categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," TBK Bank must maintain minimum total risk based, common equity Tier 1 risk based, Tier 1 risk based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since June 30, 2024 that management believes have changed TBK Bank's category.

The actual capital amounts and ratios for the Company and TBK Bank are presented in the following table.

(Dollars in thousands)	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2024						
Total capital (to risk weighted assets)						
Triumph Financial, Inc.	\$ 828,069	16.5%	\$ 401,355	8.0%	N/A	N/A
TBK Bank, SSB	\$ 786,774	15.8%	\$ 398,535	8.0%	\$ 498,168	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	\$ 674,558	13.4%	\$ 301,017	6.0%	N/A	N/A
TBK Bank, SSB	\$ 745,209	15.0%	\$ 298,901	6.0%	\$ 398,535	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	\$ 587,516	11.7%	\$ 225,762	4.5%	N/A	N/A
TBK Bank, SSB	\$ 745,209	15.0%	\$ 224,176	4.5%	\$ 323,809	6.5%
Tier 1 capital (to average assets)						
Triumph Financial, Inc.	\$ 674,558	12.4%	\$ 216,501	4.0%	N/A	N/A
TBK Bank, SSB	\$ 745,209	13.7%	\$ 216,357	4.0%	\$ 270,447	5.0%
As of December 31, 2023						
Total capital (to risk weighted assets)						
Triumph Financial, Inc.	\$ 806,667	16.7%	\$ 385,370	8.0%	N/A	N/A
TBK Bank, SSB	\$ 758,656	15.9%	\$ 382,508	8.0%	\$ 478,135	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	\$ 661,833	13.7%	\$ 289,027	6.0%	N/A	N/A
TBK Bank, SSB	\$ 725,383	15.2%	\$ 286,881	6.0%	\$ 382,508	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	\$ 575,093	11.9%	\$ 216,770	4.5%	N/A	N/A
TBK Bank, SSB	\$ 725,383	15.2%	\$ 215,161	4.5%	\$ 310,787	6.5%
Tier 1 capital (to average assets)						
Triumph Financial, Inc.	\$ 661,833	12.6%	\$ 209,518	4.0%	N/A	N/A
TBK Bank, SSB	\$ 725,383	13.9%	\$ 209,406	4.0%	\$ 261,758	5.0%

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As permitted by the interim final rule issued on March 27, 2020 by the federal banking regulatory agencies, the Company elected the option to delay the estimated impact on regulatory capital of ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which was effective January 1, 2020. The initial impact of adoption of ASU 2016-13 as well as 25% of the quarterly increases in the allowance for credit losses subsequent to adoption of ASU 2016-13 (collectively the "transition adjustments") was delayed for two years. After two years, the cumulative amount of the transition adjustments became fixed and will be phased out of the regulatory capital calculations evenly over a three-year period, with 75% recognized in year three, 50% recognized in year four, and 25% recognized in year five. After five years, the temporary regulatory capital benefits will be fully reversed.

Dividends paid by TBK Bank are limited to, without prior regulatory approval, current year earnings and earnings less dividends paid during the preceding two years.

The capital conservation buffer set forth by the Basel III regulatory capital framework was 2.5% at June 30, 2024 and December 31, 2023. The capital conservation buffer is designed to absorb losses during periods of economic stress and requires increased capital levels for the purpose of capital distributions and other payments. Failure to meet the full amount of the buffer will result in restrictions on the Company's ability to make capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses to executive officers. At June 30, 2024 and December 31, 2023, the Company's and TBK Bank's risk based capital exceeded the required capital conservation buffer.

NOTE 10 — STOCKHOLDERS' EQUITY

The following summarizes the capital structure of Triumph Financial, Inc.

Preferred Stock Series C

(Dollars in thousands, except per share amounts)

	June 30, 2024	December 31, 2023
Shares authorized	51,750	51,750
Shares issued	45,000	45,000
Shares outstanding	45,000	45,000
Par value per share	\$ 0.01	\$ 0.01
Liquidation preference per share	\$ 1,000	\$ 1,000
Liquidation preference amount	\$ 45,000	\$ 45,000
Dividend rate	7.125 %	7.125 %
Dividend payment dates	Quarterly	Quarterly

Common Stock

	June 30, 2024	December 31, 2023
Shares authorized	50,000,000	50,000,000
Shares issued	29,083,262	28,986,255
Treasury shares	(5,729,743)	(5,683,841)
Shares outstanding	23,353,519	23,302,414
Par value per share	\$ 0.01	\$ 0.01

Stock Repurchase Programs

On February 1, 2023, the Company entered into an accelerated share repurchase ("ASR") agreement to repurchase \$ 70,000,000 of the Company's common stock. The ASR is part of the Company's previously announced plan to repurchase up to \$100,000,000 of the Company's common stock and is within the remaining amount authorized by the Company's Board of Directors pursuant to such plan. Under the terms of the ASR agreement, the Company received an initial delivery of 961,373 common shares representing approximately 80% of the expected total to be repurchased. On April 28, 2023, the ASR was completed and the Company received an additional delivery of 247,954 common shares.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11 — STOCK BASED COMPENSATION

Stock based compensation expense that has been charged against income was \$ 3,439,000 and \$3,320,000 for the three months ended June 30, 2024 and 2023, respectively, and \$7,066,000 and \$6,201,000 for the six months ended June 30, 2024 and 2023, respectively.

2014 Omnibus Incentive Plan

The Company's 2014 Omnibus Incentive Plan ("Omnibus Incentive Plan") provides for the grant of nonqualified and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other awards that may be settled in, or based upon the value of, the Company's common stock. The maximum number of shares of common stock available for issuance under the Omnibus Incentive Plan is 2,900,000 shares.

Restricted Stock Awards

A summary of changes in the Company's nonvested Restricted Stock Awards ("RSAs") under the Omnibus Incentive Plan for the six months ended June 30, 2024 were as follows:

Nonvested RSAs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	122,931	77.14
Granted	—	—
Vested	(73,726)	68.57
Forfeited	(278)	54.52
Nonvested at June 30, 2024	48,927	90.18

RSAs granted to employees under the Omnibus Incentive Plan typically vest immediately or over four years. Compensation expense for the RSAs will be recognized over the vesting period of the awards based on the fair value of the stock at the issue date. As of June 30, 2024, there was \$852,000 of unrecognized compensation cost related to the nonvested RSAs. The cost is expected to be recognized over a remaining period of 0.92 years.

Restricted Stock Units

A summary of changes in the Company's nonvested Restricted Stock Units ("RSUs") under the Omnibus Incentive Plan for the six months ended June 30, 2024 were as follows:

Nonvested RSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	230,034	63.30
Granted	68,346	71.79
Vested	(64,291)	64.03
Forfeited	(4,510)	54.96
Nonvested at June 30, 2024	229,579	65.79

RSUs granted to employees under the Omnibus Incentive Plan typically vest over four years. Compensation expense for the RSUs will be recognized over the vesting period of the awards based on the fair value of the stock at the issue date. As of June 30, 2024, there was \$9,040,000 of unrecognized compensation cost related to the nonvested RSUs. The cost is expected to be recognized over a remaining period of 2.97 years.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Market Based Performance Stock Units

A summary of changes in the Company's nonvested Market Based Performance Stock Units ("Market Based PSUs") under the Omnibus Incentive Plan for the six months ended June 30, 2024 were as follows:

Nonvested Market Based PSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	115,888	\$ 81.72
Granted	63,720	114.72
Performance adjustment	(2,841)	—
Vested	(8,987)	98.03
Forfeited	—	—
Nonvested at June 30, 2024	167,780	\$ 93.10

Market Based PSUs granted to employees under the Omnibus Incentive Plan vest after three years. The number of shares issued upon vesting will range from 0% to 175% of the Market Based PSUs granted based on the Company's relative total shareholder return ("TSR") as compared to the TSR of specified groups of peer banks and financial technology companies, and with respect to the Company's 2023 and 2024 awards may include an additional multiplier of up to 200% of the otherwise earned award based on the Company's absolute TSR. Compensation expense for the Market Based PSUs will be recognized over the vesting period of the awards based on the fair value of the award at the grant date. The fair value of Market Based PSUs granted is estimated using a Monte Carlo simulation. Expected volatilities were determined based on the historical volatilities of the Company and the specified peer group. The risk-free interest rate for the performance period was derived from the Treasury constant maturities yield curve on the valuation dates.

The fair value of the Market Based PSUs granted was determined using the following weighted-average assumptions:

	Six Months Ended June 30, 2024	2023
Grant date	May 1, 2023	May 1, 2023
Performance period	3.00 years	3.00 years
Stock price	\$ 72.00	\$ 51.25
Triumph Financial stock price volatility	42.31 %	49.33 %
Risk-free rate	4.67 %	3.76 %

As of June 30, 2024, there was \$11,165,000 of unrecognized compensation cost related to the nonvested Market Based PSUs. The cost is expected to be recognized over a remaining period of 2.42 years.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Stock Options

A summary of the changes in the Company's stock options under the Omnibus Incentive Plan for the six months ended June 30, 2024 were as follows:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2024	232,994	\$ 43.40		
Granted	47,376	72.00		
Exercised	(5,401)	26.71		
Forfeited or expired	—	—		
Outstanding at June 30, 2024	274,969	\$ 48.65	6.49	\$ 9,217
Fully vested shares and shares expected to vest at June 30, 2024	274,969	\$ 48.65	6.49	\$ 9,217
Shares exercisable at June 30, 2024	165,998	\$ 38.37	4.80	\$ 7,289

Information related to the stock options for the six months ended June 30, 2024 and 2023 was as follows:

	Six Months Ended June 30,	
	2024	2023
<i>(Dollars in thousands, except per share amounts)</i>		
Aggregate intrinsic value of options exercised	\$ 289	\$ 140
Cash received from option exercises, net	144	(52)
Tax benefit realized from option exercises	61	29
Weighted average fair value per share of options granted	\$ 37.30	\$ 25.20

Stock options awarded to employees under the Omnibus Incentive Plan are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant, vest over four years, and have ten year contractual terms. The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. Expected volatilities are determined based on the Company's historical volatility. The expected term of the options granted is determined based on the SEC simplified method, which calculates the expected term as the mid-point between the weighted average time to vesting and the contractual term. The risk-free interest rate for the expected term of the options is derived from the Treasury constant maturity yield curve on the valuation date.

The fair value of the stock options granted was determined using the following weighted-average assumptions:

	Six Months Ended June 30,	
	2024	2023
Risk-free interest rate	4.52 %	3.38 %
Expected term	6.25 years	6.25 years
Expected stock price volatility	46.50 %	45.65 %
Dividend yield	—	—

As of June 30, 2024, there was \$2,352,000 of unrecognized compensation cost related to nonvested stock options granted under the Omnibus Incentive Plan. The cost is expected to be recognized over a remaining period of 3.23 years.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Employee Stock Purchase Plan

During the year ended December 31, 2019, the Company's Board of Directors adopted, and the Company's stockholders approved, the Company's 2019 Employee Stock Purchase Plan ("ESPP"). Under the ESPP, 2,500,000 shares of common stock were reserved for issuance. The ESPP enables eligible employees to purchase the Company's common stock at a price per share equal to 85% of the lower of the fair market value of the common stock at the beginning or end of each six month offering period. During the six months ended June 30, 2024 and 2023, 18,328 shares and 21,057 shares, respectively, were issued under the plan.

NOTE 12 — EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(Dollars in thousands)</i>				
Basic				
Net income to common stockholders	\$ 1,945	\$ 6,848	\$ 5,302	\$ 17,057
Weighted average common shares outstanding	23,274,089	23,138,835	23,237,674	23,249,668
Basic earnings per common share	\$ 0.08	\$ 0.30	\$ 0.23	\$ 0.73
Diluted				
Net income to common stockholders	\$ 1,945	\$ 6,848	\$ 5,302	\$ 17,057
Weighted average common shares outstanding	23,274,089	23,138,835	23,237,674	23,249,668
Dilutive effects of:				
Assumed exercises of stock options	86,645	71,658	86,905	73,884
Restricted stock awards	60,614	90,645	81,499	113,930
Restricted stock units	118,919	65,909	128,243	91,878
Performance stock units - market based	121,907	87,360	120,176	104,203
Employee stock purchase program	2,931	1,064	2,426	780
Average shares and dilutive potential common shares	23,665,105	23,455,471	23,656,923	23,634,343
Diluted earnings per common share	\$ 0.08	\$ 0.29	\$ 0.22	\$ 0.72

Shares that were not considered in computing diluted earnings per common share because they were antidilutive are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Stock options	77,520	107,309	61,644	107,309
Restricted stock awards	—	4,232	—	4,232
Restricted stock units	7,500	11,250	7,500	11,250
Performance stock units - market based	55,677	42,056	27,836	42,056
Employee stock purchase program	—	—	—	—

NOTE 13 — REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("Topic 606"). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices can be fixed or variable; charged either on a periodic basis or based on activity. Except as disclosed below, the Company presents disaggregated revenue from contracts with customers in the consolidated statements of income.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Banking and Factoring Segments

The Banking segment derives its revenue principally from investments in interest-earning assets as well as noninterest income typical for the banking industry, and the Factoring segment derives the large majority of its revenue from interest income on purchased factored receivables. The majority of such revenue streams fall under Accounting Standards Codification Topic 310, "Receivables" ("Topic 310") which is outside the scope of Topic 606. There are, however, certain Banking and Factoring activities that generate revenue under Topic 606. Descriptions of the Company's significant Banking and Factoring revenue-generating activities within the scope of Topic 606, which are included in non-interest income in the Company's consolidated statements of income, are as follows:

- *Service charges on deposits.* Service charges on deposits primarily consists of fees from the Company's deposit customers for account maintenance, account analysis, and overdraft services. Account maintenance fees and analysis fees are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs.
- *Card income.* Card income primarily consists of interchange fees. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized when the transaction processing services are provided to the cardholder.
- *Net OREO gains (losses) and valuation adjustments.* The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer.
- *Fee income.* Fee income for the Banking and Factoring segments primarily consists of transaction-based fees, including wire transfer fees, ACH and check fees, early termination fees, and other fees, earned from the Company's banking and factoring customers. Transaction based fees are recognized at the time the transaction is executed as that is the point in time the Company satisfies its performance obligations.
- *Insurance commissions.* Insurance commissions are earned for brokering insurance policies. The Company's primary performance obligations for insurance commissions are satisfied and revenue is recognized when the brokered insurance policies are executed.

Payments Segment

The Payments segment derives a portion of its revenue from interest income on factored receivables and commercial loans related to invoice payments. These factored receivables consist of (i) invoices where we offer a Carrier a quick pay opportunity to receive payment at a discount in advance of the standard payment term for such invoice in exchange for the assignment of such invoice to us and (ii) factoring transactions where we purchase receivables payable to such freight brokers from their shipper clients. The Payments segment also offers commercial loans that result from our offering certain Brokers an additional liquidity option through the ability to settle their invoices with us on an extended term following our payment to their Carriers. The balance of such commercial loans was \$0 at June 30, 2024 and December 31, 2023. Such revenue falls under Topic 310 and is outside the scope of Topic 606.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Payments segment under its brand name, TriumphPay, connects Brokers, Shippers, Factors and Carriers through forward-thinking solutions that help each party successfully manage the life cycle of invoice presentment for services provided by Carrier through TriumphPay's processing and audit of such invoice to its ultimate payment to the Carrier or the Factor. The Payments segment earns transaction revenue for such services from fees paid by its customers to receive auditing and payment processing of their invoices. Transaction revenue is recorded in Fee Income on the Consolidated Statements of Income and is subject to Topic 606. Transaction fees can be variable in nature. When such fees are variable, they are typically based upon the number of audit and payment transactions executed during a stated period; generally a calendar month. The customer is charged either a set fee per transaction or a set minimum fee for a stated number of transactions with the variable component being a per-invoice amount for transactions exceeding the stated minimum number. When applicable, the stated minimum number of transactions typically resets on a monthly basis. Transaction volume and related variable fees are known and recognized at each reporting period. Transaction fees can also be fixed in nature with such fees reflecting a set annual amount that is recognized ratably over the terms of the related contracts. In both variable and fixed arrangements, customers are typically billed monthly in arrears with payment due on 30 day terms and as such, no revenue is deferred.

The Payments segment also earns network fees for providing its customers access to the TriumphPay network. Network fees are recorded in Fee Income on the Consolidated Statements of Income and are subject to Topic 606. Network fees are generally a fixed annual amount and are recognized ratably over the terms of the related contracts. Customers are typically billed monthly in arrears with payment due on 30 day terms and as such, no revenue is deferred.

The Payments segment's service comprises a single performance obligation to provide stand-ready access to its payments and audit platforms for its customers which is satisfied over time as services are rendered. Given the nature of its services and related revenue, no significant judgments are made in applying Topic 606 and there are no refund, warranty, or similar obligations.

The Payments segment's contracts with its customers are usually short-term in nature and can generally be terminated by either party without a termination penalty or refund after the notice period has lapsed. Therefore, the contracts are defined at the transaction level and do not extend beyond the service already provided. The contracts generally renew automatically without any significant material rights. Some of the contracts include tiered pricing, which is based primarily on volume. The fee charged per transaction is adjusted up or down based on the volume processed for a specified period. Management has concluded that this volume-based pricing approach does not constitute a future material right since changes in the fee ranges are typically offered to classes of customers with similar volume.

The Payments segment recognizes fees charged to its customers on a gross basis as transaction revenue as it is the principal in respect of completing Payments segment transactions. As a principal to the transaction, the Payments segment controls the services on its platforms. The Payments segment bears primary responsibility for the fulfillment of the services, contracts directly with its customers, controls the product specifications, and defines the value proposal from its services. Further, the Payments segment has full discretion in determining the fee charged to its customers. The Payments segment is also responsible for providing customer support.

Capitalized contract costs consist of (i) deferred sales commissions that are incremental costs of obtaining customer contracts and (ii) deferred set-up costs, primarily direct payroll costs, for implementation services provided to customers prior to the launching of the Company's products for general availability (go-live) to customers. Deferred sales commissions are amortized ratably over two years, taking into consideration the initial contract term, expected renewal periods, and sales commissions paid on such renewal periods. Deferred set-up costs are amortized ratably over four years which estimates the benefit period of the capitalized costs starting on the go-live date of the service. Deferred sales commissions and deferred set-up costs were included in other assets in the accompanying consolidated balance sheets and were \$281,000 and \$1,033,000, respectively, at June 30, 2024 and \$394,000 and \$505,000, respectively, at December 31, 2023. The amortization of deferred sales commissions and deferred set-up costs is included in salaries and employee benefits in the consolidated statements of income and was not significant for the six months ended June 30, 2024 and 2023.

Given the nature of services provided, the Payments segment does not carry any material contract balances.

The table below shows the Payments segment's revenue from transaction and network fees from external customers, which are disaggregated by customer category.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Broker fee income	\$ 4,392	\$ 2,607	\$ 8,507	\$ 4,963
Factor fee income	1,296	1,367	2,591	2,643
Other fee income	93	115	154	\$ 181
Total fee income	<u>\$ 5,781</u>	<u>\$ 4,089</u>	<u>\$ 11,252</u>	<u>\$ 7,787</u>

NOTE 14 — LESSOR OPERATING LEASES

The table below shows the Company's revenue from operating leases, which is included in non-interest income in the Company's consolidated statements of income.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Fixed payments	\$ 1,095	\$ —	\$ 1,095	\$ —
Variable payments	553	—	553	—
Amortization of intangibles included in lease income	(30)	—	(30)	\$ —
Total fee income	<u>\$ 1,618</u>	<u>\$ —</u>	<u>\$ 1,618</u>	<u>\$ —</u>

NOTE 15 — BUSINESS SEGMENT INFORMATION

The Company's reportable segments are Banking, Factoring, Payments, and Corporate, which have been determined based upon their business processes and economic characteristics. This determination also gave consideration to the structure and management of various product lines. The Banking segment includes the operations of TBK Bank. The Banking segment derives its revenue principally from investments in interest earning assets as well as noninterest income typical for the banking industry. The Factoring segment includes the operations of Triumph Financial Services with revenue derived from factoring services. The Payments segment includes the operations of TBK Bank's TriumphPay division, which provides a presentment, audit, and payment solution to Shipper, Broker, and Factor clients in the trucking industry. The Payments segment derives its revenue from transaction fees and interest income on factored receivables related to invoice payments. These factored receivables consist of both invoices where we offer a Carrier a quickpay opportunity to receive payment at a discount in advance of the standard payment term for such invoice in exchange for the assignment of such invoice to us and from offering Brokers the ability to settle their invoices with us on an extended term following our payment to their Carriers as an additional liquidity option for such Brokers.

Expenses that are directly attributable to the Company's Banking, Factoring, and Payments segments are allocated as such. The Company continues to make considerable investments in shared services that benefit the entire organization and these expenses are allocated to the Corporate segment. The Company allocates such expenses to the Corporate segment in order for the Company's chief operating decision maker and investors to have clear visibility into the operating performance of each reportable segment.

The Company allocates intersegment interest expense to the Factoring and Payments segments based on one-month term SOFR for their funding needs. When the Payments segment is self-funded, with customer deposit funding in excess of its factored receivables, intersegment interest income is allocated based on the Federal Funds effective rate. Management believes that such intersegment interest allocations appropriately reflect the current interest rate environment.

Reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. Changes in management structure or allocation methodologies and procedures may result in future changes to previously reported segment financial data. The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies" in Note 1 of the Company's 2023 Form 10-K.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Transactions between segments consist primarily of borrowed funds, payment network fees, and servicing fees. Intersegment interest expense is allocated to the Factoring and Payments segments as described above. Payment network fees are paid by the Factoring segment to the Payments segment for use of the payments network. Beginning prospectively on June 1, 2023, factoring transactions with freight broker clients were transferred from our Factoring segment to our Payments segment to align with TriumphPay's supply chain finance product offerings. Servicing fees are paid by the Payments segment to the Factoring segment for servicing such product. Beginning prospectively on January 1, 2024, the Factoring and Payments segments began paying fees to our Banking segment for the Banking segment's execution of various banking services that benefit those segments. Credit loss expense is allocated based on the segment's ACL determination. Noninterest income and expense directly attributable to a segment are assigned to it with various shared service costs such as human resources, accounting, finance, risk management and information technology expense assigned to the Corporate segment. Taxes are paid on a consolidated basis and are not allocated for segment purposes.

(Dollars in thousands)

Three months ended June 30, 2024	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 66,900	\$ 34,307	\$ 5,721	\$ 87	\$ 107,015
Intersegment interest allocations	7,188	(9,198)	2,010	—	—
Total interest expense	16,713	—	—	2,387	19,100
Net interest income (expense)	57,375	25,109	7,731	(2,300)	87,915
Credit loss expense (benefit)	1,961	2,176	(9)	27	4,155
Net interest income after credit loss expense	55,414	22,933	7,740	(2,327)	83,760
Noninterest income	7,599	2,016	5,867	1,685	17,167
Noninterest expense	32,865	20,695	17,070	26,713	97,343
Net intersegment noninterest income (expense) ⁽¹⁾	137	373	(510)	—	—
Net income (loss) before income tax expense	\$ 30,285	\$ 4,627	\$ (3,973)	\$ (27,355)	\$ 3,584

(Dollars in thousands)

Three months ended June 30, 2023	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 65,624	\$ 36,368	\$ 3,451	\$ 43	\$ 105,486
Intersegment interest allocations	7,478	(9,358)	1,880	—	—
Total interest expense	11,634	—	—	2,401	14,035
Net interest income (expense)	61,468	27,010	5,331	(2,358)	91,451
Credit loss expense (benefit)	831	1,481	41	290	2,643
Net interest income after credit loss expense	60,637	25,529	5,290	(2,648)	88,808
Noninterest income	6,347	980	4,119	65	11,511
Noninterest expense	31,934	20,218	16,939	21,305	90,396
Net intersegment noninterest income (expense) ⁽¹⁾	—	(97)	97	—	—
Net income (loss) before income tax expense	\$ 35,050	\$ 6,194	\$ (7,433)	\$ (23,888)	\$ 9,923

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)

Six months ended June 30, 2024	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 130,894	\$ 67,059	\$ 10,878	\$ 131	\$ 208,962
Intersegment interest allocations	13,932	(18,103)	4,171	—	—
Total interest expense	30,217	—	—	4,795	35,012
Net interest income (expense)	114,609	48,956	15,049	(4,664)	173,950
Credit loss expense (benefit)	6,488	3,531	60	(28)	10,051
Net interest income after credit loss expense	108,121	45,425	14,989	(4,636)	163,899
Noninterest income	14,075	4,919	11,410	1,762	32,166
Noninterest expense	63,994	39,388	33,555	50,777	187,714
Net intersegment noninterest income (expense) ⁽¹⁾	258	762	(1,020)	—	—
Net income (loss) before income tax expense	<u>\$ 58,460</u>	<u>\$ 11,718</u>	<u>\$ (8,176)</u>	<u>\$ (53,651)</u>	<u>\$ 8,351</u>

(Dollars in thousands)

Six months ended June 30, 2023	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 125,350	\$ 74,525	\$ 6,198	\$ 87	\$ 206,160
Intersegment interest allocations	15,090	(18,512)	3,422	—	—
Total interest expense	16,582	—	—	4,745	21,327
Net interest income (expense)	123,858	56,013	9,620	(4,658)	184,833
Credit loss expense (benefit)	2,754	2,030	41	431	5,256
Net interest income after credit loss expense	121,104	53,983	9,579	(5,089)	179,577
Noninterest income	12,020	2,558	7,826	129	22,533
Noninterest expense	64,174	41,987	32,356	41,160	179,677
Net intersegment noninterest income (expense) ⁽¹⁾	—	(362)	362	—	—
Net income (loss) before income tax expense	<u>\$ 68,950</u>	<u>\$ 14,192</u>	<u>\$ (14,589)</u>	<u>\$ (46,120)</u>	<u>\$ 22,433</u>

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

⁽¹⁾ Net intersegment noninterest income (expense) includes:

<i>(Dollars in thousands)</i>	Banking	Factoring	Payments
Three Months Ended June 30, 2024			
Factoring revenue received from Payments	\$ —	\$ 750	\$ (750)
Payments revenue received from Factoring	—	(264)	264
Banking revenue received from Payments and Factoring	137	(113)	(24)
Net intersegment noninterest income (expense)	\$ 137	\$ 373	\$ (510)
Three Months Ended June 30, 2023			
Factoring revenue received from Payments	\$ —	\$ 170	\$ (170)
Payments revenue received from Factoring	—	(267)	267
Banking revenue received from Payments and Factoring	—	—	—
Net intersegment noninterest income (expense)	\$ —	\$ (97)	\$ 97
Six months ended June 30, 2024			
Factoring revenue received from Payments	\$ —	\$ 1,500	\$ (1,500)
Payments revenue received from Factoring	—	(529)	529
Banking revenue received from Payments and Factoring	258	(209)	(49)
Net intersegment noninterest income (expense)	\$ 258	\$ 762	\$ (1,020)
Six months ended June 30, 2023			
Factoring revenue received from Payments	\$ —	\$ 170	\$ (170)
Payments revenue received from Factoring	—	(532)	532
Banking revenue received from Payments and Factoring	—	—	—
Net intersegment noninterest income (expense)	\$ —	\$ (362)	\$ 362

Total assets and gross loans below include intersegment loans, which eliminate in consolidation.

(Dollars in thousands)

June 30, 2024	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	\$ 5,252,768	\$ 1,148,844	\$ 520,737	\$ 1,146,291	\$ (2,285,306)	\$ 5,783,334
Gross loans	\$ 3,671,871	\$ 1,035,159	\$ 172,321	\$ —	\$ (590,934)	\$ 4,288,417

(Dollars in thousands)

December 31, 2023	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	\$ 4,918,527	\$ 1,077,367	\$ 546,985	\$ 1,056,646	\$ (2,252,191)	\$ 5,347,334
Gross loans	\$ 3,595,527	\$ 941,926	\$ 174,728	\$ —	\$ (549,081)	\$ 4,163,100

ITEM 2

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

This section presents management's perspective on our 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 the Company's interim consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q and with the consolidated financial statements and accompanying notes and other detailed information appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations. See the "Forward-Looking Statements" section of this discussion for further information on forward-looking statements.

Overview

We are a financial holding company headquartered in Dallas, Texas and registered under the Bank Holding Company Act, offering a diversified line of payments, factoring and banking services. As of June 30, 2024, we had consolidated total assets of \$5.783 billion, total loans held for investment of \$4.288 billion, total deposits of \$4.392 billion and total stockholders' equity of \$874.2 million.

Through our wholly owned bank subsidiary, TBK Bank, we offer traditional banking services, commercial lending product lines focused on businesses that require specialized financial solutions and national lending product lines that further diversify our lending operations. Our banking operations commenced in 2010 and include a branch network developed through organic growth and acquisition, including concentrations the front range of Colorado, the Quad Cities market in Iowa and Illinois and a full-service branch in Dallas, Texas. Our traditional banking offerings include a full suite of lending and deposit products and services. These activities are focused on our local market areas and some products are offered on a nationwide basis. They generate a stable source of core deposits and a diverse asset base to support our overall operations. Our asset-based lending and equipment lending products are offered on a nationwide basis and generate attractive returns. Additionally, we offer mortgage warehouse and liquid credit lending products on a nationwide basis to provide further asset base diversification and stable deposits. Our Banking products and services share basic processes and have similar economic characteristics.

In addition to our traditional banking operations, we also operate a factoring business focused primarily on serving the over-the-road trucking industry. This business involves the provision of working capital to the trucking industry through the purchase of invoices generated by medium to large sized trucking fleets ("Carriers") at a discount to provide immediate working capital to such Carriers. We commenced these operations in 2012 through the acquisition of our factoring subsidiary, Triumph Financial Services. Triumph Financial Services operates in a highly specialized niche and earns substantially higher yields on its factored accounts receivable portfolio than our other lending products described above. Given its acquisition, this business has a legacy and structure as a standalone company.

Our payments business, TriumphPay, is a division of our wholly owned bank subsidiary, TBK Bank, and is a payments network for the over-the-road trucking industry. TriumphPay was originally designed as a platform to manage Carrier payments for third party logistics companies, or 3PLs ("Brokers") and the manufacturers and other businesses that contract directly for the shipment of goods ("Shippers"), with a focus on increasing on-balance sheet factored receivable transactions through the offering of quickpay transactions for Carriers receiving such payments through the TriumphPay platform. During 2021, TriumphPay acquired HubTran, Inc., a software platform that offers workflow solutions for the processing and approval of Carrier Invoices for approval by Brokers or purchase by the factoring businesses providing working capital to Carriers ("Factors"). Following such acquisition, the TriumphPay strategy shifted from a capital-intensive on-balance sheet product with a greater focus on interest income to a payments network for the trucking industry with a focus on fee revenue. TriumphPay connects Brokers, Shippers, Factors and Carriers through forward-thinking solutions that help each party successfully manage the life cycle of invoice presentment for services provided by Carrier through the processing and audit of such invoice to its ultimate payment to the Carrier or the Factor providing working capital to such Carrier. TriumphPay offers supply chain finance to Brokers, allowing them to pay their Carriers faster and drive Carrier loyalty. TriumphPay provides tools and services to increase automation, mitigate fraud, create back-office efficiency and improve the payment experience. TriumphPay also operates in a highly specialized niche with unique processes and key performance indicators.

At June 30, 2024, our business is primarily focused on providing financial services to participants in the for-hire trucking ecosystem in the United States, including Brokers, Shippers, Factors and Carriers. Within such ecosystem, we operate our TriumphPay payments platform, which connects such parties to streamline and optimize the presentment, audit and payment of transportation invoices. We also act as capital provider to the Carrier industry through our factoring subsidiary, Triumph Financial Services. Our traditional banking operations provide stable, low cost deposits to support our operations, a diversified lending portfolio to add stability to our balance sheet, and a suite of traditional banking products and services to participants in the for-hire trucking ecosystem to deepen our relationship with such clients.

We have determined our reportable segments are Banking, Factoring, Payments and Corporate. For the six months ended June 30, 2024, our Banking segment generated 60% of our total revenue (comprised of interest and noninterest income), our Factoring segment generated 30% of our total revenue, our Payments segment generated 9% of our total revenue, and our Corporate segment generated less than 1% of our total revenue.

Second Quarter 2024 Overview

Net income available to common stockholders for the three months ended June 30, 2024 was \$1.9 million, or \$0.08 per diluted share, compared to net income to common stockholders for the three months ended June 30, 2023 of \$6.8 million, or \$0.29 per diluted share. For the three months ended June 30, 2024, our return on average common equity was 0.94% and our return on average assets was 0.19%.

Net income available to common stockholders for the six months ended June 30, 2024 was \$5.3 million, or \$0.22 per diluted share, compared to net income available to common stockholders for the six months ended June 30, 2023 of \$17.1 million, or \$0.72 per diluted share. For the six months ended June 30, 2024, our return on average common equity was 1.28% and our return on average assets was 0.25%.

At June 30, 2024, we had total assets of \$5.783 billion, including gross loans held for investment of \$4.288 billion, compared to \$5.347 billion of total assets and \$4.163 billion of gross loans held for investment at December 31, 2023. Total loans held for investment increased \$125.3 million during the six months ended June 30, 2024. Our Banking loans, which constitute 72% of our total loan portfolio at June 30, 2024, increased from \$3.046 billion in aggregate as of December 31, 2023 to \$3.081 billion as of June 30, 2024, an increase of 1.1%. Our Factoring factored receivables, which constitute 24% of our total loan portfolio at June 30, 2024, increased from \$941.9 million in aggregate as of December 31, 2023 to \$1,035.2 million as of June 30, 2024, an increase of 9.9%. Our Payments factored receivables, which constitute 4% of our total loan portfolio at June 30, 2024, decreased from \$174.7 million in aggregate as of December 31, 2023 to \$172.3 million as of June 30, 2024, a decrease of 1.4%.

At June 30, 2024, we had total liabilities of \$4.909 billion, including total deposits of \$4.392 billion, compared to \$4.483 billion of total liabilities and \$3.977 billion of total deposits at December 31, 2023. Deposits increased \$414.5 million during the six months ended June 30, 2024.

At June 30, 2024, we had total stockholders' equity of \$874.2 million. During the six months ended June 30, 2024, total stockholders' equity increased \$9.8 million. Capital ratios remained strong with Tier 1 capital and total capital to risk weighted assets ratios of 13.45% and 16.51%, respectively, at June 30, 2024.

The total dollar value of invoices purchased by Triumph Financial Services during the three months ended June 30, 2024 was \$2.542 billion with an average invoice size of \$1,775. The average transportation invoice size for the three months ended June 30, 2024 was \$1,738. This compares to invoice purchase volume of \$2.733 billion with an average invoice size of \$1,828 and average transportation invoice size of \$1,773 during the same period a year ago.

TriumphPay processed 6.1 million invoices paying Carriers a total of \$6.688 billion during the three months ended June 30, 2024. This compares to processed volume of 4.5 million invoices for a total of \$4.940 billion during the same period a year ago.

2024 Items of Note

Triumph Financial Headquarters Purchase

On March 20, 2024, we purchased a building in Dallas, TX that will be the future headquarters for Triumph Financial. The purchase price, including direct costs, was \$54.6 million with approximately \$51.7 million allocated to land and building and \$2.9 million allocated to lease-related intangibles.

Items related to our July 2020 acquisition of TFS

As disclosed on our SEC Forms 8-K filed on July 8, 2020 and September 23, 2020, we acquired the transportation factoring assets of TFS, a wholly owned subsidiary of Covenant Logistics Group, Inc. ("CVLG"), and subsequently amended the terms of that transaction. There were no material developments related to that transaction that impacted our operating results for the three months ended June 30, 2024.

At June 30, 2024, the carrying value of the acquired over-formula advances was \$2.3 million, the total reserve on acquired over-formula advances was \$2.3 million and the balance of our indemnification asset, the value of the payment that would be due to us from CVLG in the event that these over-advances are charged off, was \$1.1 million.

As of June 30, 2024 we carry a separate \$19.4 million receivable (the "Misdirected Payments") payable by the United States Postal Service ("USPS") arising from accounts factored to the largest over-formula advance carrier. This amount is separate from the acquired Over-Formula Advances. The amounts represented by this receivable were paid by the USPS directly to such customer in contravention of notices of assignment delivered to, and previously honored by, the USPS, which amount was then not remitted back to us by such customer as required. The USPS disputes their obligation to make such payment, citing purported deficiencies in the notices delivered to them. We are a party to litigation in the United States Court of Federal Claims against the USPS seeking a ruling that the USPS was obligated to make the payments represented by this receivable directly to us. Based on our legal analysis and discussions with our counsel advising us on this matter, we continue to believe it is probable that we will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, we have not reserved for such balance as of June 30, 2024. The full amount of such receivable is reflected in non-performing and past due factored receivables as of June 30, 2024 in accordance with our policy. As of June 30, 2024, the entire \$19.4 million Misdirected Payments amount was greater than 90 days past due.

2023 Items of Note

Equity Investment

On June 22, 2023 we made a \$9.7 million minority investment in Trax Group, Inc. ("Trax"), a leader in transportation spend management solutions. The investment in Trax is accounted for as an equity investment without a readily determinable fair value measured under the measurement alternative and is included in other assets on our consolidated balance sheet.

Accelerated Share Repurchase and Stock Repurchase Program

On February 1, 2023, we entered into an accelerated share repurchase ("ASR") agreement to repurchase \$70.0 million of our common stock. The ASR is part of our previously announced plan to repurchase up to \$100.0 million of our common stock and is within the remaining amount authorized by our Board of Directors pursuant to such plan. During the three months ended March 31, 2023, we received an initial delivery of 961,373 common shares representing approximately 80% of the expected total to be repurchased. On April 28, 2023, the ASR was completed and we received an additional delivery of 247,954 common shares.

Trucking transportation and factoring

The largest driver of changes in revenue at our Factoring segment is fluctuation in the freight markets, particularly in brokered freight, which is priced largely off the spot market (a reflection of real-time balance of carrier supply and shipper demand in the market) and subject to variability in diesel prices. The softness in freight during 2023 was a combination of falling volumes and excess capacity and such softness continued through the first half of 2024. In recent quarters, average rates per mile have decreased and returned spot rates to levels last seen in 2019. For the spot rate market, the drop was a little higher than the drop in diesel prices over the same period. Throughout much of 2023 and into 2024, spot rates had fallen below the cost per mile to operate for many carriers. As a result, we have observed a number of small and medium-sized trucking companies either leave the market by signing on with larger carriers or electing to sell their fleets or companies and move on to other endeavors. The confluence of these circumstances resulted in a steady decline in invoice prices and costs of new and used equipment during the first half of 2023. Such invoice prices and costs of new and used equipment remained consistently below recent years throughout the latter half of 2023 and into the first half of 2024.

Though the transportation factoring industry continues to fight headwinds due to higher cost of capital and lower average invoices, we have sufficient access to capital, manageable funding costs, and an ability to diversify factoring income. We continue to focus our efforts on technology initiatives to be more efficient, support the enterprise, and enhance our customer experience while delivering various products to strengthen our clients throughout their business lifecycle. Our plan is for managed growth in our factoring segment with a greater emphasis on enhancing efficiency and profitability.

Financial Highlights

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Income Statement Data:				
Interest income	\$ 107,015	\$ 105,486	\$ 208,962	\$ 206,160
Interest expense	19,100	14,035	35,012	21,327
Net interest income	87,915	91,451	173,950	184,833
Credit loss expense (benefit)	4,155	2,643	10,051	5,256
Net interest income after credit loss expense (benefit)	83,760	88,808	163,899	179,577
Noninterest income	17,167	11,511	32,166	22,533
Noninterest expense	97,343	90,396	187,714	179,677
Net income (loss) before income taxes	3,584	9,923	8,351	22,433
Income tax expense (benefit)	837	2,273	1,446	3,773
Net income (loss)	\$ 2,747	\$ 7,650	\$ 6,905	\$ 18,660
Dividends on preferred stock	(802)	(802)	(1,603)	(1,603)
Net income available (loss) to common stockholders	\$ 1,945	\$ 6,848	\$ 5,302	\$ 17,057
Per Share Data:				
Basic earnings (loss) per common share	\$ 0.08	\$ 0.30	\$ 0.23	\$ 0.73
Diluted earnings (loss) per common share	\$ 0.08	\$ 0.29	\$ 0.22	\$ 0.72
Weighted average shares outstanding - basic	23,274,089	23,138,835	23,237,674	23,249,668
Weighted average shares outstanding - diluted	23,665,105	23,455,471	23,656,923	23,634,343
Performance ratios - Annualized:				
Return on average assets	0.19 %	0.56 %	0.25 %	0.70 %
Return on average total equity	1.26 %	3.64 %	1.58 %	4.43 %
Return on average common equity	0.94 %	3.45 %	1.28 %	4.27 %
Return on average tangible common equity ⁽¹⁾	1.35 %	5.16 %	1.84 %	6.37 %
Yield on loans ⁽²⁾	9.10 %	9.14 %	9.10 %	9.18 %
Cost of interest bearing deposits	2.34 %	1.13 %	2.17 %	0.85 %
Cost of total deposits	1.39 %	0.68 %	1.28 %	0.50 %
Cost of total funds	1.62 %	1.23 %	1.54 %	0.97 %
Net interest margin ⁽²⁾	7.07 %	7.57 %	7.18 %	7.82 %
Efficiency ratio	92.64 %	87.80 %	91.07 %	86.65 %
Net noninterest expense to average assets	5.67 %	5.79 %	5.64 %	5.88 %

	June 30, 2024	December 31, 2023
<i>(Dollars in thousands, except per share amounts)</i>		
Balance Sheet Data:		
Total assets	\$ 5,783,334	\$ 5,347,334
Cash and cash equivalents	500,663	286,635
Investment securities	346,870	307,109
Loans held for investment, net	4,248,826	4,127,881
Total liabilities	4,909,085	4,482,934
Noninterest bearing deposits	1,689,531	1,632,022
Interest bearing deposits	2,702,487	2,345,456
FHLB advances	280,000	255,000
Subordinated notes	108,939	108,678
Junior subordinated debentures	42,042	41,740
Total stockholders' equity	874,249	864,400
Preferred stockholders' equity	45,000	45,000
Common stockholders' equity	829,249	819,400
Per Share Data:		
Book value per share	\$ 35.51	\$ 35.16
Tangible book value per share ⁽¹⁾	\$ 24.60	\$ 24.12
Shares outstanding end of period	23,353,519	23,302,414
Asset Quality ratios⁽³⁾:		
Past due to total loans	2.21 %	2.00 %
Nonperforming loans to total loans	1.94 %	1.65 %
Nonperforming assets to total assets	1.60 %	1.42 %
ACL to nonperforming loans	47.48 %	51.15 %
ACL to total loans	0.92 %	0.85 %
Net charge-offs to average loans ⁽⁴⁾	0.11 %	0.47 %
Capital ratios:		
Tier 1 capital to average assets	12.38 %	12.64 %
Tier 1 capital to risk-weighted assets	13.45 %	13.74 %
Common equity Tier 1 capital to risk-weighted assets	11.71 %	11.94 %
Total capital to risk-weighted assets	16.51 %	16.75 %
Total stockholders' equity to total assets	15.12 %	16.17 %
Tangible common stockholders' equity ratio ⁽¹⁾	10.39 %	11.04 %

(1) The Company uses certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's operational performance and to enhance investors' overall understanding of such financial performance. The non-GAAP measures used by the Company include the following:

- "Tangible common stockholders' equity" is defined as common stockholders' equity less goodwill and other intangible assets.
- "Total tangible assets" is defined as total assets less goodwill and other intangible assets.
- "Tangible book value per share" is defined as tangible common stockholders' equity divided by total common shares outstanding. This measure is important to investors interested in changes from period-to-period in book value per share exclusive of changes in intangible assets.

- “*Tangible common stockholders’ equity ratio*” is defined as the ratio of tangible common stockholders’ equity divided by total tangible assets. We believe that this measure is important to many investors in the marketplace who are interested in relative changes from period-to period in common equity and total assets, each exclusive of changes in intangible assets.
- “*Return on average tangible common equity*” is defined as net income available to common stockholders divided by average tangible common stockholders’ equity.

(2) Performance ratios include discount accretion on purchased loans for the periods presented as follows:

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Loan discount accretion	\$ 1,127	\$ 990	\$ 1,598	\$ 2,800

(3) Asset quality ratios exclude loans held for sale, except for non-performing assets to total assets.

(4) Net charge-offs to average loans ratios are for the six months ended June 30, 2024 and the year ended December 31, 2023.

GAAP Reconciliation of Non-GAAP Financial Measures

We believe the non-GAAP financial measures included above provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. The following reconciliation table provides a more detailed analysis of the non-GAAP financial measures:

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Average total stockholders' equity	\$ 880,227	\$ 841,979	\$ 880,025	\$ 850,002
Average preferred stock liquidation preference	(45,000)	(45,000)	(45,000)	(45,000)
Average total common stockholders' equity	835,227	796,979	835,025	805,002
Average goodwill and other intangibles	(256,552)	(264,544)	(256,327)	(264,930)
Average tangible common equity	\$ 578,675	\$ 532,435	\$ 578,698	\$ 540,072
Net income available to common stockholders	\$ 1,945	\$ 6,848	\$ 5,302	\$ 17,057
Average tangible common equity	578,675	532,435	578,698	540,072
Return on average tangible common equity	1.35 %	5.16 %	1.84 %	6.37 %
Efficiency ratio:				
Net interest income	\$ 87,915	\$ 91,451	\$ 173,950	\$ 184,833
Noninterest income	17,167	11,511	32,166	22,533
Operating revenue	105,082	102,962	206,116	207,366
Total noninterest expense	\$ 97,343	\$ 90,396	\$ 187,714	\$ 179,677
Efficiency ratio	92.64 %	87.80 %	91.07 %	86.65 %
Net noninterest expense to average assets ratio:				
Total noninterest expense	\$ 97,343	\$ 90,396	\$ 187,714	\$ 179,677
Total noninterest income	17,167	11,511	32,166	22,533
Net noninterest expenses	\$ 80,176	\$ 78,885	\$ 155,548	\$ 157,144
Average total assets	\$ 5,690,767	\$ 5,461,946	\$ 5,545,063	\$ 5,386,429
Net noninterest expense to average assets ratio	5.67 %	5.79 %	5.64 %	5.88 %

	June 30, 2024	December 31, 2023
<i>(Dollars in thousands, except per share amounts)</i>		
Total stockholders' equity	\$ 874,249	\$ 864,400
Preferred stock	(45,000)	(45,000)
Total common stockholders' equity	829,249	819,400
Goodwill and other intangibles	(254,652)	(257,355)
Tangible common stockholders' equity	\$ 574,597	\$ 562,045
Common shares outstanding	23,353,519	23,302,414
Tangible book value per share	\$ 24.60	\$ 24.12
Total assets at end of period	\$ 5,783,334	\$ 5,347,334
Goodwill and other intangibles	(254,652)	(257,355)
Tangible assets at period end	\$ 5,528,682	\$ 5,089,979
Tangible common stockholders' equity ratio	10.39 %	11.04 %

Results of Operations

Three months ended June 30, 2024 compared with three months ended June 30, 2023.

Net Income

We earned net income of \$2.7 million for the three months ended June 30, 2024 compared to net income of \$7.7 million for the three months ended June 30, 2023, a decrease of \$5.0 million or 64.1%.

	Three Months Ended June 30, 2024			
	2024	2023	\$ Change	% Change
<i>(Dollars in thousands, except per share amounts)</i>				
Interest income	\$ 107,015	\$ 105,486	\$ 1,529	1.4 %
Interest expense	19,100	14,035	5,065	36.1 %
Net interest income	87,915	91,451	(3,536)	(3.9)%
Credit loss expense (benefit)	4,155	2,643	1,512	57.2 %
Net interest income after credit loss expense (benefit)	83,760	88,808	(5,048)	(5.7)%
Noninterest income	17,167	11,511	5,656	49.1 %
Noninterest expense	97,343	90,396	6,947	7.7 %
Net income (loss) before income taxes	3,584	9,923	(6,339)	(63.9)%
Income tax expense (benefit)	837	2,273	(1,436)	(63.2)%
Net income (loss)	\$ 2,747	\$ 7,650	\$ (4,903)	(64.1)%

Details of the changes in the various components of net income are further discussed below.

Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest income on interest earning assets, including loans and securities, and interest expense incurred on interest bearing liabilities, including deposits and other borrowed funds. Interest rate fluctuations, as well as changes in the amount and type of interest earning assets and interest bearing liabilities, combine to affect net interest income. Our net interest income is affected by changes in the amount and mix of interest earning assets and interest bearing liabilities, referred to as a "volume change." It is also affected by changes in yields earned on interest earning assets and rates paid on interest bearing liabilities, referred to as a "rate change."

The following table presents the distribution of average assets, liabilities and equity, as well as interest income and fees earned on average interest earning assets and interest expense paid on average interest bearing liabilities. Average balances and interest are inclusive of assets and deposits classified as held for sale.

(Dollars in thousands)	Three Months Ended June 30,					
	2024			2023		
	Average Balance	Interest	Average Rate ⁽⁴⁾	Average Balance	Interest	Average Rate ⁽⁴⁾
Interest earning assets:						
Cash and cash equivalents	463,759	6,330	5.49 %	227,696	2,956	5.21 %
Taxable securities	328,987	5,501	6.73 %	318,285	5,167	6.51 %
Tax-exempt securities	3,153	22	2.81 %	10,399	67	2.58 %
FHLB and other restricted stock	7,598	234	12.39 %	27,071	219	3.24 %
Loans ⁽¹⁾	4,195,669	94,928	9.10 %	4,262,170	97,077	9.14 %
Total interest earning assets	4,999,166	107,015	8.61 %	4,845,621	105,486	8.73 %
Noninterest earning assets:						
Cash and cash equivalents	77,389			73,176		
Other noninterest earning assets	614,212			543,149		
Total assets	5,690,767			5,461,946		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	748,699	1,164	0.63 %	804,799	715	0.36 %
Individual retirement accounts	49,917	175	1.41 %	60,171	104	0.69 %
Money market	565,612	4,097	2.91 %	506,782	1,685	1.33 %
Savings	541,408	1,480	1.10 %	529,952	475	0.36 %
Certificates of deposit	257,292	1,945	3.04 %	286,253	902	1.26 %
Brokered time deposits	433,096	5,698	5.29 %	244,721	2,823	4.63 %
Other brokered deposits	71,196	961	5.43 %	13,188	173	5.26 %
Total interest bearing deposits	2,667,220	15,520	2.34 %	2,445,866	6,877	1.13 %
Federal Home Loan Bank advances	85,769	1,193	5.59 %	363,901	4,756	5.24 %
Subordinated notes	108,868	1,225	4.53 %	108,115	1,312	4.87 %
Junior subordinated debentures	41,951	1,162	11.14 %	41,378	1,090	10.57 %
Other borrowings	—	—	— %	308	—	— %
Total interest bearing liabilities	2,903,808	19,100	2.65 %	2,959,568	14,035	1.90 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	1,832,154			1,598,733		
Other liabilities	74,578			61,666		
Total equity	880,227			841,979		
Total liabilities and equity	5,690,767			5,461,946		
Net interest income		87,915			91,451	
Interest spread ⁽²⁾			5.96 %			6.83 %
Net interest margin ⁽³⁾			7.07 %			7.57 %

(1) Balance totals include respective nonaccrual assets.

(2) Net interest spread is the yield on average interest earning assets less the rate on interest bearing liabilities.

(3) Net interest margin is the ratio of net interest income to average interest earning assets.

(4) Ratios have been annualized.

The following table presents loan yields earned on our loan portfolios:

(Dollars in thousands)	Three Months Ended June 30,					
	2024			2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Banking loans	\$ 3,035,612	\$ 54,900	7.27 %	\$ 3,120,594	\$ 57,258	7.36 %
Factoring receivables	976,087	34,307	14.14 %	1,036,922	36,368	14.07 %
Payments receivables	183,970	5,721	12.51 %	104,654	3,451	13.23 %
Total loans	\$ 4,195,669	\$ 94,928	9.10 %	\$ 4,262,170	\$ 97,077	9.14 %

We earned net interest income of \$87.9 million for the three months ended June 30, 2024 compared to \$91.5 million for the three months ended June 30, 2023, a decrease of \$3.6 million, or 3.9%, primarily driven by the following factors.

Interest income increased \$1.5 million, or 1.4%, due to increased yields across all of our broad interest earning asset categories with the exception of loans. Additionally, average interest earning assets increased \$153.5 million, or 3.2%, while we experienced a decrease in average total loans of \$66.5 million, or 1.6%. The average balance of our higher yielding Factoring factored receivables decreased \$60.8 million, or 5.9%, while we experienced an increase in average Payments factored receivables. The decrease in average Factoring factored receivables and the increase in Payments factored receivables was impacted by our decision to move supply chain financing receivables from our Factoring segment to our Payments segment at the end of the second quarter 2023. Average Banking loans decreased \$85.0 million, or 2.7% due to decreases in the average balances of residential real estate, farmland, commercial, consumer, and mortgage warehouse loans. Interest income from our Banking loans is impacted by our lower yielding mortgage warehouse lending product. The average mortgage warehouse lending balance was \$681.7 million for the three months ended June 30, 2024 compared to \$848.0 million for the three months ended June 30, 2023. A component of interest income consists of discount accretion on acquired loan portfolios and acquired liquid credit loans. We recognized discount accretion on purchased loans of \$1.1 million and \$1.0 million for the three months ended June 30, 2024 and 2023, respectively.

Interest expense increased \$5.1 million, or 36.1%, primarily driven by higher average rates discussed below. Average interest-bearing liabilities increased in total period over period, including average total interest bearing deposits which increased \$221.4 million, or 9.1%. Average noninterest bearing demand deposits grew \$233.4 million.

Net interest margin decreased to 7.07% for the three months ended June 30, 2024 from 7.57% for the three months ended June 30, 2023, a decrease of 50 basis points or 6.6%.

The decrease in our net interest margin was most impacted by an increase in our average cost of interest bearing liabilities of 75 basis points. This increase in average cost was caused by generally higher interest rates paid on our interest-bearing liabilities driven by changes in interest rates in the macro economy.

The decrease in our net interest margin was also impacted by a decrease in our yield on interest earning assets of 12 basis points to 8.61% for the three months ended June 30, 2024. This decrease was primarily driven by lower yields on loans which decreased 4 basis points to 9.10% for the period. Our yield on Factoring factored receivables increased slightly period over period; however our average Factoring factored receivables as a percentage of the total average loan portfolio decreased which had a meaningful impact on our overall loan yield. Our transportation factoring balances, which generally generate a higher yield than our non-transportation factoring balances, were 97% and 95% of our Factoring portfolio at June 30, 2024 and 2023, respectively. Banking and payments yields decreased period over period. Non-loan yields were higher across the board period over period.

Our mortgage warehouse business has nearly self-funded for several quarters due to the servicing deposits of its customers. The average balance of such deposits was \$558.8 million for the three months ended June 30, 2024. These deposits are noninterest bearing deposits on our balance sheet. Despite their classification, many of these deposits are not truly free of cost as our clients are compensated for these balances in the form of an earnings interest rebate rather than deposit interest. As a result, such noninterest bearing deposits decrease our loan yield rather than increase our deposit rates. It is important to note that our net interest margin is not affected by this arrangement. During the second quarter of 2024, these deposits decreased our overall yield on loans by 60 bps and our overall cost of deposits and cost of funds would have been 56 bps and 53 bps higher, respectively.

The following table shows the effects that changes in average balances (volume) and average interest rates (rate) had on the interest earned on our interest earning assets and the interest incurred on our interest bearing:

	Three Months Ended		
	June 30, 2024 vs. 2023		
	Increase (Decrease) Due to:		
	Rate	Volume	Net Increase
<i>(Dollars in thousands)</i>			
Interest earning assets:			
Cash and cash equivalents	\$ 152	\$ 3,222	\$ 3,374
Taxable securities	155	179	334
Tax-exempt securities	6	(51)	(45)
FHLB and other restricted stock	615	(600)	15
Loans	(644)	(1,505)	(2,149)
Total interest income	284	1,245	1,529
Interest bearing liabilities:			
Interest bearing demand	536	(87)	449
Individual retirement accounts	107	(36)	71
Money market	1,986	426	2,412
Savings	974	31	1,005
Certificates of deposit	1,262	(219)	1,043
Brokered time deposits	397	2,478	2,875
Other brokered deposits	5	783	788
Total interest bearing deposits	5,267	3,376	8,643
Federal Home Loan Bank advances	306	(3,869)	(3,563)
Subordinated notes	(95)	8	(87)
Junior subordinated debentures	56	16	72
Other borrowings	—	—	—
Total interest expense	5,534	(469)	5,065
Change in net interest income	\$ (5,250)	\$ 1,714	\$ (3,536)

Credit Loss Expense

Credit loss expense is the amount of expense that, based on our judgment, is required to maintain the allowances for credit losses ("ACL") at an appropriate level under the current expected credit loss model. The determination of the amount of the allowance is complex and involves a high degree of judgment and subjectivity. Refer to Note 1 of the Company's 2023 Form 10-K for detailed discussion regarding ACL methodologies for available for sale debt securities, held to maturity securities and loans held for investment.

The following table presents the major categories of credit loss expense:

	Three Months Ended June 30,			
	2024	2023	\$ Change	% Change
<i>(Dollars in thousands)</i>				
Credit loss expense (benefit) on loans	\$ 4,068	\$ 3,514	\$ 554	15.8 %
Credit loss expense (benefit) on off balance sheet credit exposures	60	(1,162)	1,222	105.2 %
Credit loss expense (benefit) on held to maturity securities	27	291	(264)	(90.7) %
Credit loss expense on available for sale securities	—	—	—	—
Total credit loss expense (benefit)	\$ 4,155	\$ 2,643	\$ 1,512	57.2 %

For available for sale debt securities in an unrealized loss position, the Company evaluates the securities at each measurement date to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized as an ACL on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings via credit loss expense. At June 30, 2024 and March 31, 2024, the Company determined that all impaired available for sale securities experienced a decline in fair value below the amortized cost basis due to noncredit-related factors. Therefore, the Company carried no ACL at those respective dates and there was no credit loss expense recognized by the Company during the three months ended June 30, 2024. The same was true for the same period in the prior year.

The ACL on held to maturity ("HTM") securities is estimated at each measurement date on a collective basis by major security type. At June 30, 2024 and December 31, 2023, the Company's held to maturity securities consisted of three investments in the subordinated notes of collateralized loan obligation ("CLO") funds. Expected credit losses for these securities are estimated using a discounted cash flow methodology which considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. At June 30, 2024 and March 31, 2024, the Company carried \$5.9 million and \$6.1 million, respectively, of these HTM securities at amortized cost. The required ACL on these balances was \$3.2 million at June 30, 2024 and \$3.1 million at March 31, 2024, resulting in \$27 thousand of credit loss expense during the current quarter. Credit loss expense during the three months ended June 30, 2023 was \$0.3 million. None of the overcollateralization triggers tied to the CLO securities were tripped as of June 30, 2024. Ultimately, the realized cash flows on CLO securities such as these will be driven by a variety of factors, including credit performance of the underlying loan portfolio, adjustments to the portfolio by the asset manager, and the timing of a potential call.

Our ACL on loans was \$39.6 million as of June 30, 2024, compared to \$35.2 million as of December 31, 2023, representing an ACL to total loans ratio of 0.92% and 0.85%, respectively.

Our credit loss expense on loans increased \$0.6 million, or 15.8%, for the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

During the three months ended June 30, 2023, new adverse developments with one of the two remaining Over-Formula Advance clients caused us to charge-off the entire Over-Formula Advance amount due from that client. This resulted in a net charge-off of \$3.3 million; however, this net charge-off had no impact on credit loss expense as the entire amount had been reserved in a prior period. In accordance with the Agreement reached with Covenant, Covenant reimbursed us for \$1.7 million of this charge-off. We continue to reserve the full balance of the Over-Formula Advance clients at June 30, 2024 which totals \$2.3 million.

The increase in credit loss expense was primarily driven by changes in required specific reserves. Such specific reserves increased \$10 thousand during the three months ended June 30, 2024 compared to a decrease of \$7.1 million during the same period a year ago. Changes in volume and mix of the loan portfolio also drove an increase in credit loss expense period over period. Such changes resulted in credit loss expense of \$0.2 million during the three months ended June 30, 2024 compared to a \$0.2 million benefit to credit loss expense during the same period a year ago. Changes to projected loss drivers and prepayment speeds that the Company forecasted over the reasonable and supportable forecast periods to calculate expected losses resulted in credit loss expense of \$1.1 million during the three months ended June 30, 2024 compared to insignificant credit loss expense during the same period a year ago.

The increase in credit loss expense was partially offset by net charge-off activity during the period. Net charge-offs during the three months ended June 30, 2024 were \$2.7 million compared to \$10.8 million during the same period a year ago. Approximately \$2.1 million of the \$2.7 million net charge-offs for the three months ended June 30, 2024 were reserved in a prior period while approximately \$8.1 million of the \$10.8 million net charge-offs for the three months ended June 30, 2023 were reserved in a prior period. Such prior period reserves are included in the discussion of changes in specific reserves above.

Credit loss expense for off balance sheet credit exposures increased \$1.2 million, primarily due to changes to outstanding commitments to fund and changes to assumed loss rates period over period.

Noninterest Income

The following table presents our major categories of noninterest income:

(Dollars in thousands)	Three Months Ended June 30,			
	2024	2023	\$ Change	% Change
Service charges on deposits	\$ 1,810	\$ 1,769	\$ 41	2.3 %
Card income	2,085	2,119	(34)	(1.6) %
Net gains (losses) on sale or call of securities	—	—	—	— %
Net gains (losses) on sale of loans	123	87	36	41.4 %
Fee income	8,517	7,462	1,055	14.1 %
Insurance commissions	1,505	1,303	202	15.5 %
Other	3,127	(1,229)	4,356	354.4 %
Total noninterest income	<u>\$ 17,167</u>	<u>\$ 11,511</u>	<u>\$ 5,656</u>	<u>49.1 %</u>

Noninterest income increased \$5.7 million, or 49.1%. Changes in selected components of noninterest income in the above table are discussed below.

- *Fee income.* Fee income increased \$1.1 million, or 14.1%, due to a \$1.7 million increase in fees earned by our Payments segment during the three months ended June 30, 2024 compared to the same period a year ago.
- *Other.* Other noninterest income increased \$4.4 million partially due to a gain on our revenue share asset of \$0.4 million during the three months ended June 30, 2024 compared to a loss of \$1.2 million during the same period a year ago. We also recognized \$1.6 million of rental income on the building we acquired during March of 2024. Further, we recognized a \$0.5 million gain on the sale of equity securities and other assets during the three months ended June 30, 2024 compared to a loss of \$0.1 million during the same period a year ago.

Noninterest Expense

The following table presents our major categories of noninterest expense:

(Dollars in thousands)	Three Months Ended June 30,			
	2024	2023	\$ Change	% Change
Salaries and employee benefits	\$ 56,005	\$ 54,219	\$ 1,786	3.3 %
Occupancy, furniture and equipment	8,565	7,292	1,273	17.5 %
FDIC insurance and other regulatory assessments	641	868	(227)	(26.2) %
Professional fees	4,558	3,035	1,523	50.2 %
Amortization of intangible assets	2,869	3,001	(132)	(4.4) %
Advertising and promotion	2,008	1,629	379	23.3 %
Communications and technology	14,307	11,904	2,403	20.2 %
Software amortization	1,357	1,043	314	30.1 %
Travel and entertainment	1,513	1,555	(42)	(2.7) %
Other	5,520	5,850	(330)	(5.6) %
Total noninterest expense	<u>\$ 97,343</u>	<u>\$ 90,396</u>	<u>\$ 6,947</u>	<u>7.7 %</u>

Noninterest expense increased \$6.9 million, or 7.7%. Details of the more significant changes in the various components of noninterest expense are further discussed below.

- *Salaries and Employee Benefits.* Salaries and employee benefits expenses increased \$1.8 million, or 3.3%. Employee salaries and payroll taxes increased \$2.3 million and \$0.5 million. Our accruals for bonus expense increased \$0.3 million period over period. The size of our workforce increased period over period due to organic growth within the Company. Our average full-time equivalent employees were 1,571.0 and 1,480.7 for the three months ended June 30, 2024 and 2023, respectively. Additionally, employee insurance expense increased \$0.7 million. These increases were partially offset by a decrease in commissions expense of \$1.4 million and a decrease in temporary labor expense of \$0.8 million period over period.

- *Occupancy, Furniture and Equipment.* Occupancy, furniture and equipment expenses increased \$1.3 million, or 17.5%, primarily due to \$1.1 million of expense related to the building we acquired during March of 2024. The additional increase is driven by growth in our operations period over period.
- *Professional Fees.* Professional fees increased \$1.5 million, or 50.2%, primarily due to a \$1.3 million increase in legal and consulting fees period over period.
- *Communication and Technology.* Communication and technology increased \$2.4 million, or 20.2%, primarily as a result of increased spending on IT infrastructure, information security, and initiatives designed to develop efficiency in our operations and improve the functionality and security of our technology platforms period over period.
- *Other.* Other noninterest expense includes loan-related expenses, training and recruiting, postage, insurance, and subscription services. Other noninterest expense decreased \$0.3 million, or 5.6%. There were no significant variances in other noninterest expense period over period.

Income Taxes

The amount of income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income and the effect of changes in valuation allowances maintained against deferred tax benefits.

Income tax expense decreased \$1.5 million, from \$2.3 million for the three months ended June 30, 2023 to \$0.8 million for the three months ended June 30, 2024. The effective tax rate was 23% for the three months ended June 30, 2024, compared to 23% for the three months ended June 30, 2023.

Operating Segment Results

Our reportable segments are Banking, Factoring, Payments, and Corporate, which have been determined based upon their business processes and economic characteristics. This determination also gave consideration to the structure and management of various product lines. The Banking segment includes the operations of TBK Bank. Our Banking segment derives its revenue principally from investments in interest earning assets as well as noninterest income typical for the banking industry. The Factoring segment includes the operations of Triumph Financial Services with revenue derived from factoring services. The Payments segment includes the operations of TBK Bank's TriumphPay division, which provides a presentment, audit, and payment solution to Shipper, Broker, and Factor clients in the trucking industry. The Payments segment derives its revenue from transaction fees and interest income on factored receivables related to invoice payments. These factored receivables consist of both invoices where we offer a Carrier a quickpay opportunity to receive payment at a discount in advance of the standard payment term for such invoice in exchange for the assignment of such invoice to us and from offering Brokers the ability to settle their invoices with us on an extended term following our payment to their Carriers as an additional liquidity option for such Brokers.

Expenses that are directly attributable to our Banking, Factoring, and Payments segments are allocated as such. We continue to make considerable investments in shared services that benefit the entire organization and these expenses are allocated to our Corporate segment. We allocate such expenses to our Corporate segment in order for our chief operating decision maker and investors to have clear visibility into the operating performance of each reportable segment.

We allocate intersegment interest expense to the Factoring and Payments segments based on one-month term SOFR for their funding needs. When the Payments segment is self-funded, with customer deposit funding in excess of its factored receivables, intersegment interest income is allocated based on the Federal Funds effective rate. Management believes that such intersegment interest allocations appropriately reflect the current interest rate environment.

Reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. Changes in management structure or allocation methodologies and procedures may result in future changes to previously reported segment financial data. The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies" in Note 1 of the Company's 2023 Form 10-K.

Transactions between segments consist primarily of borrowed funds, payment network fees, and servicing fees. Intersegment interest expense is allocated to the Factoring and Payments segments as described above. Payment network fees are paid by the Factoring segment to the Payments segment for use of the payments network. Beginning prospectively on June 1, 2023, factoring transactions with freight broker clients were transferred from our Factoring segment to our Payments segment to align with TriumphPay's supply chain finance product offerings. Servicing fees are paid by the Payments segment to the Factoring segment for servicing such product. Beginning prospectively on January 1, 2024, the Factoring and Payments segments began paying fees to our Banking segment for the Banking segment's execution of various banking services that benefit those segments. Credit loss expense is allocated based on the segment's ACL determination. Noninterest income and expense directly attributable to a segment are assigned to it with various shared service costs such as human resources, accounting, finance, risk management and information technology expense assigned to the Corporate segment. Taxes are paid on a consolidated basis and are not allocated for segment purposes.

The following tables present our primary operating results for our operating segments:

(Dollars in thousands)

Three Months Ended June 30, 2024	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 66,900	\$ 34,307	\$ 5,721	\$ 87	\$ 107,015
Intersegment interest allocations	7,188	(9,198)	2,010	—	—
Total interest expense	16,713	—	—	2,387	19,100
Net interest income (expense)	57,375	25,109	7,731	(2,300)	87,915
Credit loss expense (benefit)	1,961	2,176	(9)	27	4,155
Net interest income after credit loss expense	55,414	22,933	7,740	(2,327)	83,760
Noninterest income	7,599	2,016	5,867	1,685	17,167
Noninterest expense	32,865	20,695	17,070	26,713	97,343
Net intersegment noninterest income (expense) ⁽¹⁾	137	373	(510)	—	—
Net income (loss) before income tax expense	\$ 30,285	\$ 4,627	\$ (3,973)	\$ (27,355)	\$ 3,584

(Dollars in thousands)

Three Months Ended June 30, 2023	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 65,624	\$ 36,368	\$ 3,451	\$ 43	\$ 105,486
Intersegment interest allocations	7,478	(9,358)	1,880	—	—
Total interest expense	11,634	—	—	2,401	14,035
Net interest income (expense)	61,468	27,010	5,331	(2,358)	91,451
Credit loss expense (benefit)	831	1,481	41	290	2,643
Net interest income after credit loss expense	60,637	25,529	5,290	(2,648)	88,808
Noninterest income	6,347	980	4,119	65	11,511
Noninterest expense	31,934	20,218	16,939	21,305	90,396
Net intersegment noninterest income (expense) ⁽¹⁾	—	(97)	97	—	—
Net income (loss) before income tax expense	\$ 35,050	\$ 6,194	\$ (7,433)	\$ (23,888)	\$ 9,923

⁽¹⁾ Net intersegment noninterest income (expense) includes:

(Dollars in thousands)

	Banking	Factoring	Payments
Three Months Ended June 30, 2024			
Factoring revenue received from Payments	\$ —	\$ 750	\$ (750)
Payments revenue received from Factoring	—	(264)	264
Banking revenue received from Payments and Factoring	137	(113)	(24)
Net intersegment noninterest income (expense)	\$ 137	\$ 373	\$ (510)
Three Months Ended June 30, 2023			
Factoring revenue received from Payments	\$ —	\$ 170	\$ (170)
Payments revenue received from Factoring	—	(267)	267
Banking revenue received from Payments and Factoring	—	—	—
Net intersegment noninterest income (expense)	\$ —	\$ (97)	\$ 97

(Dollars in thousands)

June 30, 2024	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	\$ 5,252,768	\$ 1,148,844	\$ 520,737	\$ 1,146,291	\$ (2,285,306)	\$ 5,783,334
Gross loans	\$ 3,671,871	\$ 1,035,159	\$ 172,321	\$ —	\$ (590,934)	\$ 4,288,417

(Dollars in thousands)

December 31, 2023	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	\$ 4,918,527	\$ 1,077,367	\$ 546,985	\$ 1,056,646	\$ (2,252,191)	\$ 5,347,334
Gross loans	\$ 3,595,527	\$ 941,926	\$ 174,728	\$ —	\$ (549,081)	\$ 4,163,100

Banking

(Dollars in thousands)

Banking	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
Total interest income	\$ 66,900	\$ 65,624	\$ 1,276	1.9 %
Intersegment interest allocations	7,188	7,478	(290)	(3.9)%
Total interest expense	16,713	11,634	5,079	43.7 %
Net interest income (expense)	57,375	61,468	(4,093)	(6.7)%
Credit loss expense (benefit)	1,961	831	1,130	136.0 %
Net interest income after credit loss expense	55,414	60,637	(5,223)	(8.6)%
Noninterest income	7,599	6,347	1,252	19.7 %
Noninterest expense	32,865	31,934	931	2.9 %
Net intersegment noninterest income (expense)	137	—	137	100.0 %
Operating income (loss)	\$ 30,285	\$ 35,050	\$ (4,765)	(13.6)%

Our Banking segment's operating income decreased \$4.8 million, or 13.6%.

Total interest income increased \$1.3 million, or 1.9%, at our Banking segment primarily as a result of increased yields and average balances on our non-loan interest earning assets at our Banking segment. The increase was partially offset by slight decreases in average loans and loan yield at our Banking segment. More specifically, average loans in our Banking segment, excluding intersegment loans, decreased 2.7% from \$3.121 billion for the three months ended June 30, 2023 to \$3.036 billion for the three months ended June 30, 2024. Intersegment interest income allocated to our Banking segment decreased period over period due to decreased average factored receivables balances at our Factoring segment and increased average factored receivables balances at our Payments segment.

Interest expense increased \$5.1 million, or 43.7%, due to an increase in average interest-bearing liabilities, including an increase in average total interest bearing deposits of \$221.4 million, or 9.1%, period over period. This increase was also driven by higher interest rates paid on our interest-bearing liabilities driven by changes in interest rates in the macro economy.

Credit loss expense at our Banking segment is made up of credit loss expense related to loans and credit loss expense related to off balance sheet commitments to lend. Credit loss expense related to loans was \$1.9 million for the three months ended June 30, 2024 compared to credit loss expense on loans of \$2.0 million for the three months ended June 30, 2023. The decrease in credit loss expense was the result of decreased net charge-offs at our Banking segment period over period. This decrease was partially offset by increases driven by changes to the projected loss drivers and prepayment speeds that the Company forecasted over the reasonable and supportable forecast periods and increased required specific reserves at our Banking segment period over period. Change in the volume and mix of our Banking segment's loan portfolio did not have a significant impact on the change in credit loss expense period over period.

Credit loss expense for off balance sheet credit exposures increased \$1.1 million, from a \$1.2 million benefit to credit loss expense for the three months ended June 30, 2023 to an insignificant credit loss expense amount for the three months ended June 30, 2024, primarily due to changes to outstanding commitments to fund and changes to assumed loss rates period over period.

Noninterest income at our Banking segment increased period over period due to a \$0.5 million gain on sale of equity securities and other assets during the three months ended June 30, 2024 compared to a \$0.1 million loss during the same period a year ago. There were no other significant changes in the components of noninterest income at our Banking segment period over period.

Noninterest expense at our Banking segment increased slightly primarily due to a \$1.1 million increase in professional fees and a \$1.1 million increase on communications and technology expense. These increases were partially offset by a \$1.2 million decrease in salaries and employee benefits expense at our Banking segment including reduced stock based compensation expense. There were no other significant changes in the components of noninterest expense at our Banking segment period over period.

Year to date, our aggregate outstanding balances for our banking products, excluding intercompany loans, has increased \$34.5 million, or 1.1%, to \$3.081 billion as of June 30, 2024. The following table sets forth our banking loans:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023	\$ Change	% Change
Banking				
Commercial real estate	\$ 842,342	\$ 812,704	\$ 29,638	3.6 %
Construction, land development, land	216,531	136,720	79,811	58.4 %
1-4 family residential	128,508	125,916	2,592	2.1 %
Farmland	58,495	63,568	(5,073)	(8.0)%
Commercial - General	294,670	303,332	(8,662)	(2.9)%
Commercial - Agriculture	50,604	47,059	3,545	7.5 %
Commercial - Equipment	468,661	460,008	8,653	1.9 %
Commercial - Asset-based lending	203,634	246,065	(42,431)	(17.2)%
Commercial - Liquid Credit	74,711	113,901	(39,190)	(34.4)%
Consumer	7,596	8,326	(730)	(8.8)%
Mortgage Warehouse	735,185	728,847	6,338	0.9 %
Total banking loans	\$ 3,080,937	\$ 3,046,446	\$ 34,491	1.1 %

Factoring

(Dollars in thousands)

	Three Months Ended June 30,			
Factoring	2024	2023	\$ Change	% Change
Total interest income	\$ 34,307	\$ 36,368	\$ (2,061)	(5.7)%
Intersegment interest allocations	(9,198)	(9,358)	160	1.7 %
Total interest expense	—	—	—	—
Net interest income (expense)	25,109	27,010	(1,901)	(7.0)%
Credit loss expense (benefit)	2,176	1,481	695	46.9 %
Net interest income (expense) after credit loss expense	22,933	25,529	(2,596)	(10.2)%
Noninterest income	2,016	980	1,036	105.7 %
Noninterest expense	20,695	20,218	477	2.4 %
Net intersegment noninterest income (expense)	373	(97)	470	484.5 %
Net income (loss) before income tax expense	\$ 4,627	\$ 6,194	\$ (1,567)	(25.3)%

	Three Months Ended June 30,	
	2024	2023
Factored receivable period end balance	\$ 1,035,159,000	\$ 997,842,000
Yield on average receivable balance	14.14 %	14.07 %
Current quarter charge-off rate	0.15 %	0.54 %
Factored receivables - transportation concentration	97 %	95 %
Interest income, including fees	\$ 34,307,000	\$ 36,368,000
Non-interest income	2,016,000	980,000
Intersegment noninterest income	750,000	170,000
Factored receivable total revenue	37,073,000	37,518,000
Average net funds employed	873,355,000	918,439,000
Yield on average net funds employed	17.07 %	16.38 %
Accounts receivable purchased	\$ 2,542,327,000	\$ 2,732,976,000
Number of invoices purchased	1,432,366	1,494,963
Average invoice size	\$ 1,775	\$ 1,828
Average invoice size - transportation	\$ 1,738	\$ 1,773
Average invoice size - non-transportation	\$ 4,561	\$ 5,790

⁽¹⁾ June 30, 2023 includes a \$3.3 million charge-off of an over-formula advance balance, which contributed approximately 0.32% to the net charge-off rate for the quarter. In accordance with the agreement reached with Covenant, Covenant reimbursed us for \$1.7 million of this charge-off

Our Factoring segment's operating income decreased \$1.6 million, or 25.3%.

Our average invoice size decreased 2.9% from \$1,828 for the three months ended June 30, 2023 to \$1,775 for the three months ended June 30, 2024. Additionally, the number of invoices purchased decreased 4.2% period over period.

Net interest income at our Factoring segment decreased period over period. Overall average net funds employed ("NFE") decreased 4.9% during the three months ended June 30, 2024 compared to the same period in 2023. The decrease in average NFE was the result of decreased invoice purchase volume and decreased average invoice sizes. Those, in turn, resulted from a soft transportation market. See further discussion under the Recent Developments: Trucking Transportation section. We maintained a high concentration in transportation factoring balances, which typically generate a higher yield than our non-transportation factoring balances. This concentration was at 97% at June 30, 2024 and 95% at June 30, 2023. Net interest income at our Factoring segment was also impacted by a decrease in its intersegment interest allocation charge period over period.

Credit loss expense at our Factoring segment is made up of credit loss expense related to factored receivables and credit loss expense related to off balance sheet commitments to lend. Credit loss expense related to factored receivables was \$2.2 million for the three months ended June 30, 2024 compared to credit loss expense on factored receivables of \$1.5 million for the three months ended June 30, 2023. The increase in credit loss expense on factored receivables was driven by an increase in required specific reserves period over period as well as the change in volume and mix of the factored receivable portfolio period over period. Changes in loss assumptions did not have a material impact on the change in credit loss expense period over period. The increase was partially offset by a decrease in net charge-offs period over period. There was no credit loss expense related to off balance sheet credit exposures during either period.

Noninterest income at our Factoring segment increased period over period due to a gain on our revenue share asset of \$0.4 million during the three months ended June 30, 2024 compared to a \$1.2 million loss during the same period a year ago. There were no other significant variances in noninterest income at our Factoring segment.

Noninterest expense at our Factoring segment increased primarily due to a \$0.7 million increase in professional fees. There were no other significant variances in noninterest expense at our Factoring segment.

Payments

(Dollars in thousands)

Payments	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
Total interest income	\$ 5,721	\$ 3,451	\$ 2,270	65.8 %
Intersegment interest allocations	2,010	1,880	130	6.9 %
Total interest expense	—	—	—	— %
Net interest income (expense)	7,731	5,331	2,400	45.0 %
Credit loss expense (benefit)	(9)	41	(50)	(122.0)%
Net interest income after credit loss expense	7,740	5,290	2,450	46.3 %
Noninterest income	5,867	4,119	1,748	42.4 %
Noninterest expense	17,070	16,939	131	0.8 %
Net intersegment noninterest income (expense)	(510)	97	(607)	(625.8)%
Net income (loss) before income tax expense	\$ (3,973)	\$ (7,433)	\$ 3,460	46.5 %

	Three Months Ended June 30,	
	2024	2023
Supply chain financing factored receivables	\$ 95,163,000	\$ 93,751,000
Quickpay factored receivables	77,158,000	82,201,000
Factored receivable period end balance	\$ 172,321,000	\$ 175,952,000
Supply chain finance interest income	\$ 2,649,000	\$ 820,000
Quickpay interest income	3,072,000	2,631,000
Intersegment interest income	2,010,000	1,880,000
Total interest income	7,731,000	5,331,000
Broker noninterest income	4,392,000	2,607,000
Factor noninterest income	1,296,000	1,367,000
Other noninterest income	179,000	145,000
Intersegment noninterest income	264,000	267,000
Total noninterest income	6,131,000	4,386,000
Total revenue	\$ 13,862,000	\$ 9,717,000
Intersegment interest expense allocation	\$ —	\$ —
Credit loss expense (benefit)	(9,000)	41,000
Noninterest expense	17,070,000	16,939,000
Intersegment noninterest expense	774,000	170,000
Total expense	\$ 17,835,000	\$ 17,150,000
Operating income (loss)	\$ (3,973,000)	\$ (7,433,000)
Intersegment interest expense	—	—
Depreciation expense	263,000	191,000
Software amortization expense	580,000	177,000
Intangible amortization expense	1,687,000	1,729,000
Earnings (losses) before interest, taxes, depreciation, and amortization	\$ (1,443,000)	\$ (5,336,000)
EBITDA margin	(10)%	(55)%
Number of invoices processed	6,062,779	4,526,629
Amount of payments processed	\$ 6,687,587,000	\$ 4,940,317,000
Network invoice volume	701,768	181,904
Network payment volume	\$ 1,133,118,000	\$ 299,948,000

Our Payments segment's operating loss decreased \$3.5 million, or 46.5%.

The number of invoices processed by our Payments segment increased 33.9% from 4,526,629 for the three months ended June 30, 2023 to 6,062,779 for the three months ended June 30, 2024, and the amount of payments processed increased 35.4% from \$4.940 billion for the three months ended June 30, 2023 to \$6.688 billion for the three months ended June 30, 2024 in the face of lower average invoice prices.

A "network transaction" occurs when a fully integrated TriumphPay payor receives an invoice from a fully integrated TriumphPay payee. All network transactions are included in our payment processing volume above. These transactions are facilitated through TriumphPay application programming interfaces ("APIs") with parties on both sides of the transaction using structured data; similar to how a credit card works at a point-of-sale terminal. The integrations largely automate the process and make it cheaper, faster and safer. During the three months ended June 30, 2024, we processed 701,768 network invoices representing a network payment volume of \$1.133 billion. During the three months ended June 30, 2023, we processed 181,904 network invoices representing a network payment volume of \$299.9 million.

Net interest income increased due to increased average balances at our Payments segment and increased intersegment interest allocation period over period. The majority of the increased average balance was driven by supply chain finance receivables previously discussed. The increase in net interest income was partially offset by lower yields at our Payments segment.

Noninterest income increased due to a \$1.7 million increase in payment and audit fees, including intersegment fees, earned by TriumphPay during the three months ended June 30, 2024 compared to the same period a year ago. There were no other significant changes in the components of noninterest income at our Payments segment period over period.

Noninterest expense was relatively flat at our Payment segment period over period. Communications and technology expense and software amortization increased \$0.6 million, but there were no other significant variances in the components of noninterest expense at our Payments segment period over period.

The acquisition of HubTran during the year ended December 31, 2021 allows TriumphPay to create a fully integrated payments network for transportation; servicing Brokers and Factors. TriumphPay already offered tools and services to increase automation, mitigate fraud, create back-office efficiency and improve the payment experience. Through the acquisition of HubTran, TriumphPay created additional value through the enhancement of its presentment, audit, and payment capabilities for Shippers, third party logistics companies (i.e., Brokers) and their Carriers, and Factors. The acquisition of HubTran was a meaningful inflection point in the operations of TriumphPay as the TriumphPay strategy has shifted from a capital-intensive on-balance sheet product with a focus on interest income to an open-loop payments network for the trucking industry with a focus on fee revenue. It is for this reason that management believes that earnings before interest, taxes, depreciation, and amortization enhance investors' overall understanding of the financial performance of the Payments segment. Further, as a result of the HubTran acquisition, management recorded \$27.3 million of intangible assets that has led to meaningful amounts of intangible amortization.

Corporate

(Dollars in thousands)

Corporate	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
Total interest income	\$ 87	\$ 43	\$ 44	102.3 %
Intersegment interest allocations	—	—	—	—
Total interest expense	2,387	2,401	(14)	(0.6)%
Net interest income (expense)	(2,300)	(2,358)	58	2.5 %
Credit loss expense (benefit)	27	290	(263)	(90.7)%
Net interest income (expense) after credit loss expense	(2,327)	(2,648)	321	12.1 %
Other noninterest income	1,685	65	1,620	2,492.3 %
Noninterest expense	26,713	21,305	5,408	25.4 %
Net income (loss) before income tax expense	\$ (27,355)	\$ (23,888)	\$ (3,467)	(14.5)%

The Corporate segment reported an operating loss of \$27.4 million for the three months ended June 30, 2024 compared to an operating loss of \$23.9 million for the three months ended June 30, 2023. The increased operating loss at our Corporate segment was driven by increased noninterest expense which was the result of a \$3.4 million increase in salaries and benefits expense, a \$1.2 million increase in occupancy expense driven by the building acquired during March of 2024, and a \$0.5 million increase in communication and technology expense period over period. The increased operating loss was partially offset by increased noninterest income driven by \$1.6 million of rental income from the acquired building recognized during the three months ended June 30, 2024.

Results of Operations

Six months ended June 30, 2024 compared with six months ended June 30, 2023

Net Income

We earned net income of \$6.9 million for the six months ended June 30, 2024 compared to \$18.7 million for the six months ended June 30, 2023, a decrease of \$11.8 million or 63.0%.

(Dollars in thousands, except per share amounts)	Six Months Ended June 30, 2024		\$ Change	% Change
	2024	2023		
Interest income	\$ 208,962	\$ 206,160	\$ 2,802	1.4 %
Interest expense	35,012	21,327	13,685	64.2 %
Net interest income	173,950	184,833	(10,883)	(5.9)%
Credit loss expense (benefit)	10,051	5,256	4,795	91.2 %
Net interest income after credit loss expense (benefit)	163,899	179,577	(15,678)	(8.7)%
Noninterest income	32,166	22,533	9,633	42.8 %
Noninterest expense	187,714	179,677	8,037	4.5 %
Net income (loss) before income taxes	8,351	22,433	(14,082)	(62.8)%
Income tax expense (benefit)	1,446	3,773	(2,327)	(61.7)%
Net income (loss)	\$ 6,905	\$ 18,660	\$ (11,755)	(63.0)%

Details of the changes in the various components of net income are further discussed below.

Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest income on interest earning assets, including loans and securities, and interest expense incurred on interest bearing liabilities, including deposits and other borrowed funds. Interest rate fluctuations, as well as changes in the amount and type of interest earning assets and interest bearing liabilities, combine to affect net interest income. Our net interest income is affected by changes in the amount and mix of interest earning assets and interest bearing liabilities, referred to as a "volume change." It is also affected by changes in yields earned on interest earning assets and rates paid on interest bearing liabilities, referred to as a "rate change."

[Table of Contents](#)

The following table presents the distribution of average assets, liabilities and equity, as well as interest income and fees earned on average interest earning assets and interest expense paid on average interest bearing liabilities. Average balances and interest are inclusive of assets and deposits classified as held for sale.

	Six Months Ended June 30,					
	2024			2023		
	Average Balance	Interest	Average Rate ⁽⁴⁾	Average Balance	Interest	Average Rate ⁽⁴⁾
<i>(Dollars in thousands)</i>						
Interest earning assets:						
Cash and cash equivalents	\$ 412,228	\$ 11,233	5.48 %	\$ 244,012	\$ 5,950	4.92 %
Taxable securities	325,165	10,828	6.70 %	306,883	9,196	6.04 %
Tax-exempt securities	3,330	46	2.78 %	11,763	151	2.59 %
FHLB and other restricted stock	10,624	466	8.82 %	18,558	344	3.74 %
Loans ⁽¹⁾	4,120,518	186,389	9.10 %	4,186,570	190,519	9.18 %
Total interest earning assets	4,871,865	208,962	8.63 %	4,767,786	206,160	8.72 %
Noninterest earning assets:						
Cash and cash equivalents	83,369			83,730		
Other noninterest earning assets	589,829			534,913		
Total assets	\$ 5,545,063			\$ 5,386,429		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	\$ 740,223	\$ 2,015	0.55 %	\$ 820,467	\$ 1,285	0.32 %
Individual retirement accounts	50,675	338	1.34 %	62,663	189	0.61 %
Money market	567,604	8,067	2.86 %	502,456	2,815	1.13 %
Savings	537,551	2,802	1.05 %	537,404	784	0.29 %
Certificates of deposit	260,427	3,810	2.94 %	292,665	1,457	1.00 %
Brokered time deposits	358,807	9,438	5.29 %	172,354	3,373	3.95 %
Other brokered deposits	44,528	1,202	5.43 %	6,768	176	5.24 %
Total interest bearing deposits	2,559,815	27,672	2.17 %	2,394,777	10,079	0.85 %
Federal Home Loan Bank advances	92,088	2,545	5.56 %	251,961	6,503	5.20 %
Subordinated notes	108,804	2,449	4.53 %	108,009	2,621	4.89 %
Junior subordinated debentures	41,875	2,346	11.27 %	41,303	2,124	10.37 %
Other borrowings	—	—	— %	1,457	—	— %
Total interest bearing liabilities	2,802,582	35,012	2.51 %	2,797,507	21,327	1.54 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	1,782,257			1,651,463		
Other liabilities	80,199			87,457		
Total equity	880,025			850,002		
Total liabilities and equity	\$ 5,545,063			\$ 5,386,429		
Net interest income		<u>\$ 173,950</u>			<u>\$ 184,833</u>	
Interest spread ⁽²⁾			<u>6.12 %</u>			<u>7.18 %</u>
Net interest margin ⁽³⁾			<u>7.18 %</u>			<u>7.82 %</u>

(1) Balance totals include respective nonaccrual assets.

(2) Net interest spread is the yield on average interest earning assets less the rate on interest bearing liabilities.

(3) Net interest margin is the ratio of net interest income to average interest earning assets.

(4) Ratios have been annualized.

The following table presents loan yields earned on our loan portfolios:

	Six Months Ended June 30,					
	2024			2023		
(Dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Banking loans	\$ 2,984,129	\$ 108,452	7.31 %	\$ 3,019,168	\$ 109,796	7.33 %
Factoring receivables	959,251	67,059	14.06 %	1,073,434	74,525	14.00 %
Payments receivables	177,138	10,878	12.35 %	93,968	6,198	13.30 %
Total loans	\$ 4,120,518	\$ 186,389	9.10 %	\$ 4,186,570	\$ 190,519	9.18 %

We earned net interest income of \$174.0 million for the six months ended June 30, 2024 compared to \$184.8 million for the six months ended June 30, 2023, a decrease of \$10.8 million, or 5.8%, primarily driven by the following factors.

Interest income increased \$2.8 million, or 1.4%, due to increased yields across all of our broad interest earning asset categories with the exception of loans. This increase reflects an increase in total average interest earning assets of \$104.1 million, or 2.2%, but a decrease in average total loans of \$66.1 million, or 1.6%. The average balance of our higher yielding Factoring factored receivables decreased \$114.2 million, or 10.6%, and we experienced an increase in average Payments factored receivables. The decrease in average Factoring factored receivables and the increase in Payments factored receivables was impacted by our decision to move supply chain financing receivables from our Factoring segment to our Payments segment at the end of the second quarter 2023. We experienced a decrease in average Banking loans of \$35.0 million, or 1.2% due to decreases in the average balances of residential real estate, farmland, commercial, consumer, and mortgage warehouse loans. Interest income from our Banking loans is impacted by our lower yielding mortgage warehouse lending product. The average mortgage warehouse lending balance was \$657.8 million for the six months ended June 30, 2024 compared to \$794.9 million for the six months ended June 30, 2023. A component of interest income consists of discount accretion on acquired loan portfolios and acquired liquid credit loans. We recognized discount accretion on purchased loans of \$1.6 million and \$2.8 million for the six months ended June 30, 2024 and 2023, respectively.

Interest expense increased \$13.7 million, or 64.2%, due to increased average rates on interest bearing liabilities discussed below. The increase in interest expense was also driven by an increase in average interest bearing liabilities of \$5.1 million, or 0.2%. More specifically, average total interest bearing deposits increased \$165.0 million, or 6.9%. Average noninterest bearing deposits grew \$130.8 million.

Net interest margin decreased to 7.18% for the six months ended June 30, 2024 from 7.82% for the six months ended June 30, 2023, a decrease of 64 basis point, or 8.2%.

The decrease in our net interest margin was primarily driven by an increase in our average cost of interest bearing liabilities of 97 basis points. This increase in average cost was caused by generally higher interest rates paid on our interest-bearing liabilities driven by changes in interest rates in the macro economy.

Our net interest margin was impacted by a decrease in yield on our interest earning assets of 9 basis points to 8.63% for the six months ended June 30, 2024. This decrease was primarily driven by lower yields on loans which decreased 8 basis points to 9.10% for the period. Factoring yield was relatively flat period over period, but average Factoring factored receivables as a percentage of the total loan portfolio decreased which had a meaningful downward impact on total loan yield. Our transportation factoring balances, which generally generate a higher yield than our non-transportation factoring balances, were 97% and 95% of our Factoring portfolio at June 30, 2024 and 2023, respectively. Banking and Payments yields decreased period over period while non-loan yields increased over the same period.

Our mortgage warehouse business has nearly self-funded for several quarters due to the servicing deposits of its customers. The average balance of such deposits was \$484.7 million for the six months ended June 30, 2024. These deposits are noninterest bearing deposits on our balance sheet. Despite their classification, many of these deposits are not truly free of cost as our clients are compensated for these balances in the form of an earnings interest rebate rather than deposit interest. As a result, such noninterest bearing deposits decrease our loan yield rather than increase our deposit rates. It is important to note that our net interest margin is not affected by this arrangement. During the six months ended June 30, 2024, these deposits decreased our overall yield on loans by 53 bps and our overall cost of deposits and cost of funds would have been 51 bps and 48 bps higher, respectively.

The following table shows the effects that changes in average balances (volume) and average interest rates (rate) had on the interest earned on our interest earning assets and the interest incurred on our interest bearing liabilities:

	Six Months Ended		
	June 30, 2024 vs. 2023		
	Increase (Decrease) Due to:		
(Dollars in thousands)	Rate	Volume	Net Increase
Interest earning assets:			
Cash and cash equivalents	\$ 699	\$ 4,584	\$ 5,283
Taxable securities	1,023	609	1,632
Tax-exempt securities	11	(116)	(105)
FHLB and other restricted stock	470	(348)	122
Loans	(1,142)	(2,988)	(4,130)
Total interest income	1,061	1,741	2,802
Interest bearing liabilities:			
Interest bearing demand	948	(218)	730
Individual retirement accounts	229	(80)	149
Money market	4,326	926	5,252
Savings	2,017	1	2,018
Certificates of deposit	2,825	(472)	2,353
Brokered time deposits	1,161	4,904	6,065
Other brokered deposits	7	1,019	1,026
Total interest bearing deposits	11,513	6,080	17,593
Federal Home Loan Bank advances	460	(4,418)	(3,958)
Subordinated notes	(190)	18	(172)
Junior subordinated debentures	190	32	222
Other borrowings	—	—	—
Total interest expense	11,973	1,712	13,685
Change in net interest income	\$ (10,912)	\$ 29	\$ (10,883)

Credit Loss Expense

Credit loss expense is the amount of expense that, based on our judgment, is required to maintain the allowances for credit losses ("ACL") at an appropriate level under the current expected credit loss model. The determination of the amount of the allowance is complex and involves a high degree of judgment and subjectivity. Refer to Note 1 of the Company's 2023 Form 10-K for detailed discussion regarding ACL methodologies for available for sale debt securities, held to maturity securities and loans held for investment.

The following table presents the major categories of credit loss expense:

	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
(Dollars in thousands)				
Credit loss expense on loans	\$ 8,977	\$ 5,167	\$ 3,810	73.7 %
Credit loss expense on off balance sheet credit exposures	1,102	(343)	1,445	421.3 %
Credit loss expense on held to maturity securities	(28)	432	(460)	(106.5)%
Credit loss expense on available for sale securities	—	—	—	—
Total credit loss expense	\$ 10,051	\$ 5,256	\$ 4,795	91.2 %

For available for sale debt securities in an unrealized loss position, the Company evaluates the securities at each measurement date to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized as an ACL on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings via credit loss expense. At December 31, 2023 and June 30, 2024, the Company determined that all impaired available for sale securities experienced a decline in fair value below the amortized cost basis due to noncredit-related factors. Therefore, the Company carried no ACL at those respective dates and there was no credit loss expense recognized by the Company during the six months ended June 30, 2024. The same was true for the same period in the prior year.

The ACL on held to maturity securities is estimated at each measurement date on a collective basis by major security type. At June 30, 2024 and December 31, 2023, the Company's held to maturity securities consisted of three investments in the subordinated notes of collateralized loan obligation ("CLO") funds. Expected credit losses for these securities are estimated using a discounted cash flow methodology which considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. At June 30, 2024 and December 31, 2023, the Company carried \$5.9 million and \$6.2 million of these HTM securities at amortized cost, respectively. The ACL on these balances was \$3.2 million at June 30, 2024 and \$3.2 million at December 31, 2023 and we recognized a benefit to credit loss expense of \$28 thousand during the six months ended June 30, 2024. Credit loss expense during the six months ended June 30, 2023 was \$0.4 million. None of the overcollateralization triggers tied to the CLO securities were tripped as of June 30, 2024. Ultimately, the realized cash flows on CLO securities such as these will be driven by a variety of factors, including credit performance of the underlying loan portfolio, adjustments to the portfolio by the asset manager, and the timing of a potential call.

Our ACL on loans was \$39.6 million as of June 30, 2024, compared to \$35.2 million as of December 31, 2023, representing an ACL to total loans ratio of 0.92% and 0.85% respectively.

Our credit loss expense on loans increased \$3.8 million, or 73.7%, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

During the six months ended June 30, 2023, new adverse developments with one of the two remaining Over-Formula Advance clients caused us to charge-off the entire Over-Formula Advance amount due from that client. This resulted in a net charge-off of \$3.3 million; however, this net charge-off had no impact on credit loss expense as the entire amount had been reserved in a prior period. In accordance with the Agreement reached with Covenant, Covenant reimbursed us for \$1.7 million of this charge-off. We continue to reserve the full balance of the Over-Formula Advance clients at June 30, 2024 which totals \$2.3 million.

The increase in credit loss expense was primarily driven by changes in required specific reserves. Such specific reserves increased \$1.4 million during the six months ended June 30, 2024 compared to a decrease of \$8.0 million during the same period a year ago. Changes in volume and mix of the loan portfolio also drove an increase in credit loss expense period over period. Such changes resulted in credit loss expense of \$1.0 million during the six months ended June 30, 2024 compared to a \$0.2 million benefit to credit loss expense during the same period a year ago. Changes to projected loss drivers and prepayment speeds that the Company forecasted over the reasonable and supportable forecast periods to calculate expected losses resulted in credit loss expense of \$2.0 million during the six months ended June 30, 2024 compared to credit loss expense of \$0.4 million during the same period a year ago.

The increase in credit loss expense was partially offset by net charge-off activity during the period. Net charge-offs during the six months ended June 30, 2024 were \$4.6 million compared to \$13.0 million during the same period a year ago. Approximately \$1.9 million of the \$4.6 million net charge-offs for the six months ended June 30, 2024 were reserved in a prior period while approximately \$8.5 million of the \$13.0 million net charge-offs for the six months ended June 30, 2023 were reserved in a prior period. Such prior period reserves are included in the discussion of changes in specific reserves above.

Credit loss expense for off balance sheet credit exposures increased \$1.4 million, primarily due to changes to outstanding commitments to fund and assumed loss rates period over period.

Noninterest Income

The following table presents our major categories of noninterest income:

(Dollars in thousands)	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Service charges on deposits	\$ 3,537	\$ 3,482	\$ 55	1.6 %
Card income	3,953	4,087	(134)	(3.3 %)
Net gains (losses) on sale or call of securities	—	—	—	— %
Net gains (losses) on sale of loans	(69)	3	(72)	n/m
Fee income	17,200	13,612	3,588	26.4 %
Insurance commissions	3,073	2,896	177	6.1 %
Other	4,472	(1,547)	6,019	389.1 %
Total noninterest income	<u>\$ 32,166</u>	<u>\$ 22,533</u>	<u>\$ 9,633</u>	<u>42.8 %</u>

Noninterest income increased \$9.6 million, or 42.8%. Changes in selected components of noninterest income in the above table are discussed below.

- **Fee income.** Fee income increased \$3.6 million, or 26.4% primarily due to a \$3.5 million increase in payment fees earned by TriumphPay during the six months ended June 30, 2024 compared to the same period a year ago.
- **Other.** Other noninterest income increased \$6.0 million, or 389.1% primarily due to a gain on our revenue share asset of \$0.9 million during the six months ended June 30, 2024 compared to a loss of \$1.8 million during the same period a year ago. We also recognized \$1.6 million of rental income on the building we acquired during March of 2024. Further, we recognized a \$0.5 million gain on the sale of equity securities and other assets during the six months ended June 30, 2024 compared to a loss of \$0.3 million during the same period a year ago.

Noninterest Expense

The following table presents our major categories of noninterest expense:

(Dollars in thousands)	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Salaries and employee benefits	\$ 110,190	\$ 108,905	\$ 1,285	1.2 %
Occupancy, furniture and equipment	16,201	13,995	2,206	15.8 %
FDIC insurance and other regulatory assessments	1,294	1,286	8	0.6 %
Professional fees	8,099	6,120	1,979	32.3 %
Amortization of intangible assets	5,593	5,851	(258)	(4.4 %)
Advertising and promotion	3,222	3,001	221	7.4 %
Communications and technology	26,201	23,250	2,951	12.7 %
Software amortization	2,531	2,030	501	24.7 %
Travel and entertainment	3,022	3,453	(431)	(12.5 %)
Other	11,361	11,786	(425)	(3.6 %)
Total noninterest expense	<u>\$ 187,714</u>	<u>\$ 179,677</u>	<u>\$ 8,037</u>	<u>4.5 %</u>

Noninterest expense increased \$8.0 million, or 4.5%. Details of the more significant changes in the various components of noninterest expense are further discussed below.

- **Salaries and Employee Benefits.** Salaries and employee benefits expenses increased \$1.3 million, or 1.2%. Employee salaries increased \$1.0 million while payroll taxes decreased \$0.2 million. Our accruals for bonus expense increased \$1.5 million period over period. The size of our workforce increased period over period due to organic growth within the Company. Our average full-time equivalent employees were 1,544.7 and 1,470.3 for the six months ended June 30, 2024 and 2023, respectively. Employee insurance expense increased \$1.2 million, stock based compensation paid to employees increased \$1.0 million, and expense related to our 401(k) contribution matching increased \$0.5 million period over period. These increases were partially offset by a decrease in temporary labor expense of \$1.8 million and a decrease in commissions expense of \$2.0 million period over period.

- *Occupancy, Furniture and Equipment.* Occupancy, furniture and equipment expenses increased \$2.2 million, or 15.8%, primarily due to \$1.1 million of expense related to the building we acquired during March of 2024. The additional increase is driven by growth in our operations period over period.
- *Professional Fees.* Professional fees increased \$2.0 million, or 32.3%, primarily due to a \$1.6 million increase in legal and consulting fees period over period.
- *Communications and Technology.* Communications and technology expenses increased \$3.0 million, or 12.7%, primarily as a result of increased spending on IT infrastructure, information security, and initiatives designed to develop efficiency in our operations and improve the functionality and security of our technology platforms period over period.
- *Other.* Other noninterest expense includes loan-related expenses, software amortization, training and recruiting, postage, insurance, and subscription services. Other noninterest expense was relatively flat period over period as there were no significant variances period over period.

Income Taxes

The amount of income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income and the effect of changes in valuation allowances maintained against deferred tax benefits.

Income tax expense decreased \$2.3 million, or 61.7%, from \$3.8 million for the six months ended June 30, 2023 to \$1.4 million for the six months ended June 30, 2024. The effective tax rate was 17% for the six months ended June 30, 2024 and 17% for the six months ended June 30, 2023. The effective tax rate for the six months ended June 30, 2024 was impacted by an adjustment to our disallowance related to highly compensated individuals. The effective tax rate for the six months ended June 30, 2023 was impacted by a performance based performance stock units windfall that was recorded during the period as those related shares vested during the period.

Operating Segment Results

Our reportable segments are Banking, Factoring, Payments, and Corporate, which have been determined based upon their business processes and economic characteristics. This determination also gave consideration to the structure and management of various product lines. The Banking segment includes the operations of TBK Bank. Our Banking segment derives its revenue principally from investments in interest earning assets as well as noninterest income typical for the banking industry. The Factoring segment includes the operations of Triumph Financial Services with revenue derived from factoring services. The Payments segment includes the operations of the TBK Bank's TriumphPay division, which provides a presentment, audit, and payment solution to Shipper, Broker, and Factor clients in the trucking industry. The Payments segment derives its revenue from transaction fees and interest income on factored receivables related to invoice payments. These factored receivables consist of both invoices where we offer a Carrier a quickpay opportunity to receive payment at a discount in advance of the standard payment term for such invoice in exchange for the assignment of such invoice to us and from offering Brokers the ability to settle their invoices with us on an extended term following our payment to their Carriers as an additional liquidity option for such Brokers.

Prior to March 31, 2023, the majority of salaries and benefits expense for our executive leadership team, as well as other selling, general, and administrative shared services costs including human resources, accounting, finance, risk management and a significant amount of information technology expense, were allocated to the Banking segment. During the quarter ended March 31, 2023 management began allocating such shared service costs to its Corporate segment. We continue to make considerable investments in shared services that benefit the entire organization and by moving such expenses to the Corporate segment, our chief operating decision maker and investors now have greater visibility into the operating performance of each reportable segment. Prior periods were revised to reflect such allocations and achieve appropriate comparability.

Separately, prior to March 31, 2023, intersegment interest expense was allocated to the Factoring and Payments segments (when the Payments segment was not self-funded) based on a rolling average of Federal Home Loan Bank advance rates. When the Payments segment was self-funded with funding in excess of its factored receivables, intersegment interest income was allocated based on the Federal Funds effective rate. During the quarter ended March 31, 2023, we began allocating intersegment interest expense to the Factoring and Payments segments based on one-month term SOFR for their funding needs. When the Payments segment is self-funded, with funding in excess of its factored receivables, intersegment interest income will continue to be allocated based on the Federal Funds effective rate. Management believes that such intersegment interest allocations are more intuitive in the current interest rate environment. Prior periods were revised to reflect such allocations and achieve appropriate comparability.

Reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. Changes in management structure or allocation methodologies and procedures may result in future changes to previously reported segment financial data. The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies" in Note 1 of the Company's 2023 Form 10-K.

Transactions between segments consist primarily of borrowed funds, payment network fees, and servicing fees. Intersegment interest expense is allocated to the Factoring and Payments segments as described above. Payment network fees are paid by the Factoring segment to the Payments segment for use of the payments network. Beginning prospectively on June 1, 2023, factoring transactions with freight broker clients were transferred from our Factoring segment to our Payments segment to align with TriumphPay's supply chain finance product offerings. Servicing fees are paid by the Payments segment to the Factoring segment for servicing such product. Credit loss expense is allocated based on the segment's ACL determination. Noninterest income and expense directly attributable to a segment are assigned to it with various shared service costs such as human resources, accounting, finance, risk management and information technology expense assigned to the Corporate segment. Taxes are paid on a consolidated basis and are not allocated for segment purposes. The Factoring segment includes only factoring originated by Triumph Financial Services.

The following tables present our primary operating results for our operating segments:

(Dollars in thousands)

Six Months Ended June 30, 2024	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 130,894	\$ 67,059	\$ 10,878	\$ 131	\$ 208,962
Intersegment interest allocations	13,932	(18,103)	4,171	—	—
Total interest expense	30,217	—	—	4,795	35,012
Net interest income (expense)	114,609	48,956	15,049	(4,664)	173,950
Credit loss expense (benefit)	6,488	3,531	60	(28)	10,051
Net interest income after credit loss expense	108,121	45,425	14,989	(4,636)	163,899
Noninterest income	14,075	4,919	11,410	1,762	32,166
Noninterest expense	63,994	39,388	33,555	50,777	187,714
Net intersegment noninterest income (expense) ⁽¹⁾	258	762	(1,020)	—	—
Net income (loss) before income tax expense	\$ 58,460	\$ 11,718	\$ (8,176)	\$ (53,651)	\$ 8,351

(Dollars in thousands)

Six Months Ended June 30, 2023	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	\$ 125,350	\$ 74,525	\$ 6,198	\$ 87	\$ 206,160
Intersegment interest allocations	15,090	(18,512)	3,422	—	—
Total interest expense	16,582	—	—	4,745	21,327
Net interest income (expense)	123,858	56,013	9,620	(4,658)	184,833
Credit loss expense (benefit)	2,754	2,030	41	431	5,256
Net interest income after credit loss expense	121,104	53,983	9,579	(5,089)	179,577
Noninterest income	12,020	2,558	7,826	129	22,533
Noninterest expense	64,174	41,987	32,356	41,160	179,677
Net intersegment noninterest income (expense) ⁽¹⁾	—	(362)	362	—	—
Net income (loss) before income tax expense	\$ 68,950	\$ 14,192	\$ (14,589)	\$ (46,120)	\$ 22,433

⁽¹⁾ Net intersegment noninterest income (expense) includes:

(Dollars in thousands)

	Banking	Factoring	Payments
Six Months Ended June 30, 2024			
Factoring revenue received from Payments	\$ —	\$ 1,500	\$ (1,500)
Payments revenue received from Factoring	—	(529)	529
Banking revenue received from Payments and Factoring	\$ 258	\$ (209)	\$ (49)
Net intersegment noninterest income (expense)	\$ 258	\$ 762	\$ (1,020)
Six Months Ended June 30, 2023			
Factoring revenue received from Payments	\$ —	\$ 170	\$ (170)
Payments revenue received from Factoring	—	(532)	532
Banking revenue received from Payments and Factoring	\$ —	\$ —	\$ —
Net intersegment noninterest income (expense)	\$ —	\$ (362)	\$ 362

(Dollars in thousands)

June 30, 2024	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	\$ 5,252,768	\$ 1,148,844	\$ 520,737	\$ 1,146,291	\$ (2,285,306)	\$ 5,783,334
Gross loans	\$ 3,671,871	\$ 1,035,159	\$ 172,321	\$ —	\$ (590,934)	\$ 4,288,417

(Dollars in thousands)

December 31, 2023	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	\$ 4,918,527	\$ 1,077,367	\$ 546,985	\$ 1,056,646	\$ (2,252,191)	\$ 5,347,334
Gross loans	\$ 3,595,527	\$ 941,926	\$ 174,728	\$ —	\$ (549,081)	\$ 4,163,100

Banking

(Dollars in thousands)

Banking	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Total interest income	\$ 130,894	\$ 125,350	\$ 5,544	4.4 %
Intersegment interest allocations	13,932	15,090	(1,158)	(7.7 %)
Total interest expense	30,217	16,582	13,635	82.2 %
Net interest income	114,609	123,858	(9,249)	(7.5 %)
Credit loss expense (benefit)	6,488	2,754	3,734	135.6 %
Net interest income after credit loss expense	108,121	121,104	(12,983)	(10.7 %)
Noninterest income	14,075	12,020	2,055	17.1 %
Noninterest expense	63,994	64,174	(180)	(0.3 %)
Net intersegment noninterest income (expense)	258	—	258	100.0 %
Net income (loss) before income tax expense	\$ 58,460	\$ 68,950	\$ (10,490)	(15.2 %)

Our Banking segment's operating income decreased \$10.5 million, or 15.2%.

Total interest income increased \$5.5 million, or 4.4%, primarily as a result of increased yields and average balances on our non-loan interest earning assets at our Banking segment. The increase was partially offset by slight decreases in average loans and loan yield at our Banking segment. More specifically, average loans in our Banking segment, excluding intersegment loans, decreased 1.2% from \$3.019 billion for the six months ended June 30, 2023 to \$2.984 billion for the six months ended June 30, 2024. Intersegment interest income allocated to our Banking segment decreased period over period due to decreased average factored receivables balances at our Factoring segment and increased average factored receivables balances at our Payments segment.

Interest expense increased \$13.6 million, or 82.2% primarily due to higher interest rates paid on our Banking segment interest-bearing liabilities driven by changes in interest rates in the macro economy. Additionally, average total interest bearing deposits increased \$165.0 million, or 6.9%.

Credit loss expense at our Banking segment is made up of credit loss expense related to loans and credit loss expense related to off balance sheet commitments to lend. Credit loss expense related to loans was \$6.3 million for the six months ended June 30, 2024 compared to \$3.1 million for the six months ended June 30, 2023. The increase in credit loss expense was the result of increased required specific reserves, changes to the projected loss drivers and prepayment speeds that the Company forecasted over the reasonable and supportable forecast period, and changes in the volume and mix of our loan portfolio at our Banking segment period over period. This increase was partially offset by decreased net charge-offs period over period.

Credit loss expense for off balance sheet credit exposures increased \$0.5 million from a benefit of \$0.3 million for the six months ended June 30, 2023 to expense of \$0.2 million for the six months ended June 30, 2024, primarily due to changes to outstanding commitments to fund and assumed loss rates period over period.

Noninterest income at our Banking segment increased period over period due to a \$0.5 million gain on sale of equity securities and other assets during the six months ended June 30, 2024 compared to a \$0.3 million loss during the same period a year ago. There were no other significant changes in the components of noninterest income at our Banking segment period over period.

Noninterest expense at our Banking segment decreased slightly primarily due to a decrease of \$3.1 million in salaries and employee benefits expense including a decrease in stock based compensation partially offset by increases in communications and technology expense and professional fees of \$2.1 million and \$1.2 million, respectively. There were no other significant changes in the components of noninterest expense at our Banking segment period over period.

During the six months ended June 30, 2024, the aggregate outstanding balances of our banking products increased \$34.5 million, or 1.1%, to \$3.081 billion as of June 30, 2024. See the Financial Condition section below for further discussion of changes in loan balances:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023	\$ Change	% Change
Banking				
Commercial real estate	\$ 842,342	\$ 812,704	\$ 29,638	3.6 %
Construction, land development, land	216,531	136,720	79,811	58.4 %
1-4 family residential	128,508	125,916	2,592	2.1 %
Farmland	58,495	63,568	(5,073)	(8.0 %)
Commercial - General	294,670	303,332	(8,662)	(2.9 %)
Commercial - Agriculture	50,604	47,059	3,545	7.5 %
Commercial - Equipment	468,661	460,008	8,653	1.9 %
Commercial - Asset-based lending	203,634	246,065	(42,431)	(17.2 %)
Commercial - Liquid Credit	74,711	113,901	(39,190)	(34.4 %)
Consumer	7,596	8,326	(730)	(8.8 %)
Mortgage Warehouse	735,185	728,847	6,338	0.9 %
Total banking loans	\$ 3,080,937	\$ 3,046,446	\$ 34,491	1.1 %

Factoring

<i>(Dollars in thousands)</i>	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Factoring				
Total interest income	\$ 67,059	\$ 74,525	\$ (7,466)	(10.0 %)
Intersegment interest allocations	(18,103)	(18,512)	409	2.2 %
Total interest expense	—	—	—	—
Net interest income	48,956	56,013	(7,057)	(12.6 %)
Credit loss expense (benefit)	3,531	2,030	1,501	73.9 %
Net interest income after credit loss expense	45,425	53,983	(8,558)	(15.9 %)
Noninterest income	4,919	2,558	2,361	92.3 %
Noninterest expense	39,388	41,987	(2,599)	(6.2 %)
Net intersegment noninterest income (expense)	762	(362)	1,124	310.5 %
Net income (loss) before income tax expense	\$ 11,718	\$ 14,192	\$ (2,474)	(17.4 %)

	Six Months Ended June 30,	
	2024	2023
Factored receivable period end balance	\$ 1,035,159,000	\$ 997,842,000
Yield on average receivable balance	14.06 %	14.00 %
Year to date charge-off rate ⁽¹⁾	0.27 %	0.72 %
Factored receivables - transportation concentration	97 %	95 %
Interest income, including fees	\$ 67,059,000	\$ 74,525,000
Noninterest income ⁽²⁾	4,919,000	2,558,000
Intersegment noninterest income	1,500,000	170,000
Factored receivable total revenue	73,478,000	77,253,000
Average net funds employed	856,245,000	947,241,000
Yield on average net funds employed	17.26 %	16.45 %
Accounts receivable purchased	\$ 5,012,124,000	\$ 5,660,080,000
Number of invoices purchased	2,799,991	2,986,726
Average invoice size	\$ 1,790	\$ 1,895
Average invoice size - transportation	\$ 1,754	\$ 1,842
Average invoice size - non-transportation	\$ 4,321	\$ 5,480

⁽¹⁾ June 30, 2023 includes a \$3.3 million charge-off of an over-formula advance balance, which contributed approximately 0.31% to the net charge-off rate for the period. In accordance with the agreement reached with Covenant, Covenant reimbursed us for \$1.7 million of this charge-off.

Our Factoring segment's operating income decreased \$2.5 million, or 17.4%.

Our average invoice size decreased 5.5% from \$1,895 for the six months ended June 30, 2023 to \$1,790 for the six months ended June 30, 2024 and the number of invoices purchased decreased 6.3% period over period.

Net interest income at our Factoring segment decreased period over period. Overall average net funds employed ("NFE") decreased 9.6% during the six months ended June 30, 2024 compared to the same period in 2023. The decrease in average NFE was the result of decreased invoice purchase volume and decreased average invoice sizes. Those, in turn, resulted from a soft transportation market. See further discussion under the Recent Developments: Trucking Transportation section. We maintained high concentration in transportation factoring balances, which typically generate a higher yield than our non-transportation factoring balances. This concentration, calculated based on receivables held for investment and held for sale, was at 95% at June 30, 2023 and 97% at June 30, 2024. Net interest income at our Factoring segment was also impacted by a decrease in its intersegment interest allocation charge period over period.

Credit loss expense at our Factoring segment is made up of credit loss expense related to factored receivables and credit loss expense related to off balance sheet commitments to lend. Credit loss expense related to factored receivables was \$2.7 million for the six months ended June 30, 2024 compared to credit loss expense on factored receivables of \$2.0 million for the six months ended June 30, 2023. The increase in credit loss expense on factored receivables was driven by an increase in required specific reserves period over period as well as the change in volume and mix of the factored receivable portfolio period over period. Changes in loss assumptions did not have a material impact on the change in credit loss expense period over period. The increase was partially offset by a decrease in net charge-offs period over period. Credit loss expense for off balance sheet credit exposures increased \$0.9 million, from \$0.0 million for the six months ended June 30, 2023 to \$0.9 million for the six months ended June 30, 2024, primarily due to changes to outstanding commitments to fund period over period.

The increase in noninterest income at our Factoring segment was primarily due to a gain on the revenue share asset at our Factoring segment of \$0.9 million during the six months ended June 30, 2024 compared to a loss of \$1.8 million during the same period a year ago. There were no other significant changes in the components of noninterest income at our Factoring segment period over period.

Noninterest expense decreased primarily due to a \$1.5 million decrease in salary and benefits expense including a decrease in stock compensation as well as a \$1.1 million decrease in communications and technology expense period over period. These decreases were partially offset by a \$0.8 million increase in professional fees period over period. There were no other significant changes in the components of noninterest expense at our Factoring segment period over period.

Payments

(Dollars in thousands)

Payments	Six Months Ended June 30,		\$ Change	% Change
	2024	2023		
Total interest income	\$ 10,878	\$ 6,198	\$ 4,680	75.5 %
Intersegment interest allocations	4,171	3,422	749	21.9 %
Total interest expense	—	—	—	— %
Net interest income	15,049	9,620	5,429	56.4 %
Credit loss expense (benefit)	60	41	19	46.3 %
Net interest income after credit loss expense	14,989	9,579	5,410	56.5 %
Noninterest income	11,410	7,826	3,584	45.8 %
Noninterest expense	33,555	32,356	1,199	3.7 %
Net intersegment noninterest income (expense)	(1,020)	362	(1,382)	(381.8)%
Net income (loss) before income tax expense	\$ (8,176)	\$ (14,589)	\$ 6,413	44.0 %

	Six Months Ended	
	2024	2023
Supply chain financing factored receivables	\$ 95,163,000	\$ 93,751,000
Quickpay factored receivables	77,158,000	82,201,000
Factored receivable period end balance	\$ 172,321,000	\$ 175,952,000
Supply chain finance interest income	\$ 5,202,000	\$ 821,000
Quickpay interest income	5,676,000	5,377,000
Intersegment interest income	4,171,000	3,422,000
Total interest income	15,049,000	9,620,000
Broker noninterest income	8,507,000	4,963,000
Factor noninterest income	2,591,000	2,643,000
Other noninterest income	312,000	220,000
Intersegment noninterest income	529,000	532,000
Total noninterest income	11,939,000	8,358,000
Total revenue	\$ 26,988,000	\$ 17,978,000
Intersegment interest expense	\$ —	\$ —
Credit loss expense (benefit)	60,000	41,000
Noninterest expense	33,555,000	32,356,000
Intersegment noninterest expense	1,549,000	170,000
Total expense	35,164,000	32,567,000
Operating income (loss)	\$ (8,176,000)	\$ (14,589,000)
Interest expense	—	—
Depreciation expense	507,000	206,000
Software amortization expense	1,107,000	355,000
Intangible amortization expense	3,389,000	3,277,000
Earnings (losses) before interest, taxes, depreciation, and amortization	\$ (3,173,000)	\$ (10,751,000)
EBITDA margin	(12)%	(60)%
Number of invoices processed	11,779,795	8,787,283
Amount of payments processed	\$ 13,067,267,000	\$ 9,970,865,000
Network invoice volume	1,322,977	341,257
Network payment volume	\$ 2,168,217,000	\$ 589,615,000

Our Payments segment's operating loss decreased \$6.4 million, or 44.0%.



The number of invoices processed by our Payments segment increased 34.1% from 8,787,283 for the six months ended June 30, 2023 to 11,779,795 for the six months ended June 30, 2024, and the amount of payments processed increased 31.1% from \$9.971 billion for the six months ended June 30, 2023 to \$13.067 billion for the six months ended June 30, 2024.

We began processing network transactions during the first quarter of 2022. When a fully integrated TriumphPay payor receives an invoice from a fully integrated TriumphPay payee, we call that a “network transaction.” All network transactions are included in our payment processing volume above. These transactions are facilitated through TriumphPay APIs with parties on both sides of the transaction using structured data; similar to how a credit card works at a point-of-sale terminal. The integrations largely automate the process and make it cheaper, faster and safer. During the six months ended June 30, 2024, we processed 1,322,977 network invoices representing a network payment volume of \$2.168 billion. During the six months ended June 30, 2023, we processed 341,257 network invoices representing a network payment volume of \$589.6 million.

Net interest income increased due to increased average balances at our Payments segment and increased intersegment interest allocation period over period. The majority of the increased average balance was driven by supply chain finance receivables previously discussed. The increase in net interest income was partially offset by lower yields at our Payments segment.

Noninterest income increased due to a \$3.5 million increase in payment processing and audit fees, including intersegment fees, earned by TriumphPay during the six months ended June 30, 2024 compared to the same period a year ago. There were no other significant changes in the components of noninterest income at our Payments segment period over period.

Noninterest expense increased primarily due to a \$0.8 million increase in software amortization and a \$0.6 million increase in communication and technology expense during the six months ended June 30, 2024 compared to the same period a year ago. These increases were partially offset by a \$0.8 million decrease in salaries and benefits expense at our Payments segment period over period. There were no other significant changes in the components of noninterest expense at our Payments segment period over period.

The acquisition of HubTran during 2021 allows TriumphPay to create a fully integrated payments network for trucking; servicing brokers and factors. TriumphPay already offered tools and services to increase automation, mitigate fraud, create back-office efficiency and improve the payment experience. Through the acquisition of HubTran, TriumphPay created additional value through the enhancement of its presentment, audit, and payment capabilities for third party logistics companies (i.e., freight brokers) and their carriers, and factors. The acquisition of HubTran was a meaningful inflection point in the operations of TriumphPay as the TriumphPay strategy has shifted from a capital-intensive on-balance sheet product with a focus on interest income to an open-loop payments network for the trucking industry with a focus on fee revenue. It is for this reason that management believes that earnings before interest, taxes, depreciation, and amortization and the adjustment to that metric enhance investors' overall understanding of the financial performance of the Payments segment. Further, as a result of the HubTran acquisition, management recorded \$27.3 million of intangible assets that has led to meaningful amounts of amortization since acquisition.

Corporate

(Dollars in thousands)

Corporate	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Total interest income	\$ 131	\$ 87	\$ 44	50.6 %
Intersegment interest allocations	—	—	—	—
Total interest expense	4,795	4,745	50	1.1 %
Net interest income (expense)	(4,664)	(4,658)	(6)	(0.1 %)
Credit loss expense (benefit)	(28)	431	(459)	(106.5 %)
Net interest income (expense) after credit loss expense	(4,636)	(5,089)	453	8.9 %
Noninterest income	1,762	129	1,633	1,265.9 %
Noninterest expense	50,777	41,160	9,617	23.4 %
Net income (loss) before income tax expense	<u>\$ (53,651)</u>	<u>\$ (46,120)</u>	<u>\$ (7,531)</u>	<u>(16.3 %)</u>

The Corporate segment reported an operating loss of \$53.7 million for the six months ended June 30, 2024 compared to an operating loss of \$46.1 million for the six months ended June 30, 2023. The increased operating loss at our Corporate segment was driven by increased noninterest expense which was the result of a \$6.6 million increase in salaries and benefits expense, a \$1.6 million increase in occupancy expense driven by the building acquired during March of 2024, and a \$1.3 million increase in communication and technology expense period over period. The increased operating loss was partially offset by increased noninterest income driven by \$1.6 million of rental income from the acquired building recognized during the six months ended June 30, 2024.

Financial Condition

Assets

Total assets were \$5.783 billion at June 30, 2024, compared to \$5.347 billion at December 31, 2023, an increase of \$436.0 million, the components of which are discussed below.

Loan Portfolio

Loans held for investment were \$4.288 billion at June 30, 2024, compared with \$4.163 billion at December 31, 2023.

The following table shows our total loan portfolio by portfolio segments:

(Dollars in thousands)	June 30, 2024		December 31, 2023		\$ Change	% Change
		% of Total		% of Total		
Commercial real estate	\$ 842,342	20 %	\$ 812,704	20 %	\$ 29,638	3.6 %
Construction, land development, land	216,531	5 %	136,720	3 %	79,811	58.4 %
1-4 family residential	128,508	3 %	125,916	3 %	2,592	2.1 %
Farmland	58,495	1 %	63,568	2 %	(5,073)	(8.0 %)
Commercial	1,092,280	25 %	1,170,365	28 %	(78,085)	(6.7 %)
Factored receivables	1,207,480	29 %	1,116,654	26 %	90,826	8.1 %
Consumer	7,596	— %	8,326	— %	(730)	(8.8 %)
Mortgage warehouse	735,185	17 %	728,847	18 %	6,338	0.9 %
Total Loans	\$ 4,288,417	100 %	\$ 4,163,100	100 %	\$ 125,317	3.0 %

Commercial Real Estate Loans. Our commercial real estate loans increased \$29.6 million, or 3.6%, due to new origination activity that outpaced paydowns.

Construction and Development Loans. Our construction and development loans increased \$79.8 million, or 58.4%, due to origination and draw activity that outpaced paydowns and conversions to term loans.

Residential Real Estate Loans. Our one-to-four family residential loans increased \$2.6 million, or 2.1%, due to new origination activity that outpaced paydowns.

Farmland Loans. Our farmland loans decreased \$5.1 million, or 8.0%, due to paydowns that outpaced modest origination activity.

Commercial Loans. Our commercial loans held for investment decreased \$78.1 million, or 6.7%, due to decreased asset-based lending balances, liquid credit balances, and other commercial lending balances. The decrease was partially offset by increased equipment lending balances as well as an increase in Agriculture loans. Our other commercial lending products, comprised primarily of general commercial loans originated in our community banking markets, decreased \$8.7 million, or 2.9%.

The following table shows our commercial loans:

(Dollars in thousands)	June 30, 2024	December 31, 2023	\$ Change	% Change
Commercial				
Equipment	\$ 468,661	\$ 460,008	\$ 8,653	1.9 %
Asset-based lending	203,634	246,065	(42,431)	(17.2 %)
Liquid credit	74,711	113,901	(39,190)	(34.4 %)
Agriculture	50,604	47,059	3,545	7.5 %
Other commercial lending	294,670	303,332	(8,662)	(2.9 %)
Total commercial loans	\$ 1,092,280	\$ 1,170,365	\$ (78,085)	(6.7 %)

Factored Receivables. Our factored receivables increased \$90.8 million, or 8.1%. At June 30, 2024, the balance of the Over-Formula Advance Portfolio included in factored receivables was \$2.3 million. At June 30, 2024, the balance of Misdirected Payments included in factored receivables was \$19.4 million. See discussion of our factoring subsidiary in the Operating Segment Results for analysis of the key drivers impacting the change in the ending factored receivables balance during the period.

Consumer Loans. Our consumer loans decreased \$0.7 million, or 8.8%, due to paydowns that outpaced modest origination activity.

Mortgage Warehouse. Our mortgage warehouse facilities increased \$6.3 million, or 0.9%, due to seasonal changes in utilization. Client utilization of mortgage warehouse facilities may experience significant fluctuation on a day-to-day basis given mortgage origination market conditions. Our average mortgage warehouse lending balance was \$657.8 million for the six months ended June 30, 2024 compared to \$794.9 million for the six months ended June 30, 2023. Our average mortgage warehouse lending balance was \$681.7 million for the three months ended June 30, 2024 compared to \$848.0 million for the three months ended June 30, 2023.

The following tables set forth the contractual maturities, including scheduled principal repayments, of our loan portfolio and the distribution between fixed and floating interest rate loans:

	June 30, 2024				
	One Year or Less	After One but within Five Years	After Five but within Fifteen Years	After Fifteen Years	Total
<i>(Dollars in thousands)</i>					
Commercial real estate	\$ 399,193	\$ 401,241	\$ 41,849	\$ 59	\$ 842,342
Construction, land development, land	95,263	118,422	2,846	—	216,531
1-4 family residential	6,550	31,178	7,420	83,360	128,508
Farmland	6,150	30,922	20,200	1,223	58,495
Commercial	330,186	735,572	26,522	—	1,092,280
Factored receivables	1,207,480	—	—	—	1,207,480
Consumer	1,292	5,237	1,059	8	7,596
Mortgage warehouse	735,185	—	—	—	735,185
	<u>\$ 2,781,299</u>	<u>\$ 1,322,572</u>	<u>\$ 99,896</u>	<u>\$ 84,650</u>	<u>\$ 4,288,417</u>

Sensitivity of loans to changes in interest rates:

June 30, 2024				
	After One but within Five Years	After Five but within Fifteen Years	After Fifteen Years	
Predetermined (fixed) interest rates				
Commercial real estate	\$ 255,098	\$ 1,576	\$ —	
Construction, land development, land	89,932	280	—	
1-4 family residential	24,886	1,676	6,059	
Farmland	26,763	1,410	—	
Commercial	535,247	19,615	—	
Factored receivables	—	—	—	
Consumer	5,237	1,059	8	
Mortgage warehouse	—	—	—	
	<u>\$ 937,163</u>	<u>\$ 25,616</u>	<u>\$ 6,067</u>	
Floating interest rates				
Commercial real estate	\$ 146,143	\$ 40,273	\$ 59	
Construction, land development, land	28,490	2,566	—	
1-4 family residential	6,292	5,744	77,301	
Farmland	4,159	18,790	1,223	
Commercial	200,325	6,907	—	
Factored receivables	—	—	—	
Consumer	—	—	—	
Mortgage warehouse	—	—	—	
	<u>\$ 385,409</u>	<u>\$ 74,280</u>	<u>\$ 78,583</u>	
Total	<u>\$ 1,322,572</u>	<u>\$ 99,896</u>	<u>\$ 84,650</u>	

As of June 30, 2024, most of the Company's non-factoring business activity is with customers located within certain states. The states of Texas (24%), Illinois (12%), Colorado (10%), and Iowa (5%) make up 51% of the Company's gross loans, excluding factored receivables. Therefore, the Company's exposure to credit risk is affected by changes in the economies in these states. At December 31, 2023, the states of Texas (17%), Colorado (15%), Illinois (12%), and Iowa (6%) made up 50% of the Company's gross loans, excluding factored receivables.

Further, a majority (97%) of our factored receivables, representing approximately 27% of our total loan portfolio as of June 30, 2024, are receivables purchased from trucking fleets, owner-operators, and freight brokers in the transportation industry. Although such concentration may cause our future interest income with respect to our factoring operations to be correlated with demand for the transportation industry in the United States generally, we feel that the credit risk with respect to our outstanding portfolio is appropriately mitigated as we limit the amount of receivables acquired from individual debtors and creditors thereby achieving diversification across a number of companies and industries. At December 31, 2023, 97% of our factored receivables, representing approximately 26% of our total loan portfolio, were receivables purchased from trucking fleets, owner-operators, and freight brokers in the transportation industry.

Nonperforming Assets

We have established procedures to assist us in maintaining the overall quality of our loan portfolio. In addition, we have adopted underwriting guidelines to be followed by our lending officers and require senior management review of proposed extensions of credit exceeding certain thresholds. When delinquencies exist, we monitor them for any negative or adverse trends. Our loan review procedures include approval of lending policies and underwriting guidelines by the board of directors of our bank subsidiary, independent loan review, approval of large credit relationships by our bank subsidiary's Management Loan Committee and loan quality documentation procedures. We, like other financial institutions, are subject to the risk that our loan portfolio will be subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

The following table sets forth the allocation of our nonperforming assets among our different asset categories as of the dates indicated. We classify nonperforming assets as nonaccrual loans and securities, factored receivables greater than 90 days past due, OREO, and other repossessed assets. The balances of nonperforming loans reflect the recorded investment in these assets, including deductions for purchase discounts.

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
Nonperforming loans:		
Commercial real estate	\$ 10,228	\$ 2,447
Construction, land development, land	306	—
1-4 family residential	757	1,178
Farmland	2,917	968
Commercial	46,736	40,951
Factored receivables	22,282	23,181
Consumer	159	133
Mortgage warehouse	—	—
Total nonperforming loans	83,385	68,858
Held to maturity securities	4,615	4,766
Equity investments without readily determinable fair value	2,462	1,170
Other real estate owned, net	—	37
Other repossessed assets	1,991	950
Total nonperforming assets	\$ 92,453	\$ 75,781
Nonperforming assets to total assets	1.60 %	1.42 %
Nonperforming loans to total loans held for investment	1.94 %	1.65 %
Total past due loans to total loans held for investment	2.21 %	2.00 %

Nonperforming loans increased \$14.5 million, or 21.1%, due to the addition of three equipment finance loans of \$8.9 million, \$3.9 million, and \$1.4 million all collateralized by various equipment. Additionally, we added a \$7.9 million multifamily loan fully collateralized by a mixed use development and a \$2.4 million farmland loan fully collateralized by farmland. These increases were partially offset by a \$2.6 million reduction in a nonaccrual liquid credit relationship, a \$1.2 million nonperforming agriculture and farmland relationship pay-down, a \$1.2 million nonperforming equipment loan pay-down, a \$1.0 million nonperforming equipment loan pay-down, and a \$0.9 million reduction in nonperforming factored receivables. The entire \$19.4 million of Misdirected Payments is included in nonperforming loans (specifically, factored receivables) in accordance with our policy.

As a result of the activity previously described and changes in our period end total loans held for investment, the ratio of nonperforming loans to total loans held for investment increased to 1.94% at June 30, 2024 from 1.65% December 31, 2023.

Our ratio of nonperforming assets to total assets increased to 1.60% at June 30, 2024 from 1.42% December 31, 2023. This is due to the aforementioned loan activity and changes in our period end total assets.

Past due loans to total loans held for investment increased to 2.21% at June 30, 2024 from 2.00% at December 31, 2023, as a result of an increase past due commercial loans partially offset by a decrease in past due factored receivables. Both the \$2.3 million acquired factoring Over-Formula Advance balance and the \$19.4 million Misdirected Payments balance are considered greater than 90 days past due at June 30, 2024.

Allowance for Credit Losses on Loans

The ACL is a valuation allowance estimated at each balance sheet date in accordance with US GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. When the Company deems all or a portion of a loan to be uncollectible the appropriate amount is written off and the ACL is reduced by the same amount. Subsequent recoveries, if any, are credited to the ACL when received. See Note 1 of the Company's 2023 Form 10-K and notes to the consolidated financial statements included elsewhere in this report for discussion of our ACL methodology on loans. Allocations of the ACL may be made for specific loans, but the entire allowance is available for any loan that, in the Company's judgment, should be charged-off.

Loan loss valuation allowances are recorded on specific at-risk balances, typically consisting of collateral dependent loans and factored invoices greater than 90 days past due with negative cash reserves.

The following table sets forth the ACL by category of loan:

	June 30, 2024			December 31, 2023		
	Allocated Allowance	% of Loan Portfolio	ACL to Loans	Allocated Allowance	% of Loan Portfolio	ACL to Loans
<i>(Dollars in thousands)</i>						
Commercial real estate	\$ 5,438	20 %	0.65 %	\$ 6,030	20 %	0.74 %
Construction, land development, land	2,596	5 %	1.20 %	965	3 %	0.71 %
1-4 family residential	972	3 %	0.76 %	927	3 %	0.74 %
Farmland	395	1 %	0.68 %	442	2 %	0.70 %
Commercial	17,372	25 %	1.59 %	14,060	28 %	1.20 %
Factored receivables	11,928	29 %	0.99 %	11,896	26 %	1.07 %
Consumer	156	— %	2.05 %	171	— %	2.05 %
Mortgage warehouse	734	17 %	0.10 %	728	18 %	0.10 %
Total Loans	\$ 39,591	100 %	0.92 %	\$ 35,219	100 %	0.85 %

The ACL increased \$4.4 million, or 12.4%. This increase reflects net charge-offs of \$4.6 million and credit loss expense of \$9.0 million. Refer to the Results of Operations: Credit Loss Expense section for discussion of material charge-offs and credit loss expense. At quarter end, our entire remaining Over-Formula Advance position was down from \$3.2 million at December 31, 2023 to \$2.3 million at June 30, 2024 and the entire balance at June 30, 2024 was fully reserved. At June 30, 2024, the Misdirected Payments amount was \$19.4 million. Based on our legal analysis and discussions with our counsel advising us on this matter, we continue to believe it is probable that we will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, we have not reserved for such balance as of June 30, 2024.

A driver of the change in ACL is change in the loss drivers that the Company forecasted to calculate expected losses at June 30, 2024 as compared to December 31, 2023. Such change had a negative impact on the Company's loss drivers and assumptions over the reasonable and supportable forecast period and resulted in an increase of \$2.0 million of ACL period over period.

The Company uses the discounted cash flow (DCF) method to estimate ACL for the commercial real estate, construction, land development, land, 1-4 family residential, commercial (excluding liquid credit and PPP), and consumer loan pools. For all loan pools utilizing the DCF method, the Company utilizes and forecasts national unemployment as a loss driver. The Company also utilizes and forecasts either one-year percentage change in national retail sales (commercial real estate – non multifamily, commercial general, commercial agriculture, commercial asset-based lending, commercial equipment finance, consumer), one-year percentage change in the national home price index (1-4 family residential and construction, land development, land), or one-year percentage change in national gross domestic product (commercial real estate – multifamily) as a second loss driver depending on the nature of the underlying loan pool and how well that loss driver correlates to expected future losses. Consistent forecasts of the loss drivers are used across the loan segments. The Company also forecasts prepayments speeds for use in the DCF models with higher prepayment speeds resulting in lower required ACL levels and vice versa for shorter prepayment speeds. These assumed prepayment speeds are based upon our historical prepayment speeds by loan type adjusted for the expected impact of the future interest rate environment. The impact of these assumed prepayment speeds is lesser in magnitude than the aforementioned loss driver assumptions.

For all DCF models at June 30, 2024, the Company has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over eight quarters on a straight-line basis. The Company leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the four-quarter forecast period. Other internal and external indicators of economic forecasts are also considered by the Company when developing the forecast metrics. At June 30, 2024 as compared to December 31, 2023, the Company forecasted minimal change in national unemployment and one-year percentage change in national gross domestic product while forecasting improvement in one-year percentage change in the national home price index and some degradation in on-year percentage change in national retail sales. At June 30, 2024 for national unemployment, the Company projected a low percentage in the first quarter followed by a gradual rise in the following three quarters. For percentage change in national retail sales, the Company projected a small increase in the first projected quarter followed by a decline to negative levels over the last three projected quarters to a level below recent actual periods. For percentage change in national home price index, the Company projected an increase in the first projected quarter followed by a steep drop to negative levels for the remaining three quarters with such negative levels peaking in the fourth projected quarter. For percentage change in national gross domestic product, management projected low-to-near-zero growth for each projected quarter with the exception of positive growth in the first projected quarter. At June 30, 2024, the Company used its historical prepayment speeds with minimal adjustment.

The Company uses a loss-rate method to estimate expected credit losses for the farmland, liquid credit, factored receivable, and mortgage warehouse loan pools. For each of these loan segments, the Company applies an expected loss ratio based on internal and peer historical losses adjusted as appropriate for qualitative factors. Qualitative loss factors are based on the Company's judgment of company, market, industry or business specific data, changes in underlying loan composition of specific portfolios, trends relating to credit quality, delinquency, non-performing and adversely rated loans, and reasonable and supportable forecasts of economic conditions. Loss factors used to calculate the required ACL on pools that use the loss-rate method reflect the forecasted economic conditions described above.

The following tables show our credit ratios and an analysis of our credit loss expense:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
Allowance for credit losses on loans	\$ 39,591	\$ 35,219
Total loans held for investment	\$ 4,288,417	\$ 4,163,100
Allowance to total loans held for investment	0.92 %	0.85 %
Nonaccrual loans	\$ 61,103	\$ 45,677
Total loans held for investment	\$ 4,288,417	\$ 4,163,100
Nonaccrual loans to total loans held for investment	1.42 %	1.10 %
Allowance for credit losses on loans	\$ 39,591	\$ 35,219
Nonaccrual loans	\$ 61,103	\$ 45,677
Allowance for credit losses to nonaccrual loans	64.79 %	77.10 %

	Three Months Ended June 30,					
	2024			2023		
	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio
<i>(Dollars in thousands)</i>						
Commercial real estate	\$ —	\$ 823,222	— %	\$ —	\$ 715,484	— %
Construction, land development, land	(1)	219,988	— %	(1)	101,982	— %
1-4 family residential	13	128,831	0.01 %	(8)	129,958	(0.01)%
Farmland	—	57,328	— %	—	67,797	— %
Commercial	1,206	1,113,004	0.11 %	5,074	1,223,944	0.41 %
Factored receivables	1,430	1,160,057	0.12 %	5,661	1,141,580	0.50 %
Consumer	75	8,092	0.93 %	63	9,129	0.69 %
Mortgage warehouse	—	681,671	— %	—	870,285	— %
Total Loans	\$ 2,723	\$ 4,192,193	0.06 %	\$ 10,789	\$ 4,260,159	0.25 %

Quarter to date net loans charged off decreased \$8.1 million with no individually significant charge-offs during the three months ended June 30, 2024. Prior period charge-offs include the aforementioned \$3.3 million net charge-off of the fully reserved over-formula advance balance. Net charge-offs of factored receivables excluding the over-formula advance were \$2.4 million. Additionally, during the three months ended June 30, 2023, the Company charged off two liquid credit loans carrying balances of \$3.2 million and a \$1.6 million, respectively, at the time of charge-off. in either period.

	Six Months Ended June 30,					
	2024			2023		
	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio
<i>(Dollars in thousands)</i>						
Commercial real estate	\$ —	\$ 818,326	— %	\$ (70)	\$ 700,914	(0.01)%
Construction, land development, land	(1)	183,758	— %	(2)	99,818	— %
1-4 family residential	11	127,683	0.01 %	(5)	129,627	— %
Farmland	—	58,707	— %	—	68,075	— %
Commercial	1,757	1,126,695	0.16 %	5,256	1,210,339	0.43 %
Factored receivables	2,690	1,136,389	0.24 %	7,751	1,167,402	0.66 %
Consumer	148	8,818	1.68 %	74	9,378	0.79 %
Mortgage warehouse	—	657,773	— %	—	794,941	— %
Total Loans	\$ 4,605	\$ 4,118,149	0.11 %	\$ 13,004	\$ 4,180,494	0.31 %

Year to date net loans charged off decreased \$8.4 million with no individually significant charge-offs during the six months ended June 30, 2024. Prior period charge-offs include the aforementioned \$3.3 million net charge-off of the fully reserved over-formula advance balance. Net charge-offs of factored receivables excluding the over-formula advance were \$4.5 million. Additionally, during the six months ended June 30, 2023, the Company charged off two liquid credit loans carrying balances of \$3.2 million and a \$1.6 million, respectively, at the time of charge-off.

Securities

As of June 30, 2024 and December 31, 2023, we held equity securities with readily determinable fair values of \$4.4 million and \$4.5 million, respectively. These securities represent investments in a publicly traded Community Reinvestment Act mutual fund and are subject to market pricing volatility, with changes in fair value reflected in earnings.

As of June 30, 2024, we held debt securities classified as available for sale with a fair value of \$339.7 million, an increase of \$40.0 million from \$299.6 million at December 31, 2023. The following table illustrates the changes in our available for sale debt securities:

(Dollars in thousands)	Available For Sale Debt Securities:			
	June 30, 2024	December 31, 2023	\$ Change	% Change
Mortgage-backed securities, residential	\$ 65,115	\$ 55,839	\$ 9,276	16.6 %
Asset-backed securities	1,033	1,170	(137)	(11.7) %
State and municipal	3,390	4,515	(1,125)	(24.9) %
CLO Securities	268,573	236,291	32,282	13.7 %
Corporate bonds	259	275	(16)	(5.8) %
SBA pooled securities	1,291	1,554	(263)	(16.9) %
	<u>\$ 339,661</u>	<u>\$ 299,644</u>	<u>\$ 40,017</u>	<u>13.4 %</u>

Our available for sale CLO portfolio consists of investment grade positions in high ranking tranches within their respective securitization structures. As of June 30, 2024, the Company determined that all impaired available for sale securities experienced a decline in fair value below their amortized cost basis due to noncredit-related factors. Therefore, the Company carried no ACL at June 30, 2024. Our available for sale securities can be used for pledging to secure FHLB borrowings and public deposits, or can be sold to meet liquidity needs.

As of June 30, 2024, we held investments classified as held to maturity with an amortized cost, net of ACL, of \$2.8 million, a decrease of \$0.2 million from \$3.0 million at December 31, 2023. See previous discussion of Credit Loss Expense related to our held to maturity securities for further details regarding the nature of these securities and the required ACL at June 30, 2024.

The following tables set forth the amortized cost and average yield of our debt securities, by type and contractual maturity:

(Dollars in thousands)	Maturity as of June 30, 2024									
	One Year or Less		After One but within Five Years		After Five but within Ten Years		After Ten Years		Total	
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield
Mortgage-backed securities	\$ 5	3.07 %	\$ 8,248	5.12 %	\$ 1,182	2.64 %	\$ 61,348	4.56 %	\$ 70,783	4.60 %
Asset-backed securities	—	— %	—	— %	1,035	7.29 %	—	— %	1,035	7.29 %
State and municipal	573	3.87 %	2,153	2.82 %	261	2.23 %	503	2.66 %	3,490	2.92 %
CLO securities	—	— %	—	— %	46,191	7.27 %	220,973	7.33 %	267,164	7.32 %
Corporate bonds	—	— %	—	— %	267	5.14 %	—	— %	267	5.14 %
SBA pooled securities	—	— %	—	— %	398	2.73 %	987	2.37 %	1,385	2.47 %
Total available for sale securities	<u>\$ 578</u>	<u>3.87 %</u>	<u>\$ 10,401</u>	<u>4.65 %</u>	<u>\$ 49,334</u>	<u>7.09 %</u>	<u>\$ 283,811</u>	<u>6.71 %</u>	<u>\$ 344,124</u>	<u>6.70 %</u>
Held to maturity securities:	<u>\$ —</u>	<u>— %</u>	<u>\$ 4,614</u>	<u>— %</u>	<u>\$ 1,335</u>	<u>11.73 %</u>	<u>\$ —</u>	<u>— %</u>	<u>\$ 5,949</u>	<u>2.44 %</u>

Liabilities

Total liabilities were \$4.909 billion as of June 30, 2024, compared to \$4.483 billion at December 31, 2023, an increase of \$426.2 million, the components of which are discussed below.

Deposits

The following table summarizes our deposits:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023	\$ Change	% Change
Noninterest bearing demand	\$ 1,689,531	\$ 1,632,022	\$ 57,509	3.5 %
Interest bearing demand	847,387	757,455	89,932	11.9 %
Individual retirement accounts	48,991	52,195	(3,204)	(6.1 %)
Money market	592,667	568,772	23,895	4.2 %
Savings	545,807	555,047	(9,240)	(1.7 %)
Certificates of deposit	252,641	265,525	(12,884)	(4.9 %)
Brokered time deposits	414,987	146,458	268,529	183.3 %
Other brokered deposits	7	4	3	75.0 %
Total Deposits	\$ 4,392,018	\$ 3,977,478	\$ 414,540	10.4 %

Our total deposits increased \$414.5 million, or 10.4%, primarily due to an increase in noninterest bearing demand deposits, interest bearing demand deposits, money market deposits, and brokered time deposits. The Company experienced decreases in all other material deposit categories. Other brokered deposits are non-maturity deposits obtained from wholesale sources. As of June 30, 2024, interest bearing demand deposits, noninterest bearing deposits, money market deposits, other brokered deposits, and savings deposits accounted for 84% of our total deposits, while individual retirement accounts, certificates of deposit, and brokered time deposits made up 16% of total deposits. At June 30, 2024 and December 31, 2023, our estimated uninsured deposits were \$1,877,635,000 and \$1,840,621,000, respectively.

At June 30, 2024 we held \$68.0 million of time deposits that meet or exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The following table provides information on the maturity distribution of time deposits exceeding the FDIC insurance limit as of June 30, 2024:

<i>(Dollars in thousands)</i>	Over \$250,000
Maturity	
3 months or less	\$ 30,611
Over 3 through 6 months	16,306
Over 6 through 12 months	14,314
Over 12 months	1,788
	\$ 63,019

The following table summarizes our average deposit balances and weighted average rates:

	Three Months Ended June 30, 2024			Three Months Ended June 30, 2023		
	Average Balance	Weighted Avg Rates	% of Total	Average Balance	Weighted Avg Rates	% of Total
<i>(Dollars in thousands)</i>						
Interest bearing demand	\$ 748,699	0.63 %	17 %	\$ 804,799	0.36 %	20 %
Individual retirement accounts	49,917	1.41 %	1 %	60,171	0.69 %	1 %
Money market	565,612	2.91 %	13 %	506,782	1.33 %	13 %
Savings	541,408	1.10 %	12 %	529,952	0.36 %	13 %
Certificates of deposit	257,292	3.04 %	6 %	286,253	1.26 %	7 %
Brokered time deposits	433,096	5.29 %	10 %	244,721	4.63 %	6 %
Other brokered deposits	71,196	5.43 %	2 %	13,188	5.26 %	— %
Total interest bearing deposits	2,667,220	2.34 %	61 %	2,445,866	1.13 %	60 %
Noninterest bearing demand	1,832,154	—	39 %	1,598,733	—	40 %
Total deposits	\$ 4,499,374	1.39 %	100 %	\$ 4,044,599	0.68 %	100 %

	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023		
	Average Balance	Weighted Avg Yields	% of Total	Average Balance	Weighted Avg Yields	% of Total
<i>(Dollars in thousands)</i>						
Interest bearing demand	\$ 740,223	0.55 %	17 %	\$ 820,467	0.32 %	20 %
Individual retirement accounts	50,675	1.34 %	1 %	62,663	0.61 %	2 %
Money market	567,604	2.86 %	13 %	502,456	1.13 %	12 %
Savings	537,551	1.05 %	12 %	537,404	0.29 %	13 %
Certificates of deposit	260,427	2.94 %	6 %	292,665	1.00 %	7 %
Brokered time deposits	358,807	5.29 %	8 %	172,354	3.95 %	4 %
Other brokered deposits	44,528	5.43 %	1 %	6,768	5.24 %	— %
Total interest bearing deposits	2,559,815	2.17 %	58 %	2,394,777	0.85 %	58 %
Noninterest bearing demand	1,782,257	—	42 %	1,651,463	—	42 %
Total deposits	\$ 4,342,072	1.28 %	100 %	\$ 4,046,240	0.50 %	100 %

The Company's deposit base is made up of a high number of customers with accounts spread across 63 locations in six states. Our deposit base is diverse in terms of both geography and industry, comprised largely of retail as well small-to-medium sized business customers. The majority of our deposits are FDIC insured, and the runoff of certain deposit types we saw throughout the prior year appears to have been a continuation of the trend we saw over several prior quarters: the normalizing of pandemic-era surge balances and the movement of rate-sensitive excess balances to other investments.

Other Borrowings

Customer Repurchase Agreements

The following provides a summary of our customer repurchase agreements as of and for the six months ended June 30, 2024 and the year ended December 31, 2023:

	June 30, 2024	December 31, 2023
<i>(Dollars in thousands)</i>		
Amount outstanding at end of period	\$ —	\$ —
Weighted average interest rate at end of period	— %	— %
Average daily balance during the period	\$ —	\$ 723
Weighted average interest rate during the period	— %	0.03 %
Maximum month-end balance during the period	\$ —	\$ 3,208

Our customer repurchase agreements generally have overnight maturities. Variances in these balances are attributable to normal customer behavior and seasonal factors affecting their liquidity positions.

FHLB Advances

The following provides a summary of our FHLB advances as of and for the six months ended June 30, 2024 and the year ended December 31, 2023:

<i>(Dollars in thousands)</i>	June 30, 2024	December 31, 2023
Amount outstanding at end of period	\$ 280,000	\$ 255,000
Weighted average interest rate at end of period	5.64 %	5.65 %
Average amount outstanding during the period	196,667	194,795
Weighted average interest rate during the period	5.56 %	5.30 %
Highest month end balance during the period	280,000	530,000

Our FHLB advances are collateralized by assets, including a blanket pledge of certain loans. At June 30, 2024 and December 31, 2023, we had \$636.4 million and \$587.0 million, respectively, in unused and available advances from the FHLB.

Subordinated Notes

The following provides a summary of our subordinated notes as of June 30, 2024:

<i>(Dollars in thousands)</i>	Face Value	Carrying Value	Maturity Date	Current Interest Rate	First Repricing Date	Variable Interest Rate at Repricing Date	Initial Issuance Costs
Subordinated Notes issued November 27, 2019	\$ 39,500	\$ 39,349	2029	4.875%	11/27/2024	Three Month LIBOR plus 3.330%	\$ 1,218
Subordinated Notes issued August 26, 2021	70,000	69,590	2031	3.500%	9/01/2026	Three Month SOFR plus 2.860%	\$ 1,776
	<u>\$ 109,500</u>	<u>\$ 108,939</u>					

The Subordinated Notes bear interest payable semi-annually in arrears to, but excluding the first repricing date, and thereafter payable quarterly in arrears at an annual floating rate. We may, at our option, beginning on the respective first repricing date and on any scheduled interest payment date thereafter, redeem the Subordinated Notes, in whole or in part, at a redemption price equal to the outstanding principal amount of the Subordinated Notes to be redeemed plus accrued and unpaid interest to, but excluding, the date of redemption.

The Subordinated Notes are included on the consolidated balance sheets as liabilities at their carrying values; however, for regulatory purposes, the carrying value of these obligations were eligible for inclusion in Tier 2 regulatory capital. Issuance costs related to the Subordinated Notes have been netted against the subordinated notes liability on the balance sheet. The debt issuance costs are being amortized using the effective interest method through maturity and recognized as a component of interest expense.

The Subordinated Notes are subordinated in right of payment to the Company's existing and future senior indebtedness and are structurally subordinated to the Company's subsidiaries' existing and future indebtedness and other obligations.

Junior Subordinated Debentures

The following provides a summary of our junior subordinated debentures as of June 30, 2024:

<i>(Dollars in thousands)</i>	Face Value	Carrying Value	Maturity Date	Interest Rate
National Bancshares Capital Trust II	\$ 15,464	\$ 13,707	September 2033	Three Month SOFR + 3.26%
National Bancshares Capital Trust III	17,526	13,759	July 2036	Three Month SOFR + 1.64%
ColoEast Capital Trust I	5,155	3,879	September 2035	Three Month SOFR + 1.86%
ColoEast Capital Trust II	6,700	5,005	March 2037	Three Month SOFR + 2.05%
Valley Bancorp Statutory Trust I	3,093	2,929	September 2032	Three Month SOFR + 3.66%
Valley Bancorp Statutory Trust II	3,093	2,763	July 2034	Three Month SOFR + 3.01%
	<u>\$ 51,031</u>	<u>\$ 42,042</u>		

These debentures are unsecured obligations and were issued to trusts that are unconsolidated subsidiaries. The trusts in turn issued trust preferred securities with identical payment terms to unrelated investors. The debentures may be called by the Company at par plus any accrued but unpaid interest; however, we have no current plans to redeem them prior to maturity. Interest on the debentures is calculated quarterly, based on a contractual rate equal to three month SOFR plus a weighted average spread of 2.41%. As part of the purchase accounting adjustments made with the National Bancshares, Inc. acquisition on October 15, 2013, the ColoEast acquisition on August 1, 2016, and the Valley acquisition on December 9, 2017, we adjusted the carrying value of the junior subordinated debentures to fair value as of the respective acquisition dates. The discounts on the debentures will continue to be amortized through maturity and recognized as a component of interest expense.

The debentures are included on our consolidated balance sheet as liabilities; however, for regulatory purposes, these obligations are eligible for inclusion in regulatory capital, subject to certain limitations. All of the carrying value of \$42.0 million was allowed in the calculation of Tier I capital as of June 30, 2024.

Capital Resources and Liquidity Management

Capital Resources

Our stockholders' equity totaled \$874.2 million as of June 30, 2024, compared to \$864.4 million as of December 31, 2023, an increase of \$9.8 million. Stockholders' equity increased during this period primarily due to our net income of \$6.9 million.

Liquidity Management

We define liquidity as our ability to generate sufficient cash to fund current loan demand, deposit withdrawals, other cash demands and disbursement needs, and otherwise to operate on an ongoing basis.

We manage liquidity at the holding company level as well as that of our bank subsidiary. The management of liquidity at both levels is critical, because the holding company and our bank subsidiary have different funding needs and sources, and each is subject to regulatory guidelines and requirements which require minimum levels of liquidity. We believe that our liquidity ratios meet or exceed those guidelines and that our present position is adequate to meet our current and future liquidity needs.

As part of our liquidity management process, we regularly stress test our balance sheet to ensure that we are continually able to withstand unexpected liquidity shocks such as sudden or protracted material deposit runoff. This analysis explicitly contemplates the immediate runoff of any meaningful deposit concentrations such as the servicing deposits that we hold on behalf of our mortgage warehouse customers.

Our liquidity requirements are met primarily through cash flow from operations, receipt of pre-paid and maturing balances in our loan and investment portfolios, debt financing and increases in customer deposits. Our liquidity position is supported by management of liquid assets and liabilities and access to other sources of funds. Liquid assets include cash, interest earning deposits in banks, federal funds sold, securities available for sale and maturing or prepaying balances in our investment and loan portfolios. Liquid liabilities include core deposits, federal funds purchased, securities sold under repurchase agreements and other borrowings. Other sources of funds include the sale of loans, brokered deposits, the issuance of additional collateralized borrowings such as FHLB advances or borrowings from the Federal Reserve, the issuance of debt securities and the issuance of common securities. For additional information regarding our operating, investing and financing cash flows, see the Consolidated Statements of Cash Flows provided in our consolidated financial statements.

In addition to the liquidity provided by the sources described above, our subsidiary bank maintains correspondent relationships with other banks in order to sell loans or purchase overnight funds should additional liquidity be needed. As of June 30, 2024, TBK Bank had \$520.6 million of unused borrowing capacity from the Federal Reserve Bank discount window and unsecured federal funds lines of credit with seven unaffiliated banks totaling \$227.5 million, with no amounts advanced against those lines. Additionally, as of June 30, 2024, we had \$636.4 million in unused and available advances from the FHLB. We have historically utilized FHLB advances to support the fluctuating and sometimes unpredictable balances in our mortgage warehouse lending portfolio, and we continue to have the ability to do so.

Contractual Obligations

The following table summarizes our contractual obligations and other commitments to make future payments as of June 30, 2024. The amount of the obligations presented in the table reflect principal amounts only and exclude the amount of interest we are obligated to pay. Also excluded from the table are a number of obligations to be settled in cash. These excluded items are reflected in our consolidated balance sheet and include deposits with no stated maturity, trade payables, and accrued interest payable.

	Payments Due by Period - June 30, 2024				
	Total	One Year or Less	After One but within Three Years	After Three but within Five Years	After Five Years
<i>(Dollars in thousands)</i>					
Federal Home Loan Bank advances	\$ 280,000	\$ 250,000	\$ 15,000	\$ 15,000	\$ —
Subordinated notes	109,500	—	—	—	109,500
Junior subordinated debentures	51,031	—	—	—	51,031
Operating lease agreements	34,437	5,866	10,940	9,033	8,598
Time deposits with stated maturity dates	716,619	687,628	24,220	4,771	—
Total contractual obligations	<u>\$ 1,191,587</u>	<u>\$ 943,494</u>	<u>\$ 50,160</u>	<u>\$ 28,804</u>	<u>\$ 169,129</u>

Regulatory Capital Requirements

Our capital management consists of providing equity to support our current and future operations. We are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's or TBK Bank's financial statements. For further information regarding our regulatory capital requirements, see Note 9 – Regulatory Matters in the accompanying condensed notes to the consolidated financial statements included elsewhere in this report.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby and commercial letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. For further information, see Note 7 – Off-Balance Sheet Loan Commitments in the accompanying condensed notes to the consolidated financial statements included elsewhere in this report.

Critical Accounting Policies and Estimates

Our accounting policies are fundamental to understanding our management's discussion and analysis of our results of operations and financial condition. We have identified certain significant accounting policies which involve a higher degree of judgment and complexity in making certain estimates and assumptions that affect amounts reported in our consolidated financial statements. The significant accounting policy which we believe to be the most critical in preparing our consolidated financial statements is the determination of the allowance for credit losses. Since December 31, 2023, there have been no changes in critical accounting policies as further described under "Critical Accounting Policies and Estimates" and in Note 1 to the Consolidated Financial Statements in our 2023 Form 10-K.

Recently Issued Accounting Pronouncements

See Note 1 – Summary of Significant Accounting Policies in the accompanying condensed notes to consolidated financial statements included elsewhere in this report for details of recently issued accounting pronouncements and their expected impact on our consolidated financial statements.

Forward-Looking Statements

This document contains forward-looking statements pursuant to the safe harbor provisions 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,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “would” and “outlook,” or the negative version of those words or other comparable 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, particularly with regard to developments related to COVID-19. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions 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.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but are not limited to, the following:

- business and economic conditions generally and in the bank and non-bank financial services industries, nationally and within our local market areas;
- our ability to mitigate our risk exposures;
- our ability to maintain our historical earnings trends;
- changes in management personnel;
- interest rate risk;
- concentration of our products and services in the transportation industry;
- credit risk associated with our loan portfolio;
- lack of seasoning in our loan portfolio;
- deteriorating asset quality and higher loan charge-offs;
- time and effort necessary to resolve nonperforming assets;
- inaccuracy of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- risks related to the integration of acquired businesses and any future acquisitions;
- our ability to successfully identify and address the risks associated with our possible future acquisitions, and the risks that our prior and possible future acquisitions make it more difficult for investors to evaluate our business, financial condition and results of operations, and impairs our ability to accurately forecast our future performance;
- lack of liquidity;
- fluctuations in the fair value and liquidity of the securities we hold for sale;
- impairment of investment securities, goodwill, other intangible assets or deferred tax assets;
- our risk management strategies;
- environmental liability associated with our lending activities;
- increased competition in the bank and non-bank financial services industries, nationally, regionally or locally, which may adversely affect pricing and terms;
- the accuracy of our financial statements and related disclosures;
- material weaknesses in our internal control over financial reporting;
- system failures or failures to prevent breaches of our network security;
- the institution and outcome of litigation and other legal proceedings against us or to which we become subject;
- changes in carry-forwards of net operating losses;
- changes in federal tax law or policy;

- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations, such as the Dodd-Frank Act and their application by our regulators;
- governmental monetary and fiscal policies;
- changes in the scope and cost of FDIC, insurance and other coverages;
- failure to receive regulatory approval for future acquisitions and;
- increases in our capital requirements.

The foregoing factors should not be construed as exhaustive. 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 publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Asset/Liability Management and Interest Rate Risk

The principal objective of our asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing net income and preserving adequate levels of liquidity and capital. The board of directors of our subsidiary bank has oversight of our asset and liability management function, which is managed by our Chief Financial Officer. Our Chief Financial Officer meets with our senior executive management team regularly to review, among other things, the sensitivity of our assets and liabilities to market interest rate changes, local and national market conditions and market interest rates. That group also reviews our liquidity, capital, deposit mix, loan mix and investment positions.

As a financial institution, our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the fair value of all interest-earning assets and interest-bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair values.

We manage our exposure to interest rates primarily by structuring our balance sheet in the ordinary course of business. We do not typically enter into derivative contracts for the purpose of managing interest rate risk, but we may elect to do so in the future. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

We use an interest rate risk simulation model to test the interest rate sensitivity of net interest income and the balance sheet. Instantaneous parallel rate shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in projected net interest margin. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and use various assumptions, including, but not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment and replacement of asset and liability cash flows. We also analyze the economic value of equity as a secondary measure of interest rate risk. This is a complementary measure to net interest income where the calculated value is the result of the fair value of assets less the fair value of liabilities. The economic value of equity is a longer term view of interest rate risk because it measures the present value of all future cash flows. The impact of changes in interest rates on this calculation is analyzed for the risk to our future earnings and is used in conjunction with the analyses on net interest income.

The following table summarizes simulated change in net interest income versus unchanged rates as of June 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023	
	Following 12 Months	Months 13-24	Following 12 Months	Months 13-24
+400 basis points	11.1 %	13.4 %	17.0 %	19.2 %
+300 basis points	8.3 %	10.0 %	12.8 %	14.3 %
+200 basis points	5.5 %	6.6 %	8.5 %	9.5 %
+100 basis points	2.8 %	3.3 %	4.3 %	4.8 %
Flat rates	0.0 %	0.0 %	0.0 %	0.0 %
-100 basis points	(3.7 %)	(4.7 %)	(4.7 %)	(5.7 %)
-200 basis points	(7.4 %)	(9.5 %)	(9.4 %)	(11.4 %)
-300 basis points	(11.1 %)	(14.0 %)	(14.3 %)	(17.7 %)
-400 basis points	(14.9 %)	(18.8 %)	(18.0 %)	(22.7 %)

The following table presents the change in our economic value of equity as of June 30, 2024 and December 31, 2023, assuming immediate parallel shifts in interest rates:

	Economic Value of Equity at Risk (%)	
	June 30, 2024	December 31, 2023
+400 basis points	14.6 %	18.3 %
+300 basis points	11.7 %	14.6 %
+200 basis points	8.6 %	10.5 %
+100 basis points	4.8 %	5.9 %
Flat rates	0.0 %	0.0 %
-100 basis points	(6.7 %)	(6.7 %)
-200 basis points	(13.8 %)	(13.9 %)
-300 basis points	(21.2 %)	(21.5 %)
-400 basis points	(28.9 %)	(28.8 %)

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include actions that our management may undertake to manage the risks in response to anticipated changes in interest rates, and actual results may also differ due to any actions taken in response to the changing rates.

As part of our asset/liability management strategy, our management has emphasized the origination of shorter duration loans as well as variable rate loans to limit the negative exposure to a rate increase. We also desire to acquire deposit transaction accounts, particularly noninterest or low interest-bearing non-maturity deposit accounts, whose cost is less sensitive to changes in interest rates. We intend to focus our strategy on utilizing our deposit base and operating platform to increase these deposit transaction accounts.

ITEM 4

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are a party to various litigation matters incidental to the conduct of our business. Except as set forth below, we are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

We are party to a lawsuit in the United States Court of Federal Claims seeking a ruling that the United States Postal Service ("USPS") is obligated to make payment to us with respect to invoices totaling approximately \$19.4 million that it separately paid to our customer, a vendor to the USPS who hauled mail pursuant to contracts it has with such entity, in violation of notices provided to the USPS that such payments were to be made directly to us (the "Misdirected Payments"). Although we believe we have valid claims that the USPS is obligated to make payment to us on such receivable and that the USPS will have the capacity to make such payment, the issues in this litigation are novel issues of law that have little to no precedent and there can be no assurances that a court will agree with our interpretation of the law on these matters. If a court were to rule against us in this litigation, our only recourse would be against our customer, who failed to remit the Misdirected Payments to us as required when received, and who may not have capacity to make such payment to us. Consequently, we could incur losses up to the full amount of the Misdirected Payments in such event, which could be material to our business, financial condition and results of operations.

The Company, through its direct and indirect wholly owned subsidiaries, has purchased and received payments on accounts receivable payable to Surge Transportation, Inc. ("Surge"), a licensed freight broker, as part of factoring services provided to such entity. On July 24, 2023, Surge filed for Chapter 11 Bankruptcy in the US Bankruptcy Court in the Middle District of Florida. In connection with the bankruptcy proceedings, certain claimants comprised of motor carriers, contingency collection agents, and factoring companies filed complaints alleging that such entities have an ownership interest in, or other rights to, amounts paid to the Company in respect of such purchased accounts receivable. The Court has not yet ruled on such complaints. In the event of an adverse ruling with respect to such complaints, Triumph may be required to disgorge or pay to such claimants all or a portion of the amounts it has collected on such receivables. The Company and litigants are finalizing conditional settlements of all claims in conjunction with a Plan of Reorganization which was filed by Surge on March 29, 2024. The Plan is not yet confirmed. Due to the uncertainty of the existence of or extent of any loss exposure, Triumph is unable to calculate any reserve loss at this time.

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies

On September 6, 2023, Mr. Adam D. Nelson, the Company's Executive Vice President and General Counsel, adopted a written plan for the exercise and sale of non-qualified stock options to purchase our common stock that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act (the "Nelson Trading Plan"). The Nelson Trading Plan covers the exercise and sale of up to 20,160 non-qualified stock options to purchase shares of the Company's common stock in several transactions over a period commencing after the later of (1) 90 days from the execution of the Nelson Trading Plan and (2) the second trading day following the public disclosure of the Company's financial results on Form 10-Q for the quarter ended September 30, 2023, and will cease upon the earlier of November 29, 2024 or the sale of all shares subject to the Nelson Trading Plan. As of July 11, 2024, all options had been exercised (and the resulting shares of common stock sold) under the Nelson Trading Plan.

On May 6, 2024, Mr. Edward J. Schreyer, the Company's Executive Vice President and Chief Operating Officer, adopted a written plan for the sale of our common stock that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act (the "Schreyer Trading Plan"). The Schreyer Trading Plan covers the sale of up to 12,257 shares of the Company's common stock in several transactions over a period commencing after the later of (1) 90 days from the execution of the Schreyer Trading Plan and (2) the second trading day following the public disclosure of the Company's financial results on Form 10-Q for the quarter ended June 30, 2024, and will cease upon the earlier of January 31, 2025 or the sale of all shares subject to the Schreyer Trading Plan.

As of the end of the second quarter of 2024, none of our other directors or executive officers adopted Rule 10b5-1 trading plans and none of our directors or executive officers terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

Exhibits (Exhibits marked with a “†” denote management contracts or compensatory plans or arrangements)

3.1	Second Amended and Restated Certificate of Formation of the Registrant, effective November 7, 2014, incorporated by reference to Exhibit 3.1 to Form 8-K filed with the SEC on November 13, 2014.
3.2	Certificate of Amendment to Second Amended and Restated Certificate of Formation of Triumph Bancorp, Inc., incorporated by reference to Exhibit 3.1 to Form 8-K filed with the SEC on May 10, 2018.
3.3	Certificate of Amendment to Second Amended and Restated Certificate of Formation of Triumph Bancorp, Inc., incorporated by reference to Exhibit 3.1 to Form 8-K filed with the SEC on December 1, 2022.
3.4	Second Amended and Restated Bylaws of the Registrant, effective November 7, 2014, incorporated by reference to Exhibit 3.2 to Form 8-K filed with the SEC on November 13, 2014.
3.5	Amendment No. 1 to Second Amended and Restated Bylaws of Triumph Bancorp, Inc., incorporated by reference to Exhibit 3.2 to Form 8-K filed with the SEC on May 10, 2018.
3.6	Amendment No. 2 to Second Amended and Restated Bylaws of Triumph Bancorp, Inc., incorporated by reference to Exhibit 3.2 to Form 8-K filed with the SEC on December 1, 2022.
10.1†	Form of Restricted Stock Unit Award Agreement under Triumph Financial, Inc. 2014 Omnibus Incentive Plan.
10.2†	Form of Performance Restricted Stock Unit Award Agreement (Bank) under Triumph Financial, Inc. 2014 Omnibus Incentive Plan.
10.3†	Form of Performance Restricted Stock Unit Award Agreement (FinTech) under Triumph Financial, Inc. 2014 Omnibus Incentive Plan.
10.4†	Form of Nonqualified Option Agreement under Triumph Financial, Inc. 2014 Omnibus Incentive Plan.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

SIGNATURES

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

TRIUMPH FINANCIAL INC.

(Registrant)

Date: July 17, 2024

/s/ Aaron P. Graft
Aaron P. Graft
President and Chief Executive Officer

Date: July 17, 2024

/s/ W. Bradley Voss
W. Bradley Voss
Chief Financial Officer

**2014 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of May 1, 2024 (the "Grant Date"), is made by and between Triumph Financial, Inc., a Texas corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] ("Participant"). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Triumph Financial, Inc. 2014 Omnibus Incentive Plan (the "Plan"), pursuant to which this Award is granted.

WHEREAS, the Company has adopted the Plan to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants and to provide the Company and its Subsidiaries and Affiliates with a means of providing incentives for future performance of services directly linked to the profitability of the Company's businesses and increases in shareholder value; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant Participant an award of Restricted Stock Units ("RSUs") on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW THEREFORE, in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of RSU Award.

- (a) Grant. The Company hereby grants to Participant an award (the "RSU Award") of [[SHARESGRANTED]] RSUs, on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU represents the right to receive one Share on the terms, and subject to the conditions, set forth in this Agreement.
- (b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan.

2. Vesting: Delivery of Shares.

- (a) Generally. Except as may otherwise be provided herein, (i) one fourth (rounded down to the nearest whole Share if applicable) of the RSU Award shall become earned, vested and non-forfeitable on the first anniversary of the Grant Date, (ii) one fourth (rounded down to the nearest whole Share if applicable) of the RSU Award shall become earned, vested and non-forfeitable on the second annual anniversary of the Grant Date, (iii) one fourth (rounded down to the nearest whole Share if applicable) of the RSU Award shall become earned, vested and non-forfeitable on

the third annual anniversary of the Grant Date, and (iv) the remaining RSU Award shall become earned, vested and non-forfeitable on the fourth annual anniversary of the Grant Date (each such date, a "Vesting Date"), in each case, subject to Participant not having incurred a Termination of Service prior to the applicable Vesting Date; provided that if such Termination of Service is due to Participant's Retirement, except as otherwise provided in Section 2(c), the RSU Award shall continue to vest and become earned in accordance with the schedule set forth in this Section 2(a), so long as Participant does not engage in activities reasonably determined by the Committee to be competitive with the Company or any of its Affiliates (it being understood that in the event of any such engagement, the remaining portion of the RSU Award that has not vested shall be immediately forfeited). For purposes hereof, Retirement means a Termination of Service (other than a termination by the Company for Cause) on or after reaching the minimum retirement age adopted by the Company for its executives generally as in effect at the time of such Termination of Service.

- (b) Vesting upon Death or Disability. If Participant dies or becomes Disabled, the remaining unvested portion of the RSU Award shall immediately become earned, vested and non-forfeitable as of the date of Termination of Service.
- (c) Vesting upon post-Change in Control Severance Event. If, during the two-year period following a Change in Control, Participant incurs a Termination of Service due to a termination by the Company without Cause or due to the Participant's Retirement, the remaining portion of the RSU Award that has not theretofore vested shall immediately become earned, vested and non-forfeitable as of the date of Termination of Service. If Participant is party to an Individual Agreement or covered under any severance plan or arrangement with a "good reason" or similar provision, a Termination of Employment by Participant for good reason or similar term (as defined in the applicable Individual Agreement or severance plan or similar arrangement) during such two-year period shall be treated as a termination by the Company without Cause for purposes of this paragraph.
- (d) Other Termination of Service. If Participant incurs a Termination of Service prior to any Vesting Date for any reason other than as set forth in Section 2(b) and 2(c) above, any remaining portion of the RSU Award that has not theretofore vested shall be forfeited by Participant without consideration.

3. Tax Withholding. No later than the date as of which an amount first becomes includible in the gross income of Participant for federal income tax purposes with respect to any RSUs, Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, all federal, state and local income and employment taxes that are required by applicable laws and regulations to be withheld with respect to such amount. Participant may direct the Company, to the extent permitted by law and as may be authorized by the Committee or as may otherwise be permitted under Section 14(d) of the Plan, to deduct any such taxes from any payment otherwise due to Participant, including the delivery of Shares of Common Stock that gives rise to the withholding requirement. The Company's obligation to deliver the Shares underlying RSUs (or to make a book entry or other electronic notation

indicating ownership of the Shares), is subject to the condition precedent that Participant either pay or provide for the amount of any such withholding.

4. Settlement of RSU Award. Vested RSUs shall be settled by the issuance of Shares within thirty (30) days following the Vesting Date, except that (a) if Participant dies or becomes Disabled or (b) if Participant incurs a Termination of Service during the two-year period following a 409A Change in Control, subject to Section 10(j), vested RSUs shall be settled by the issuance of Shares within thirty (30) days following such event. Nothing herein shall preclude the Company from settling this RSU Award upon a 409A Change in Control the Award if it is not replaced by a Replacement Award, to the extent such settlement is effectuated in accordance with Treas. Regs. § 1.409A-3(j)(ix).

5. Dividend Equivalent Units. If the Company declares a cash dividend on its Common Stock, Participant will be entitled to be credited with dividend equivalent units equal to (i) the amount of such dividend declared and paid with respect to one Share, multiplied by (ii) the total number of unvested RSUs plus the number of dividend equivalent units previously credited with respect to such unvested RSUs, that are outstanding on the applicable dividend record date with respect to such dividend payment date, divided by (iii) the Fair Market Value of a Share on the dividend payment date. Dividend equivalent units will not be credited with interest. Each dividend equivalent unit represents the right to receive one Share and will become vested to the same extent as the underlying RSUs and settled at the same time as the underlying RSUs.

6. Transferability; Rights as a Stockholder. The RSU Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiaries and its Affiliates; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Until the issuance of the Shares subject to this RSU Award (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of Common Stock shall exist with respect to this Award.

7. Adjustment. In the event of any event described in Section 3(c) of the Plan occurring after the Grant Date and while any portion of the RSU Award remains outstanding, the adjustment provisions as provided for under Section 3(c) of the Plan shall apply to the unvested portion of such RSU Award.

8. Change in Control. The provisions of this Section 8 shall govern the treatment of the RSU Award upon a Change of Control.

- (a) In the event of a Change in Control of the Company occurring after the Grant Date and prior to any Vesting Date, the remaining unvested portion of the RSU Award (if and to the extent not previously forfeited) shall vest, except to the extent that another award meeting the requirements of Section 8(b) is provided to Participant to replace

the RSU Award (any award meeting the requirements of Section 8(b), a "Replacement Award").

- (b) An award shall meet the conditions of this Section 8(b) (and hence qualify as a Replacement Award) if: (1) it relates to publicly traded equity securities of the Company or the surviving corporation following the Change in Control, (2) it is of the same type as the remaining unvested portion of the RSU Award, (3) it has a value at least equal to the value of the remaining unvested portion of the RSU Award as of the date of the Change in Control (other than in respect of customary fractional rounding of share amounts), (4) it contains terms relating to time-based vesting (including with respect to Termination of Service) that are substantially identical to those of this Award, and (5) its other terms and conditions are not less favorable to Participant than the terms and conditions of this RSU Award (including provisions that apply in the event of a subsequent Change in Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of this RSU Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 8(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

9. Compensation Recovery Policy. Participant agrees that, notwithstanding any other provision of this Agreement or the Plan, the RSU Award and any Shares delivered thereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any compensation recovery policy that the Company may adopt and that is applicable to Participant, as it may be amended from time to time, and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation.

10. Miscellaneous.

- (a) Waiver and Amendment. The Committee may unilaterally amend the terms of this Agreement and the RSU Award granted thereunder; provided that no such amendment shall, without the Participant's consent, materially impair the rights of any Participant with respect to this Agreement and the RSU Award granted thereunder, except such an amendment made to cause the Plan, this Agreement, or the RSU Award granted thereunder to comply with applicable law, Applicable Exchange listing standards, or accounting rules. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.
- (b) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company to:

Triumph Financial, Inc.
12700 Park Central Drive, Suite 1700
Dallas, TX 75251
Facsimile: (214) 237-3197
Attention: General Counsel

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given (i) when delivered by hand, if personally delivered; (ii) when delivered by courier, if delivered by commercial courier service; (iii) five business days after being deposited in the mail, postage prepaid, if mailed; and (iv) when receipt is mechanically acknowledged, if by facsimile.

- (c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.
- (d) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.
- (e) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his or her spouse or, if Participant is unmarried at the time of death, his or her estate.
- (f) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.
- (g) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

- (h) Bound by the Plan. By signing this Agreement, Participant acknowledges that he or she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.
- (i) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Texas without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Texas.
- (j) Section 409A. Section 13 of the Plan is hereby incorporated by reference herein and shall apply to this Agreement as if set forth herein, *mutatis mutandis*.
- (k) Headings. The headings of the Sections of this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.
- (l) Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11. Compliance with Legal Requirements. The grant of the RSU Award and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

TRIUMPH FINANCIAL, INC.

By: _____
Name: Adam Nelson
Title: EVP and General Counsel
PARTICIPANT
[[SIGNATURE]]
[[FIRSTNAME]] [[LASTNAME]]

[Signature Page to 2024 RSU Award Agreement]

TRIUMPH FINANCIAL, INC.
RESTRICTIVE COVENANTS AGREEMENT

As a condition of any incentive compensation that I may earn and receive under any incentive-based compensation plan maintained by Triumph Financial, Inc. (together with its subsidiaries, the "Company"), and in particular, my receipt of restricted stock units granted under the terms of the Restricted Stock Unit Award Agreement entered into between the Company and me (such agreements, the "Award Agreements"), I agree to the terms and conditions of this Restrictive Covenants Agreement ("Agreement"):

Access to Confidential Information. Employee understands and agrees that in the course of performing work on behalf of the Company, he will continue to have access to, and will continue to be given Confidential Information relating to the business of the Company. Employee acknowledges and agrees that such Confidential Information includes, but is not limited to financial information pertinent to the Company and its customers, and investors, customer lists, customer and investor identities and their preferences, confidential banking and financial information of both the Company and its customers and investors, and information that Employee may create or prepare certain information related to his duties. Employee hereby expressly agrees to maintain in strictest confidence and not to access without proper business purposes (including repetitive unnecessary access), use (including without limitation in any future business or personal relationship of Employee), publish, disclose or in any way authorize anyone else to use, publish or disclose in any way, any Confidential Information relating in any manner to the business or affairs of the Company and its customers and investors, except for legitimate business-related reasons while performing duties on behalf of the Company. Employee agrees further not to remove or retain any figures, financial information, personnel data, calculations, letters, documents, lists, papers, or copies thereof, which embody Confidential Information of the Company, and to return any such information in Employee's possession at the conclusion of Employee's use of such information and at the conclusion of Employee's employment with the Company.

For purposes of this Agreement, "Confidential Information" includes, but is not limited to, information in the possession of, prepared by, obtained by, compiled by, or that is used by Company, its customers, investors and/or vendors, or is prepared by, obtained by, compiled by or that is used by Employee in conjunction with his duties, and (1) is proprietary to, about, or created by the Company, its customers, investors and/or vendors; (2) is information the disclosure of which might be detrimental to the interest of the Company, its investors or customers; or (3) is not typically disclosed by the Company, its customers, investors and/or vendors, or known by persons who are not associated with the Company.

Restrictive Covenants. Employee acknowledges that, as a result of Employee's service with the Company, a special relationship of trust and confidence will develop between Employee, the Company and its clients and customers, and that this relationship will generate a substantial amount of good will between the Company

and its clients and customers. Employee further acknowledges and agrees that it is fair and reasonable for the Company to take steps to protect it from the loss of its Confidential Information or its customer goodwill. Employee further acknowledges that throughout his service with the Company, Employee will be provided with access to and informed of confidential, proprietary and highly sensitive information relating to the Company's clients and customers, which is a competitive asset of the Company, and which enables Employee to benefit from the goodwill and know-how of the Company. Therefore, as a material condition to the Company's willingness to perform its obligations hereunder, Employee agrees that, for a period of twelve (12) months following the date of the termination of employment by the Company for any reason (except as specifically set forth below), Employee will not, either for himself or in conjunction with others:

(i) solicit, divert, take away, do business with, or provide information about, or attempt to solicit, divert, take away or do business with in any fashion any of the Company's customers, clients, business or patrons about whom Employee has Confidential Information, or with whom Employee has done business or attempted to do business on behalf of the Company;

(ii) (i) offer employment to, enter into a contract for the employment of, or attempt to entice away from the Company, any individual who is at the time of such offer or attempt, or has been during the twelve months prior to such offer or attempt, an employee of the Company, (ii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, (iii) procure or facilitate the making of any such offer or attempt by any other person, or (iv) solicit, directly or through any other person, any investor of the Company for purposes of facilitating any investment, partnership or business opportunity unrelated to the Company. The restriction in subsection (iv) above shall not apply to any investor with which the Employee had a preexisting relationship prior to becoming employed by the Company.

Notwithstanding anything to the contrary contained herein, the foregoing restrictions in Section (b) this Restrictive Covenants Agreement shall not apply in the event Employee is terminated by the Company without Cause (as defined in the Award Agreements) during the first twelve (12) months following Employee's execution of the Award Agreements.

Representations of Employee.

(i) EMPLOYEE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIM, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF THIS AGREEMENT.

(ii) EMPLOYEE ACKNOWLEDGES AND RECOGNIZES THE HIGHLY COMPETITIVE NATURE OF THE COMPANY'S BUSINESS, THAT

ACCESS TO CONFIDENTIAL INFORMATION RENDERS THE EMPLOYEE SPECIAL AND UNIQUE WITHIN THE COMPANY'S INDUSTRY, AND THAT THE EMPLOYEE WILL HAVE THE OPPORTUNITY TO DEVELOP SUBSTANTIAL RELATIONSHIPS WITH EXISTING AND PROSPECTIVE CLIENTS, ACCOUNTS, CUSTOMERS, CONSULTANTS, CONTRACTORS, INVESTORS, AND STRATEGIC PARTNERS OF THE COMPANY DURING THE COURSE OF AND AS A RESULT OF THE EMPLOYEE'S EMPLOYMENT WITH THE COMPANY. IN LIGHT OF THE FOREGOING, EMPLOYEE RECOGNIZES AND ACKNOWLEDGES THAT THE RESTRICTIONS AND LIMITATIONS SET FORTH IN THIS AGREEMENT ARE REASONABLE AND VALID IN GEOGRAPHICAL AND TEMPORAL SCOPE AND IN ALL OTHER RESPECTS AND ARE ESSENTIAL TO PROTECT THE VALUE OF THE BUSINESS AND ASSETS OF THE COMPANY.

Severable Provisions. The provisions of this Agreement are severable and the invalidity of any one or more provisions shall not affect the validity of any other provision. In the event that a court of competent jurisdiction shall determine that any provision of this Agreement or the application thereof is unenforceable in whole or in part because of the duration or scope thereof, the parties hereto agree that said court in making such determination shall have the power to reduce the duration and scope of such provision to the extent necessary to make it enforceable, and that the Agreement in its reduced form shall be valid and enforceable to the full extent permitted by law.

Intellectual Property. Employee agrees to disclose and hereby assigns to the Company any and all material of a proprietary nature, particularly including, without limitation, material subject to protection as trade secrets or as patentable ideas or copyrightable works, that Employee may conceive, invent, author or discover, either solely or jointly with another or other during Employee's employment and that relates to or is capable of use in connection with the business of the Company or any employment or products offered, manufactured, used, sold or being developed by the Company at the time said material is developed. Employee will, upon request of the Company, either during or at any time after Employee's employment ends, regardless of how or why Employee's employment ends, execute and deliver all papers, including applications for patents and registrations for copyrights, and do such other legal acts (entirely at the Company's expense) as may be necessary to obtain and maintain proprietary rights in any and all countries and to vest title thereto in the Company.

Remedy. Employee understands and acknowledges that the Company has a legitimate business interest in preventing Employee from taking any actions in violation of this Policy and that this Policy is intended to protect the business and goodwill of the Company. Employee further acknowledges that a breach of this Policy will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Employee therefore agrees that in the event Employee violates any of the terms of

this Policy, the Company will be entitled to, in addition to any other remedies available to it in law or in equity, seek temporary, preliminary and permanent injunctive relief and specific performance to enforce the terms of this Policy without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. If Employee does take actions in violation of this Policy, Employee understands that the time periods set forth in the applicable provisions herein will run from the date on which violations of those provisions, whether by injunction or otherwise, ends and not from the date that Employee's employment ends. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Policy, or to determine the validity of its terms, then the prevailing party will be entitled to recover from the non-prevailing party its reasonable attorneys' fees and court costs incurred in obtaining enforcement of, or determining the validity of, this Policy.

Waiver. Employee understands and agrees that in the event the Company waives or allows any breach of this Policy, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.

Tolling. If the Company files a lawsuit in any court of competent jurisdiction alleging a breach of the non-disclosure or non-solicitation provisions of this Agreement by Employee, then any time period set forth in this Agreement relating to the post-termination restrictions on the activities of Employee will be deemed tolled as of the time the lawsuit is filed and will remain tolled until the dispute is finally resolved, either by written settlement agreement resolving all claims raised in the lawsuit, or by entry of a final judgment and final resolution of any post-judgment appellate proceedings.

* * * * *

I, [[FIRSTNAME]] [[LASTNAME]], have executed this Agreement on the respective date set forth below:

Date: [[DATE]] [[SIGNATURE]]
(Signature)

**2014 OMNIBUS INCENTIVE PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of May 1, 2024 (the "Grant Date"), is made by and between Triumph Financial, Inc., a Texas corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] ("Participant"). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Triumph Financial, Inc. 2014 Omnibus Incentive Plan (the "Plan"), pursuant to which this Award is granted.

WHEREAS, the Company has adopted the Plan to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants and to provide the Company and its Subsidiaries and Affiliates with a means of providing incentives for future performance of services directly linked to the profitability of the Company's businesses and increases in shareholder value; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant Participant an award of Performance Restricted Stock Units ("PSUs") on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW THEREFORE, in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1 Grant of PSU Award

- a Grant. The Company hereby grants to Participant an award (the "PSU Award") of a target aggregate number of [[SHARESGRANTED]] PSUs (the "Target PSUs"), on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. Each PSU represents the right to receive one Share on the terms, and subject to the conditions, set forth in this Agreement. Subject to the Award Maximum, the total number of PSUs that may be earned pursuant to the PSU Award in accordance with this Agreement shall range from 0% to 350% of the Target PSUs.
- b Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan.

2 Vesting. Except as may otherwise be provided herein, the PSU Award shall become earned, vested and nonforfeitable according to the following provisions:

- a General Vesting. Except as may otherwise be provided herein, subject to the Award Maximum, a number of PSUs subject to the PSU Award shall be earned
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(such number, the "Earned PSUs") based on the achievement of the Performance Goals set forth in Exhibit A hereto and the Earned PSUs shall vest on the date on which the Committee determines the extent to which the Performance Goals have been achieved (the "Vesting Date"), which determination shall occur no later than thirty (30) days following the conclusion of the Performance Period set forth on Exhibit A, subject to Participant not having incurred a Termination of Service prior to the Vesting Date.

- b. Death, Disability, and Retirement If Participant experiences a Termination of Service after the Grant Date due to Participant's death or Disability, or after the first anniversary of the Grant Date due to Participant's Retirement, then a portion of the PSU Award, calculated by multiplying the Target PSUs by a fraction, the numerator of which is equal to the number of days worked by Participant during the Performance Period and the denominator of which is the total number of days in the Performance Period (the "Prorated Portion"), shall remain outstanding and eligible to vest in accordance with Section 2(a) based on the actual level of achievement of the Performance Goals, so long as Participant does not breach any restrictive covenants set forth in any written agreement between Participant and the Company (it being understood that in the event of any such breach prior to the Vesting Date, the Prorated Portion shall be immediately forfeited). For purposes hereof, "Retirement" means a Termination of Service on or after reaching the minimum retirement age adopted by the Company for its executives generally as in effect at the time of such Termination of Service (or, if earlier, as in effect immediately prior to a Change in Control). For the avoidance of doubt, the Target PSUs that do not constitute the Prorated Portion shall be forfeited as of the date of Termination of Service.
 - c. Termination without Cause or Resignation for Good Reason
 - i. If, after the first anniversary of the Grant Date (and other than during the two-year period immediately following a Change in Control), a Participant incurs a Termination of Service due to a termination by the Company without Cause (as defined in Exhibit B), or due to a resignation by Participant for Good Reason (as defined in Exhibit B), the Prorated Portion shall remain outstanding and eligible to vest in accordance with Section 2(a) based on the actual level of achievement of the Performance Goals, so long as Participant does not breach any restrictive covenants set forth in any written agreement between Participant and the Company (it being understood that in the event of any such breach prior to the Vesting Date, the Prorated Portion shall be immediately forfeited). For the avoidance of doubt, the Target PSUs that do not constitute the Prorated Portion shall be forfeited as of the date of Termination of Service.
 - ii. If, during the two-year period immediately following a Change in Control, a Participant incurs a Termination of Service due to a termination by the
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Company without Cause (as defined in Exhibit B), or due to a resignation by Participant for Good Reason (as defined in Exhibit B), the Replacement Award (as defined in Section 7 below) granted in respect of the PSU Award shall vest in full.

- d. Other Termination of Service. If Participant incurs a Termination of Service prior to the Vesting Date for any reason other than as set forth in Section 2(b) and 2(c) above, the PSU Award shall be forfeited by Participant without consideration.
 3. Tax Withholding. No later than the date as of which an amount first becomes includible in the gross income of Participant for federal income tax purposes with respect to any PSUs, Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, all federal, state and local income and employment taxes that are required by applicable laws and regulations to be withheld with respect to such amount. Participant may direct the Company, to the extent permitted by law and as may be authorized by the Committee or as may otherwise be permitted under Section 14(d) of the Plan, to deduct any such taxes from any payment otherwise due to Participant, including the delivery of Shares of Common Stock that gives rise to the withholding requirement. The Company's obligation to deliver the Shares underlying Earned PSUs (or to make a book entry or other electronic notation indicating ownership of the Shares), is subject to the condition precedent that Participant either pay or provide for the amount of any such withholding.
 4. Settlement of PSU Award. The Earned PSUs shall be settled by the issuance of Shares within thirty (30) days following the Vesting Date (except (a) as otherwise provided in Section 7(a), and (b) that Earned PSUs will be settled upon a Participant's Termination of Service following a Change in Control by the issuance of Shares within thirty (30) days following the Termination of Service; provided that if the PSU Award constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, this clause (b) shall apply only if the Termination of Service occurs within two (2) years following a 409A Change in Control).
 5. Transferability; Rights as a Stockholder. The PSU Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiaries and its Affiliates; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Until the issuance of the Shares subject to this PSU Award (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of Common Stock shall exist with respect to this Award.
 6. Adjustment. In the event of any event described in Section 3(c) of the Plan occurring after the Grant Date and while the PSU Award remains outstanding, the adjustment provisions as provided for under Section 3(c) of the Plan shall apply to the PSU Award.
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7. Change in Control. The provisions of this Section 7 shall govern the treatment of the PSU Award upon a Change of Control.

- a. In the event of a Change in Control of the Company occurring after the Grant Date and prior to the Vesting Date, the PSU Award (if and to the extent not previously forfeited) shall vest and be deemed to be earned, with the Performance Goals deemed achieved at the level of achievement of the Performance Goals as determined by the Committee as of the latest practicable date prior to the Change in Control and in accordance with Exhibit A (treating such date as the final day of the Performance Period for purposes thereof), and shall be settled within ten (10) days following the Change in Control (provided that if the PSU Award constitutes “nonqualified deferred compensation” subject to Section 409A of the Code, settlement shall occur at such time only if (i) the Change in Control is a 409A Change in Control and (ii) such settlement would not constitute an impermissible acceleration under Section 409A of the Code, and otherwise such PSU Award will be settled in accordance with Section 4), except to the extent that another award meeting the requirements of Section 7(b) is provided to Participant to replace the PSU Award (any award meeting the requirements of Section 7(b), a “Replacement Award”).
 - b. An award shall meet the conditions of this Section 7(b) (and hence qualify as a Replacement Award) if: (1) it relates to publicly traded equity securities of the Company or the surviving corporation following the Change in Control, (2) it is of the same type as the PSU Award (except that the Replacement Award shall be subject solely to time-based vesting for the remainder of the applicable performance period (or such shorter period as determined by the Committee) and the Performance Goals shall be deemed to be achieved at the level of achievement of the Performance Goals as determined by the Committee as of the latest practicable date prior to the Change in Control and in accordance with Exhibit A, treating such date as the final day of the Performance Period for purposes thereof), (3) it has a value at least equal to the value of the PSU Award as of the date of the Change in Control (other than in respect of customary fractional rounding of share amounts and exercise price), (4) it contains terms relating to time-based vesting (including with respect to Termination of Service) that are substantially identical to those of this Award, and (5) its other terms and conditions are not less favorable to Participant than the terms and conditions of this Award (including provisions that apply in the event of a subsequent Change in Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of this Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 7(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
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8. Compensation Recovery Policy. Participant agrees that, notwithstanding any other provision of this Agreement or the Plan, the PSU Award and any Shares delivered thereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any compensation recovery policy that the Company may adopt and that is applicable to Participant, as it may be amended from time to time, and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation.

9. Miscellaneous.

a. Waiver and Amendment. The Committee may unilaterally amend the terms of this Agreement and the PSU Award granted thereunder; provided that no such amendment shall, without the Participant's consent, materially impair the rights of any Participant with respect to this Agreement and the PSU Award granted thereunder, except such an amendment made to cause the Plan, this Agreement, or the PSU Award granted thereunder to comply with applicable law, Applicable Exchange listing standards, or accounting rules. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

b. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company to:

Triumph Financial, Inc. 12700 Park Central Drive, Suite 1700
Dallas, TX 75251
Facsimile: (214) 237-3197
Attention: General Counsel

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given (i) when delivered by hand, if personally delivered; (ii) when delivered by courier, if delivered by commercial courier service; (iii) five business days after being deposited in the mail, postage prepaid, if mailed; and (iv) when receipt is mechanically acknowledged, if by facsimile.

c. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of

this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

- d. No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.
 - e. Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his or her spouse or, if Participant is unmarried at the time of death, his or her estate.
 - f. Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.
 - g. Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.
 - h. Bound by the Plan. By signing this Agreement, Participant acknowledges that he or she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.
 - i. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Texas without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Texas.
 - j. Headings. The headings of the Sections of this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.
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k. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

10. Compliance with Legal Requirements. The grant of the PSU Award and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

TRIUMPH FINANCIAL, INC.

By: _____

Name: Adam Nelson

Title: EVP and General Counsel

PARTICIPANT

__[[SIGNATURE]]_____ [[FIRSTNAME]] [[LASTNAME]]

TRIUMPH FINANCIAL, INC.

RESTRICTIVE COVENANTS AGREEMENT

As a condition of any incentive compensation that I may earn and receive under any incentive-based compensation plan maintained by Triumph Financial, Inc. (together with its subsidiaries, the "Company"), and in particular, my receipt of restricted stock units granted under the terms of the Performance Restricted Stock Unit Award Agreement entered into between the Company and me (such agreements, the "Award Agreements"), I agree to the terms and conditions of this Restrictive Covenants Agreement ("Agreement"):

- a. **Access to Confidential Information.** Employee understands and agrees that in the course of performing work on behalf of the Company, he will continue to have access to, and will continue to be given Confidential Information relating to the business of the Company. Employee acknowledges and agrees that such Confidential Information includes, but is not limited to financial information pertinent to the Company and its customers, and investors, customer lists, customer and investor identities and their preferences, confidential banking and financial information of both the Company and its customers and investors, and information that Employee may create or prepare certain information related to his duties. Employee hereby expressly agrees to maintain in strictest confidence and not to access without proper business purposes (including repetitive unnecessary access), use (including without limitation in any future business or personal relationship of Employee), publish, disclose or in any way authorize anyone else to use, publish or disclose in any way, any Confidential Information relating in any manner to the business or affairs of the Company and its customers and investors, except for legitimate business-related reasons while performing duties on behalf of the Company. Employee agrees further not to remove or retain any figures, financial information, personnel data, calculations, letters, documents, lists, papers, or copies thereof, which embody Confidential Information of the Company, and to return any such information in Employee's possession at the conclusion of Employee's use of such information and at the conclusion of Employee's employment with the Company.

For purposes of this Agreement, "Confidential Information" includes, but is not limited to, information in the possession of, prepared by, obtained by, compiled by, or that is used by Company, its customers, investors and/or vendors, or is prepared by, obtained by, compiled by or that is used by Employee in conjunction with his duties, and (1) is proprietary to, about, or created by the Company, its customers, investors and/or vendors; (2) is information the disclosure of which might be detrimental to the interest of the Company, its investors or

customers; or (3) is not typically disclosed by the Company, its customers, investors and/or vendors, or known by persons who are not associated with the Company.

b. **Restrictive Covenants.** Employee acknowledges that, as a result of Employee's service with the Company, a special relationship of trust and confidence will develop between Employee, the Company and its clients and customers, and that this relationship will generate a substantial amount of good will between the Company and its clients and customers. Employee further acknowledges and agrees that it is fair and reasonable for the Company to take steps to protect it from the loss of its Confidential Information or its customer goodwill. Employee further acknowledges that throughout his service with the Company, Employee will be provided with access to and informed of confidential, proprietary and highly sensitive information relating to the Company's clients and customers, which is a competitive asset of the Company, and which enables Employee to benefit from the goodwill and know-how of the Company. Therefore, as a material condition to the Company's willingness to perform its obligations hereunder, Employee agrees that, for a period of twelve (12) months following the date of the termination of employment by the Company for any reason (except as specifically set forth below), Employee will not, either for himself or in conjunction with others:

- i. solicit, divert, take away, do business with, or provide information about, or attempt to solicit, divert, take away or do business with in any fashion any of the Company's customers, clients, business or patrons about whom Employee has Confidential Information, or with whom Employee has done business or attempted to do business on behalf of the Company;
- ii. (i) offer employment to, enter into a contract for the employment of, or attempt to entice away from the Company, any individual who is at the time of such offer or attempt, or has been during the twelve months prior to such offer or attempt, an employee of the Company, (ii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, (iii) procure or facilitate the making of any such offer or attempt by any other person, or (iv) solicit, directly or through any other person, any investor of the Company for purposes of facilitating any investment, partnership or business opportunity unrelated to the Company. The restriction in subsection (iv) above shall not apply to any investor with which the Employee had a preexisting relationship prior to becoming employed by the Company.

Notwithstanding anything to the contrary contained herein, the foregoing restrictions in Section (b) this Restrictive Covenants Agreement shall not apply in the event Employee is terminated by the Company without Cause (as defined in the Award Agreements) during the first twelve (12) months following Employee's execution of the Award Agreements.

c. **Representations of Employee.**

- i. EMPLOYEE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIM, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF THIS AGREEMENT.
 - II. Employee acknowledges and recognizes the highly competitive nature of the Company's business, that access to Confidential Information renders the Employee special and unique within the Company's industry, and that the Employee will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company during the course of and as a result of the Employee's employment with the Company. In light of the foregoing, Employee recognizes and acknowledges that the restrictions and limitations set forth in this Agreement are reasonable and valid in geographical and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company.
 - d. **Severable Provisions.** The provisions of this Agreement are severable and the invalidity of any one or more provisions shall not affect the validity of any other provision. In the event that a court of competent jurisdiction shall determine that any provision of this Agreement or the application thereof is unenforceable in whole or in part because of the duration or scope thereof, the parties hereto agree that said court in making such determination shall have the power to reduce the duration and scope of such provision to the extent necessary to make it enforceable, and that the Agreement in its reduced form shall be valid and enforceable to the full extent permitted by law.
 - e. **Intellectual Property.** Employee agrees to disclose and hereby assigns to the Company any and all material of a proprietary nature, particularly including, without limitation, material subject to protection as trade secrets or as patentable ideas or copyrightable works, that Employee may conceive, invent, author or discover, either solely or jointly with another or other during Employee's employment and that relates to or is capable of use in connection with the business of the Company or any employment or products offered, manufactured, used, sold or being developed by the Company at the time said material is developed. Employee will, upon request of the Company, either during or at any time after Employee's employment ends, regardless of how or why Employee's employment ends, execute and deliver all papers, including applications for patents and registrations for copyrights, and do such other legal acts (entirely at the Company's expense) as may be necessary to obtain and maintain proprietary rights in any and all countries and to vest title thereto in the Company.
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- f. **Remedy.** Employee understands and acknowledges that the Company has a legitimate business interest in preventing Employee from taking any actions in violation of this Policy and that this Policy is intended to protect the business and goodwill of the Company. Employee further acknowledges that a breach of this Policy will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Employee therefore agrees that in the event Employee violates any of the terms of this Policy, the Company will be entitled to, in addition to any other remedies available to it in law or in equity, seek temporary, preliminary and permanent injunctive relief and specific performance to enforce the terms of this Policy without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. If Employee does take actions in violation of this Policy, Employee understands that the time periods set forth in the applicable provisions herein will run from the date on which violations of those provisions, whether by injunction or otherwise, ends and not from the date that Employee's employment ends. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Policy, or to determine the validity of its terms, then the prevailing party will be entitled to recover from the non-prevailing party its reasonable attorneys' fees and court costs incurred in obtaining enforcement of, or determining the validity of, this Policy.
- g. **Waiver.** Employee understands and agrees that in the event the Company waives or allows any breach of this Policy, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.
- h. **Tolling.** If the Company files a lawsuit in any court of competent jurisdiction alleging a breach of the non-disclosure or non-solicitation provisions of this Agreement by Employee, then any time period set forth in this Agreement relating to the post-termination restrictions on the activities of Employee will be deemed tolled as of the time the lawsuit is filed and will remain tolled until the dispute is finally resolved, either by written settlement agreement resolving all claims raised in the lawsuit, or by entry of a final judgment and final resolution of any post-judgment appellate proceedings.

* * * * *

I, [[FIRSTNAME]] [[LASTNAME]], have executed this Agreement on the respective date set forth below:

Date: [[DATE]] [[SIGNATURE]] (Signature)

EXHIBIT A

Performance Goals

Performance Measure:

The performance measures for the Performance Goal are (A) the Company's relative Total Shareholder Return (as defined below) as compared to the TSR of the companies identified below as the "**Peer Group**" over the period commencing on and including May 1, 2024 and ending on and including April 30, 2027 (the "**Performance Period**"); provided, that if, on the last day of the Performance Period, one of the listed companies is no longer publicly traded, such company shall not be considered to be part of the Peer Group and shall not be replaced and (B) the Company's absolute Total Shareholder Return over the Performance Period.

Performance Goal:

Subject to the terms, definitions and provisions of this PSU Award and the Plan, Participant will be entitled to receive a number of shares of Shares equal to the number of Earned PSUs (subject to the Award Maximum). The number of Earned PSUs will be equal to the number of Target PSUs (plus the number of dividend equivalent units credited with respect thereto), multiplied by (A) the Relative TSR Vesting Percentage, multiplied by (B) the Absolute TSR Modifier.

The Relative TSR Vesting Percentage shall be correlated to the Company's Relative TSR Percentile for the Performance Period in accordance with the table below (with linear interpolation between the 25th and 75th percentiles and between the 75th and 90th percentiles, as applicable):

Relative TSR Percentile	Relative TSR Vesting Percentage
Below 25th percentile	0%
25th percentile	50%
75 th percentile	150%
90 th percentile or above	175%

The Absolute TSR Modifier shall be correlated to the Company's absolute Total Shareholder Return for the Performance Period in accordance with the table below (with linear interpolation between 30% and 100% absolute Total Shareholder Return):

Absolute TSR	Absolute TSR Modifier
30% or below	100%
100% or above	200%

Any PSUs that were eligible to vest with respect to the Performance Period and did not become Earned PSUs in accordance with this Exhibit A shall be forfeited and cancelled as of the Vesting Date.

Definitions

"Award Maximum" shall mean:

(a) in the event the Company has a negative Total Shareholder Return for the Performance Period, 100% of the Target PSUs, and

(b) in the event that clause (a) is not applicable, and the value of the Earned PSUs (computed as the product of the number of the Earned PSUs determined without regard to the Award Maximum, multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Vesting Date) would exceed 8 times the initial value of the Target PSUs (computed as the product of the number of Target PSUs multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Grant Date), such number of PSUs that, if multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Vesting Date, would equal 8 times the initial value of the Target PSUs (computed as the product of the Target PSUs multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Grant Date).

"Beginning Stock Price" shall mean the average of the closing prices of common shares during the twenty (20) consecutive trading days ending on the last trading day immediately preceding the first day of the Performance Period.

"Ending Stock Price" shall mean the average of the closing prices of common shares (as appropriately adjusted to reflect stock splits, spin-offs, and similar transactions that occurred during the Performance Period) during the twenty (20) consecutive trading days ending on the last trading day of the Performance Period. If a Change in Control occurs during the Performance Period, the Ending Stock Price of the Company shall equal (i) the value of the consideration paid for each Share in the Change in Control transaction, with the value of any non-cash consideration determined by the Committee in its discretion, or (ii) if no consideration is paid in respect of Shares in connection with the Change in Control, the volume weighted average price of a Share on the Nasdaq Global Select Market during the period of twenty (20)

consecutive trading days ending on, and including, the last practicable trading day preceding the Change in Control.

"Total Shareholder Return" shall mean the appreciation of share price during the Performance Period, plus any Dividends Paid on the common stock during such Performance Period, calculated as follows:

[Ending Stock Price *minus* Beginning Stock Price *plus* Dividends Paid]

divided by

[Beginning Stock Price]

"Relative TSR Percentile" shall mean the percentile rank of the Company's TSR relative to the TSR of the companies in the Peer Group for the Performance Period. Relative TSR Percentile will be determined by ranking the TSR of the Company and each of the companies in the Peer Group (with the company having the lowest TSR being ranked number 1, the company with the second lowest TSR being ranked number 2, and so forth) and determining the Company's percentile rank based upon its position in the list by dividing the Company's position by the total number of companies (including the Company) in the Peer Group and rounding the quotient to the nearest hundredth.

"Dividends Paid" shall mean all dividends paid with respect to an ex-dividend date that occurs during the Performance Period (whether or not the dividend payment date occurs during the Performance Period), which shall be deemed to have been reinvested in the underlying common shares and shall include dividends paid with respect to such reinvested dividends, appropriately adjusted to reflect stock splits, spin-offs, and similar transactions.

"Peer Group" shall mean the companies set on Exhibit C hereto; provided, that if, on the last day of the Performance Period, one of the foregoing companies is no longer publicly traded, such companies shall not be considered to be part of the Peer Group and shall not be replaced.

EXHIBIT B

Certain Definitions

“Cause” shall mean the Company’s determination in good faith that Participant: (i) has misappropriated, stolen or embezzled funds or property from the Company or any of its subsidiaries or affiliates, or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Company or any of its subsidiaries or affiliates, (ii) has been indicted or arrested on a felony, (iii) has neglected his or her employment duties, (iv) has materially violated a restrictive covenant contained in any written agreement between Participant and the Company, (v) has willfully violated or breached any material provision of any written agreement between Participant and the Company in any material respect or violated any material law or regulation or (vi) any other misconduct by Participant that is injurious to the financial condition or business reputation of the Company or any of its Subsidiaries or Affiliates.

“Good Reason”

(a) In the case of a voluntary termination of employment not occurring on or after a Change in Control, **“Good Reason”** shall mean:

(i) a material reduction in Participant’s base salary as in effect immediately prior to Participant’s “Good Reason Notice of Termination” as defined below unless such reduction is made in accordance with a uniform reduction in base salaries of the Company’s similarly situated employees; or

(ii) a material reduction in Participant’s target annual bonus opportunity as in effect immediately prior to Participant’s Good Reason Notice of Termination unless such reduction is made in accordance with a uniform reduction in target annual bonus opportunity of the Company’s similarly situated employees.

(b) In the case of a voluntary termination of employment occurring on or after a Change in Control, **“Good Reason”** shall mean:

(i) a material reduction in Participant’s position, authority, duties or responsibilities relative to such position, authority, duties or responsibilities immediately prior to the Change in Control;

(ii) a material reduction in Participant’s base salary opportunity as in effect immediately prior to the Change in Control;

(iii) a material reduction in Participant’s target annual bonus opportunity as in effect immediately prior to the Change in Control; or

(iv) receipt of notice by Participant with regard to the mandatory relocation of the office at which Participant is to perform the majority of his duties following the Change in Control to a location more than 50 miles from the location at which Participant performed such duties prior to the Change in Control; provided that such new location is farther from Participant's residence than the prior location.

(c) Notwithstanding anything in this Agreement to the contrary, no act, omission or event shall constitute grounds for a voluntary termination due to "Good Reason" under either paragraph (a) or (b) immediately above unless:

(i) Participant provides the Company thirty (30) day advance written notice of his or her intent to termination employment for Good Reason which notice must describe the claimed act, omission or event giving rise to Good Reason ("Good Reason Notice of Termination");

(ii) the Good Reason Notice of Termination is given within ninety (90) days of Participant's first actual knowledge of such act, omission or event;

(iii) the Company fails to cure such act, omission or event within the thirty (30) day period after receiving the Good Reason Notice of Termination; and

(iv) Participant's termination of employment for Good Reason actually occurs at the end of such 30-day cure period if the Good Reason is not cured.

EXHIBIT C – BANK PEER GROUP

Company (n=185)	Assets (\$M)		Market Cap - 4/1/2024 (\$M)	GICS Sub-Industry
	FY23	TTM		
United Bankshares, Inc.	\$29,489	\$29,926	\$4,479	Regional Banks
Texas Capital Bancshares, Inc.	\$28,415	\$28,356	\$2,708	Regional Banks
Glacier Bancorp, Inc.	\$26,635	\$27,743	\$4,131	Regional Banks
Fulton Financial Corporation	\$26,932	\$27,572	\$2,419	Regional Banks
Simmons First National Corporation	\$27,461	\$27,346	\$2,277	Regional Banks
United Community Banks, Inc.	\$24,009	\$27,297	\$2,969	Regional Banks
Ameris Bancorp	\$25,053	\$25,204	\$3,120	Regional Banks
First Hawaiian, Inc.	\$24,577	\$24,926	\$2,692	Regional Banks
Bank of Hawaii Corporation	\$23,607	\$23,733	\$2,329	Regional Banks
Cathay General Bancorp	\$21,948	\$23,082	\$2,547	Regional Banks
Home Bancshares, Inc. (Conway, AR)	\$22,884	\$22,657	\$4,670	Regional Banks
WaFd, Inc	\$20,772	\$22,640	\$2,222	Regional Banks
Customers Bancorp, Inc.	\$20,896	\$21,316	\$1,571	Regional Banks
Atlantic Union Bankshares Corporation	\$20,461	\$21,166	\$2,442	Regional Banks
Eastern Bankshares, Inc.	\$22,647	\$21,133	\$2,071	Regional Banks
WSFS Financial Corporation	\$19,915	\$20,595	\$2,567	Regional Banks
Axos Financial, Inc.	\$17,401	\$21,624	\$2,849	Regional Banks
Heartland Financial USA, Inc.	\$20,244	\$19,412	\$1,464	Regional Banks
Independent Bank Corp.	\$19,294	\$19,347	\$2,047	Regional Banks
Hope Bancorp, Inc.	\$19,164	\$19,132	\$1,279	Regional Banks
Independent Bank Group, Inc.	\$18,258	\$19,035	\$1,682	Regional Banks
Pacific Premier Bancorp, Inc.	\$21,688	\$19,027	\$2,099	Regional Banks
First BanCorp.	\$18,634	\$18,910	\$2,781	Regional Banks
Trustmark Corporation	\$18,015	\$18,722	\$1,614	Regional Banks
First Merchants Corporation	\$18,002	\$18,406	\$1,970	Regional Banks
WesBanco, Inc.	\$16,932	\$17,712	\$1,636	Regional Banks
First Financial Bancorp.	\$17,003	\$17,533	\$2,016	Regional Banks
Renasant Corporation	\$16,988	\$17,361	\$1,616	Regional Banks
TFS Financial Corporation	\$15,790	\$17,054	\$3,371	Regional Banks
TowneBank	\$15,845	\$16,835	\$1,955	Regional Banks
Hilltop Holdings Inc.	\$16,259	\$16,467	\$1,925	Regional Banks
ServisFirst Bancshares, Inc.	\$14,596	\$16,130	\$3,293	Regional Banks
CVB Financial Corp.	\$16,477	\$16,021	\$2,278	Regional Banks
Banner Corporation	\$15,833	\$15,670	\$1,525	Regional Banks
Community Bank System, Inc.	\$15,836	\$15,556	\$2,295	Regional Banks
International Bancshares Corporation	\$15,501	\$15,066	\$3,308	Regional Banks
Seacoast Banking Corporation of Florida	\$12,146	\$14,580	\$1,900	Regional Banks
Enterprise Financial Services Corp	\$13,054	\$14,519	\$1,433	Regional Banks
Northwest Bancshares, Inc.	\$14,113	\$14,419	\$1,373	Regional Banks

Provident Financial Services, Inc.	\$13,783	\$14,211	\$1,026	Regional Banks
Sandy Spring Bancorp, Inc.	\$13,833	\$14,028	\$916	Regional Banks
Dime Community Bancshares, Inc.	\$13,190	\$13,636	\$712	Regional Banks
OceanFirst Financial Corp.	\$13,104	\$13,538	\$869	Regional Banks
First Foundation Inc.	\$13,014	\$13,327	\$386	Regional Banks
NBT Bancorp Inc.	\$11,739	\$13,309	\$1,603	Regional Banks
First Financial Bankshares, Inc.	\$12,974	\$13,106	\$4,284	Regional Banks
FB Financial Corporation	\$12,848	\$12,604	\$1,639	Regional Banks
Berkshire Hills Bancorp, Inc.	\$11,663	\$12,431	\$909	Regional Banks
Veritex Holdings, Inc.	\$12,154	\$12,394	\$1,059	Regional Banks
BancFirst Corporation	\$12,388	\$12,372	\$2,744	Regional Banks
First Busey Corporation	\$12,337	\$12,283	\$1,260	Regional Banks
First Bancorp	\$10,625	\$12,115	\$1,344	Regional Banks
Eagle Bancorp, Inc.	\$11,151	\$11,665	\$640	Regional Banks
First Commonwealth Financial Corporation	\$9,806	\$11,459	\$1,301	Regional Banks
Brookline Bancorp, Inc.	\$9,186	\$11,382	\$812	Regional Banks
OFG Bancorp	\$9,819	\$11,344	\$1,636	Regional Banks
Live Oak Bancshares, Inc.	\$9,855	\$11,271	\$1,716	Regional Banks
Lakeland Bancorp, Inc.	\$10,784	\$11,139	\$726	Regional Banks
Stellar Bancorp, Inc.	\$10,900	\$10,647	\$1,228	Regional Banks
Columbia Financial, Inc.	\$10,408	\$10,646	\$1,702	Regional Banks
Capitol Federal Financial, Inc.	\$9,625	\$9,576	\$697	Regional Banks
National Bank Holdings Corporation	\$9,573	\$9,951	\$1,264	Regional Banks
TriCo Bancshares	\$9,931	\$9,910	\$1,080	Regional Banks
ConnectOne Bancorp, Inc.	\$9,645	\$9,856	\$689	Regional Banks
Park National Corporation	\$9,855	\$9,836	\$2,012	Regional Banks
Origin Bancorp, Inc.	\$9,686	\$9,723	\$889	Regional Banks
Amerant Bancorp Inc.	\$9,128	\$9,716	\$717	Regional Banks
S&T Bancorp, Inc.	\$9,111	\$9,552	\$1,126	Regional Banks
HomeStreet, Inc.	\$9,365	\$9,392	\$239	Regional Banks
Peoples Bancorp Inc.	\$7,207	\$9,157	\$972	Regional Banks
Byline Bancorp, Inc.	\$7,363	\$8,882	\$899	Regional Banks
1st Source Corporation	\$8,339	\$8,728	\$1,185	Regional Banks
Premier Financial Corp.	\$8,455	\$8,626	\$693	Regional Banks
QCR Holdings, Inc.	\$7,949	\$8,539	\$942	Regional Banks
Flushing Financial Corporation	\$8,423	\$8,537	\$325	Regional Banks
Nicolet Bankshares, Inc.	\$8,764	\$8,469	\$1,155	Regional Banks
Kearny Financial Corp.	\$7,720	\$7,898	\$344	Regional Banks
Southside Bancshares, Inc.	\$7,559	\$8,285	\$814	Regional Banks
Stock Yards Bancorp, Inc.	\$7,496	\$8,170	\$1,298	Regional Banks
The First Bancshares, Inc.	\$6,462	\$7,999	\$741	Regional Banks
Amalgamated Financial Corp.	\$7,843	\$7,972	\$670	Regional Banks
Horizon Bancorp, Inc.	\$7,873	\$7,940	\$506	Regional Banks

Midland States Bancorp, Inc.	\$7,856	\$7,867	\$512	Regional Banks
Tompkins Financial Corporation	\$7,671	\$7,820	\$634	Regional Banks
Univest Financial Corporation	\$7,222	\$7,781	\$558	Regional Banks
The Bancorp, Inc.	\$7,903	\$7,706	\$1,641	Regional Banks
Central Pacific Financial Corp.	\$7,433	\$7,643	\$519	Regional Banks
First Mid Bancshares, Inc.	\$6,744	\$7,587	\$705	Regional Banks
Hanmi Financial Corporation	\$7,378	\$7,570	\$447	Regional Banks
Pathward Financial, Inc.	\$6,747	\$7,927	\$1,253	Regional Banks
CrossFirst Bankshares, Inc.	\$6,601	\$7,381	\$629	Regional Banks
Washington Trust Bancorp, Inc.	\$6,660	\$7,203	\$421	Regional Banks
Heritage Financial Corporation	\$6,980	\$7,175	\$599	Regional Banks
Metropolitan Bank Holding Corp.	\$6,267	\$7,068	\$388	Regional Banks
Preferred Bank	\$6,425	\$6,659	\$1,012	Regional Banks
Republic Bancorp, Inc.	\$5,836	\$6,595	\$944	Regional Banks
Business First Bancshares, Inc.	\$5,990	\$6,585	\$516	Regional Banks
Lakeland Financial Corporation	\$6,432	\$6,524	\$1,492	Regional Banks
Peapack-Gladstone Financial Corporation	\$6,354	\$6,477	\$404	Regional Banks
MidWestOne Financial Group, Inc.	\$6,578	\$6,428	\$324	Regional Banks
Westamerica Bancorporation	\$6,950	\$6,365	\$1,257	Regional Banks
TrustCo Bank Corp NY	\$6,000	\$6,168	\$498	Regional Banks
City Holding Company	\$5,878	\$6,168	\$1,477	Regional Banks
Financial Institutions, Inc.	\$5,797	\$6,161	\$260	Regional Banks
German American Bancorp, Inc.	\$6,156	\$6,152	\$949	Regional Banks
Shore Bancshares, Inc.	\$3,477	\$6,011	\$343	Regional Banks
Great Southern Bancorp, Inc.	\$5,681	\$5,812	\$596	Regional Banks
Community Trust Bancorp, Inc.	\$5,380	\$5,770	\$721	Regional Banks
CNB Financial Corporation	\$5,475	\$5,753	\$400	Regional Banks
Old Second Bancorp, Inc.	\$5,888	\$5,723	\$602	Regional Banks
Camden National Corporation	\$5,672	\$5,715	\$440	Regional Banks
HarborOne Bancorp, Inc.	\$5,360	\$5,668	\$402	Regional Banks
Northfield Bancorp, Inc. (Staten Island, NY)	\$5,601	\$5,598	\$377	Regional Banks
Cambridge Bancorp	\$5,560	\$5,418	\$483	Regional Banks
Mercantile Bank Corporation	\$4,873	\$5,353	\$573	Regional Banks
Triumph Financial, Inc.	\$5,334	\$5,347	\$1,789	Regional Banks
Mid Penn Bancorp, Inc.	\$4,498	\$5,291	\$327	Regional Banks
Independent Bank Corporation	\$5,000	\$5,264	\$490	Regional Banks
Heritage Commerce Corp	\$5,158	\$5,194	\$484	Regional Banks
First Internet Bancorp	\$4,543	\$5,168	\$273	Regional Banks
Farmers National Banc Corp.	\$4,082	\$5,078	\$455	Regional Banks
HBT Financial, Inc.	\$4,287	\$5,073	\$582	Regional Banks
Equity Bancshares, Inc.	\$4,982	\$5,035	\$506	Regional Banks
First Financial Corporation	\$4,989	\$4,851	\$421	Regional Banks
SmartFinancial, Inc.	\$4,637	\$4,829	\$333	Regional Banks

HomeTrust Bancshares, Inc.	\$3,549	\$4,673	\$424	Regional Banks
Summit Financial Group, Inc.	\$3,917	\$4,634	\$372	Regional Banks
Bridgewater Bancshares, Inc.	\$4,346	\$4,612	\$312	Regional Banks
NB Bancorp, Inc.	\$3,592	\$4,533	\$572	Regional Banks
Carter Bankshares, Inc.	\$4,205	\$4,513	\$265	Regional Banks
Hingham Institution for Savings	\$4,194	\$4,484	\$356	Regional Banks
Enterprise Bancorp, Inc.	\$4,438	\$4,466	\$290	Regional Banks
Third Coast Bancshares, Inc.	\$3,773	\$4,396	\$255	Regional Banks
Southern Missouri Bancorp, Inc.	\$3,215	\$4,644	\$459	Regional Banks
Capital City Bank Group, Inc.	\$4,519	\$4,304	\$444	Regional Banks
The First of Long Island Corporation	\$4,282	\$4,236	\$228	Regional Banks
Bank First Corporation	\$3,660	\$4,222	\$816	Regional Banks
South Plains Financial, Inc.	\$3,944	\$4,205	\$409	Regional Banks
Arrow Financial Corporation	\$3,970	\$4,170	\$369	Regional Banks
Southern First Bancshares, Inc.	\$3,692	\$4,056	\$220	Regional Banks
RBB Bancorp	\$3,919	\$4,026	\$317	Regional Banks
Bar Harbor Bankshares	\$3,910	\$3,971	\$369	Regional Banks
Primis Financial Corp.	\$3,572	\$3,876	\$261	Regional Banks
Civista Bancshares, Inc.	\$3,639	\$3,861	\$225	Regional Banks
BCB Bancorp, Inc.	\$3,546	\$3,832	\$168	Regional Banks
West Bancorporation, Inc.	\$3,613	\$3,826	\$269	Regional Banks
Bank of Marin Bancorp	\$4,147	\$3,804	\$240	Regional Banks
Coastal Financial Corporation	\$3,144	\$3,753	\$520	Regional Banks
Peoples Financial Services Corp.	\$3,554	\$3,742	\$266	Regional Banks
Sierra Bancorp	\$3,609	\$3,730	\$261	Regional Banks
Burke & Herbert Financial Services Corp.	\$3,563	\$3,618	\$393	Regional Banks
First Bank	\$2,733	\$3,609	\$314	Regional Banks
Five Star Bancorp	\$3,227	\$3,593	\$461	Regional Banks
First Guaranty Bancshares, Inc.	\$3,151	\$3,553	\$126	Regional Banks
First Business Financial Services, Inc.	\$2,977	\$3,508	\$284	Regional Banks
MetroCity Bankshares, Inc.	\$3,427	\$3,503	\$582	Regional Banks
Home Bancorp, Inc.	\$3,228	\$3,320	\$288	Regional Banks
MVB Financial Corp.	\$3,069	\$3,314	\$256	Regional Banks
Farmers & Merchants Bancorp, Inc.	\$3,015	\$3,283	\$274	Regional Banks
First Community Bankshares, Inc.	\$3,136	\$3,269	\$593	Regional Banks
Bankwell Financial Group, Inc.	\$3,252	\$3,215	\$188	Regional Banks
Guaranty Bancshares, Inc.	\$3,351	\$3,185	\$336	Regional Banks
Red River Bancshares, Inc.	\$3,083	\$3,129	\$335	Regional Banks
Blue Ridge Bankshares, Inc.	\$3,130	\$3,118	\$60	Regional Banks
Orrstown Financial Services, Inc.	\$2,922	\$3,064	\$268	Regional Banks
Colony Bankcorp, Inc.	\$2,937	\$3,053	\$187	Regional Banks
First Western Financial, Inc.	\$2,867	\$2,975	\$131	Regional Banks
Citizens Financial Services, Inc.	\$2,333	\$2,975	\$224	Regional Banks

FS Bancorp, Inc.	\$2,633	\$2,973	\$250	Regional Banks
The First Bancorp, Inc.	\$2,739	\$2,947	\$251	Regional Banks
Northeast Bank	\$1,583	\$2,969	\$403	Regional Banks
Investar Holding Corporation	\$2,754	\$2,815	\$153	Regional Banks
Northrim BanCorp, Inc.	\$2,674	\$2,807	\$253	Regional Banks
PCB Bancorp	\$2,420	\$2,790	\$216	Regional Banks
Ponce Financial Group, Inc.	\$2,312	\$2,751	\$183	Regional Banks
Macatawa Bank Corporation	\$2,907	\$2,749	\$325	Regional Banks
Chemung Financial Corporation	\$2,646	\$2,711	\$190	Regional Banks
Greene County Bancorp, Inc.	\$2,572	\$2,737	\$452	Regional Banks
LINKBANCORP, Inc.	\$1,164	\$2,669	\$236	Regional Banks
Unity Bancorp, Inc.	\$2,445	\$2,568	\$264	Regional Banks
ChoiceOne Financial Services, Inc.	\$2,386	\$2,577	\$172	Regional Banks
Western New England Bancorp, Inc.	\$2,553	\$2,565	\$143	Regional Banks
BayCom Corp	\$2,513	\$2,552	\$226	Regional Banks
Citizens & Northern Corporation	\$2,454	\$2,516	\$265	Regional Banks
Fidelity D & D Bancorp, Inc.	\$2,378	\$2,503	\$266	Regional Banks

**2014 OMNIBUS INCENTIVE PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of May 1, 2024 (the "Grant Date"), is made by and between Triumph Financial, Inc., a Texas corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] ("Participant"). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Triumph Financial, Inc. 2014 Omnibus Incentive Plan (the "Plan"), pursuant to which this Award is granted.

WHEREAS, the Company has adopted the Plan to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants and to provide the Company and its Subsidiaries and Affiliates with a means of providing incentives for future performance of services directly linked to the profitability of the Company's businesses and increases in shareholder value; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant Participant an award of Performance Restricted Stock Units ("PSUs") on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW THEREFORE, in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1 Grant of PSU Award.

- a. Grant. The Company hereby grants to Participant an award (the "PSU Award") of a target aggregate number of [[SHARESGRANTED]] PSUs (the "Target PSUs"), on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. Each PSU represents the right to receive one Share on the terms, and subject to the conditions, set forth in this Agreement. Subject to the Award Maximum, the total number of PSUs that may be earned pursuant to the PSU Award in accordance with this Agreement shall range from 0% to 350% of the Target PSUs.
- b. Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan.

2 Vesting. Except as may otherwise be provided herein, the PSU Award shall become earned, vested and nonforfeitable according to the following provisions:

- a. General Vesting. Except as may otherwise be provided herein, subject to the Award Maximum, a number of PSUs subject to the PSU Award shall be earned (such number, the "Earned PSUs") based on the achievement of the Performance Goals set forth in Exhibit A hereto and the Earned PSUs shall vest on the date on which the Committee determines the extent to which the Performance Goals have been achieved (the "Vesting Date"), which determination shall occur no later than thirty (30) days following the conclusion of the Performance Period set forth on Exhibit A, subject to Participant not having incurred a Termination of Service prior to the Vesting Date.
- b. Death, Disability, and Retirement. If Participant experiences a Termination of Service after the Grant Date due to Participant's death or Disability, or after the first anniversary of the Grant Date due to Participant's Retirement, then a portion of the PSU Award, calculated by multiplying the Target PSUs by a fraction, the numerator of which is equal to the number of days worked by Participant during the Performance Period and the denominator of which is the total number of days in the Performance Period (the "Prorated Portion"), shall remain outstanding and eligible to vest in accordance with Section 2(a) based on the actual level of achievement of the Performance

Goals, so long as Participant does not breach any restrictive covenants set forth in any written agreement between Participant and the Company (it being understood that in the event of any such breach prior to the Vesting Date, the Prorated Portion shall be immediately forfeited). For purposes hereof, "Retirement" means a Termination of Service on or after reaching the minimum retirement age adopted by the Company for its executives generally as in effect at the time of such Termination of Service (or, if earlier, as in effect immediately prior to a Change in Control). For the avoidance of doubt, the Target PSUs that do not constitute the Prorated Portion shall be forfeited as of the date of Termination of Service.

c. Termination without Cause or Resignation for Good Reason.

- i. If, after the first anniversary of the Grant Date (and other than during the two-year period immediately following a Change in Control), a Participant incurs a Termination of Service due to a termination by the Company without Cause (as defined in Exhibit B), or due to a resignation by Participant for Good Reason (as defined in Exhibit B), the Prorated Portion shall remain outstanding and eligible to vest in accordance with Section 2(a) based on the actual level of achievement of the Performance Goals, so long as Participant does not breach any restrictive covenants set forth in any written agreement between Participant and the Company (it being understood that in the event of any such breach prior to the Vesting Date, the Prorated Portion shall be immediately forfeited). For the avoidance of doubt, the Target PSUs that do not constitute the Prorated Portion shall be forfeited as of the date of Termination of Service.
- ii. If, during the two-year period immediately following a Change in Control, a Participant incurs a Termination of Service due to a termination by the Company without Cause (as defined in Exhibit B), or due to a resignation by Participant for Good Reason (as defined in Exhibit B), the Replacement Award (as defined in Section 7 below) granted in respect of the PSU Award shall vest in full.

d. Other Termination of Service. If Participant incurs a Termination of Service prior to the Vesting Date for any reason other than as set forth in Section 2(b) and 2(c) above, the PSU Award shall be forfeited by Participant without consideration.

3. Tax Withholding. No later than the date as of which an amount first becomes includible in the gross income of Participant for federal income tax purposes with respect to any PSUs, Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, all federal, state and local income and employment taxes that are required by applicable laws and regulations to be withheld with respect to such amount. Participant may direct the Company, to the extent permitted by law and as may be authorized by the Committee or as may otherwise be permitted under Section 14(d) of the Plan, to deduct any such taxes from any payment otherwise due to Participant, including the delivery of Shares of Common Stock that gives rise to the withholding requirement. The Company's obligation to deliver the Shares underlying Earned PSUs (or to make a book entry or other electronic notation indicating ownership of the Shares), is subject to the condition precedent that Participant either pay or provide for the amount of any such withholding.
 4. Settlement of PSU Award. The Earned PSUs shall be settled by the issuance of Shares within thirty (30) days following the Vesting Date (except (a) as otherwise provided in Section 7(a), and (b) that Earned PSUs will be settled upon a Participant's Termination of Service following a Change in Control by the issuance of Shares within thirty (30) days following the Termination of Service; provided that if the PSU Award constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, this clause (b) shall apply only if the Termination of Service occurs within two (2) years following a 409A Change in Control).
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5. Transferability; Rights as a Stockholder. The PSU Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiaries and its Affiliates; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. Until the issuance of the Shares subject to this PSU Award (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of Common Stock shall exist with respect to this Award.
6. Adjustment. In the event of any event described in Section 3(c) of the Plan occurring after the Grant Date and while the PSU Award remains outstanding, the adjustment provisions as provided for under Section 3(c) of the Plan shall apply to the PSU Award.
7. Change in Control. The provisions of this Section 7 shall govern the treatment of the PSU Award upon a Change of Control.
- a. In the event of a Change in Control of the Company occurring after the Grant Date and prior to the Vesting Date, the PSU Award (if and to the extent not previously forfeited) shall vest and be deemed to be earned, with the Performance Goals deemed achieved at the level of achievement of the Performance Goals as determined by the Committee as of the latest practicable date prior to the Change in Control and in accordance with Exhibit A (treating such date as the final day of the Performance Period for purposes thereof), and shall be settled within ten (10) days following the Change in Control (provided that if the PSU Award constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, settlement shall occur at such time only if (i) the Change in Control is a 409A Change in Control and (ii) such settlement would not constitute an impermissible acceleration under Section 409A of the Code, and otherwise such PSU Award will be settled in accordance with Section 4), except to the extent that another award meeting the requirements of Section 7(b) is provided to Participant to replace the PSU Award (any award meeting the requirements of Section 7(b), a "Replacement Award").
- b. An award shall meet the conditions of this Section 7(b) (and hence qualify as a Replacement Award) if: (1) it relates to publicly traded equity securities of the Company or the surviving corporation following the Change in Control, (2) it is of the same type as the PSU Award (except that the Replacement Award shall be subject solely to time-based vesting for the remainder of the applicable performance period (or such shorter period as determined by the Committee) and the Performance Goals shall be deemed to be achieved at the level of achievement of the Performance Goals as determined by the Committee as of the latest practicable date prior to the Change in Control and in accordance with Exhibit A, treating such date as the final day of the Performance Period for purposes thereof), (3) it has a value at least equal to the value of the PSU Award as of the date of the Change in Control (other than in respect of customary fractional rounding of share amounts and exercise price), (4) it contains terms relating to time-based vesting (including with respect to Termination of Service) that are substantially identical to those of this Award, and (5) its other terms and conditions are not less favorable to Participant than the terms and conditions of this Award (including provisions that apply in the event of a subsequent Change in Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of this Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 7(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
8. Compensation Recovery Policy. Participant agrees that, notwithstanding any other provision of this Agreement or the Plan, the PSU Award and any Shares delivered thereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any
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compensation recovery policy that the Company may adopt and that is applicable to Participant, as it may be amended from time to time, and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation.

9. Miscellaneous.

- a. Waiver and Amendment. The Committee may unilaterally amend the terms of this Agreement and the PSU Award granted thereunder; provided that no such amendment shall, without the Participant's consent, materially impair the rights of any Participant with respect to this Agreement and the PSU Award granted thereunder, except such an amendment made to cause the Plan, this Agreement, or the PSU Award granted thereunder to comply with applicable law, Applicable Exchange listing standards, or accounting rules. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.
- b. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company to:

Triumph Financial, Inc.
12700 Park Central Drive, Suite 1700
Dallas, TX 75251
Facsimile: (214) 237-3197
Attention: General Counsel

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given (i) when delivered by hand, if personally delivered; (ii) when delivered by courier, if delivered by commercial courier service; (iii) five business days after being deposited in the mail, postage prepaid, if mailed; and (iv) when receipt is mechanically acknowledged, if by facsimile.

- c. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.
 - d. No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.
 - e. Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his or her spouse or, if Participant is unmarried at the time of death, his or her estate.
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- f. Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.
 - g. Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.
 - h. Bound by the Plan. By signing this Agreement, Participant acknowledges that he or she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.
 - i. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Texas without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Texas.
 - j. Headings. The headings of the Sections of this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.
 - k. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.
10. Compliance with Legal Requirements. The grant of the PSU Award and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

TRIUMPH FINANCIAL, INC.

By: _____

Name: Adam Nelson

Title: EVP and General Counsel

PARTICIPANT

_____[[SIGNATURE]]_____ [[FIRSTNAME]] [[LASTNAME]]

TRIUMPH FINANCIAL, INC.

RESTRICTIVE COVENANTS AGREEMENT

As a condition of any incentive compensation that I may earn and receive under any incentive-based compensation plan maintained by Triumph Financial, Inc. (together with its subsidiaries, the "Company"), and in particular, my receipt of restricted stock units granted under the terms of the Performance Restricted Stock Unit Award Agreement entered into between the Company and me (such agreements, the "Award Agreements"), I agree to the terms and conditions of this Restrictive Covenants Agreement ("Agreement"):

- a. **Access to Confidential Information.** Employee understands and agrees that in the course of performing work on behalf of the Company, he will continue to have access to, and will continue to be given Confidential Information relating to the business of the Company. Employee acknowledges and agrees that such Confidential Information includes, but is not limited to financial information pertinent to the Company and its customers, and investors, customer lists, customer and investor identities and their preferences, confidential banking and financial information of both the Company and its customers and investors, and information that Employee may create or prepare certain information related to his duties. Employee hereby expressly agrees to maintain in strictest confidence and not to access without proper business purposes (including repetitive unnecessary access), use (including without limitation in any future business or personal relationship of Employee), publish, disclose or in any way authorize anyone else to use, publish or disclose in any way, any Confidential Information relating in any manner to the business or affairs of the Company and its customers and investors, except for legitimate business-related reasons while performing duties on behalf of the Company. Employee agrees further not to remove or retain any figures, financial information, personnel data, calculations, letters, documents, lists, papers, or copies thereof, which embody Confidential Information of the Company, and to return any such information in Employee's possession at the conclusion of Employee's use of such information and at the conclusion of Employee's employment with the Company.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, information in the possession of, prepared by, obtained by, compiled by, or that is used by Company, its customers, investors and/or vendors, or is prepared by, obtained by, compiled by or that is used by Employee in conjunction with his duties, and (1) is proprietary to, about, or created by the Company, its customers, investors and/or vendors; (2) is information the disclosure of which might be detrimental to the interest of the Company, its investors or customers; or (3) is not typically disclosed by the Company, its customers, investors and/or vendors, or known by persons who are not associated with the Company.

- b. **Restrictive Covenants.** Employee acknowledges that, as a result of Employee's service with the Company, a special relationship of trust and confidence will develop between Employee, the Company and its clients and customers, and that this relationship will generate a substantial amount of good will between the Company and its clients and customers. Employee further acknowledges and agrees that it is fair and reasonable for the Company to take steps to protect it from the loss of its Confidential Information or its customer goodwill. Employee further acknowledges that throughout his service with the Company, Employee will be provided with access to and informed of confidential, proprietary and highly sensitive information relating to the Company's clients and customers, which is a competitive asset of the Company, and which enables Employee to benefit from the goodwill and know-how of the Company. Therefore, as a material condition to the Company's willingness to perform its obligations hereunder, Employee agrees that, for a period of twelve (12) months following the date of the termination of employment by the Company for any reason (except as specifically set forth below), Employee will not, either for himself or in conjunction with others:
- i. solicit, divert, take away, do business with, or provide information about, or attempt to solicit, divert, take away or do business with in any fashion any of the Company's
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customers, clients, business or patrons about whom Employee has Confidential Information, or with whom Employee has done business or attempted to do business on behalf of the Company;

- ii. (i) offer employment to, enter into a contract for the employment of, or attempt to entice away from the Company, any individual who is at the time of such offer or attempt, or has been during the twelve months prior to such offer or attempt, an employee of the Company, (ii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, (iii) procure or facilitate the making of any such offer or attempt by any other person, or (iv) solicit, directly or through any other person, any investor of the Company for purposes of facilitating any investment, partnership or business opportunity unrelated to the Company. The restriction in subsection (iv) above shall not apply to any investor with which the Employee had a preexisting relationship prior to becoming employed by the Company.

Notwithstanding anything to the contrary contained herein, the foregoing restrictions in Section (b) this Restrictive Covenants Agreement shall not apply in the event Employee is terminated by the Company without Cause (as defined in the Award Agreements) during the first twelve (12) months following Employee's execution of the Award Agreements.

c. **Representations of Employee.**

- i. EMPLOYEE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIM, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF THIS AGREEMENT.
 - ii. Employee acknowledges and recognizes the highly competitive nature of the Company's business, that access to Confidential Information renders the Employee special and unique within the Company's industry, and that the Employee will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company during the course of and as a result of the Employee's employment with the Company. In light of the foregoing, Employee recognizes and acknowledges that the restrictions and limitations set forth in this Agreement are reasonable and valid in geographical and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company.
- d. **Severable Provisions.** The provisions of this Agreement are severable and the invalidity of any one or more provisions shall not affect the validity of any other provision. In the event that a court of competent jurisdiction shall determine that any provision of this Agreement or the application thereof is unenforceable in whole or in part because of the duration or scope thereof, the parties hereto agree that said court in making such determination shall have the power to reduce the duration and scope of such provision to the extent necessary to make it enforceable, and that the Agreement in its reduced form shall be valid and enforceable to the full extent permitted by law.
- e. **Intellectual Property.** Employee agrees to disclose and hereby assigns to the Company any and all material of a proprietary nature, particularly including, without limitation, material subject to protection as trade secrets or as patentable ideas or copyrightable works, that Employee may conceive, invent, author or discover, either solely or jointly with another or other during Employee's employment and that relates to or is capable of use in connection with the business of the Company or any employment or products offered, manufactured, used, sold or being
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developed by the Company at the time said material is developed. Employee will, upon request of the Company, either during or at any time after Employee's employment ends, regardless of how or why Employee's employment ends, execute and deliver all papers, including applications for patents and registrations for copyrights, and do such other legal acts (entirely at the Company's expense) as may be necessary to obtain and maintain proprietary rights in any and all countries and to vest title thereto in the Company.

- f. **Remedy.** Employee understands and acknowledges that the Company has a legitimate business interest in preventing Employee from taking any actions in violation of this Policy and that this Policy is intended to protect the business and goodwill of the Company. Employee further acknowledges that a breach of this Policy will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Employee therefore agrees that in the event Employee violates any of the terms of this Policy, the Company will be entitled to, in addition to any other remedies available to it in law or in equity, seek temporary, preliminary and permanent injunctive relief and specific performance to enforce the terms of this Policy without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. If Employee does take actions in violation of this Policy, Employee understands that the time periods set forth in the applicable provisions herein will run from the date on which violations of those provisions, whether by injunction or otherwise, ends and not from the date that Employee's employment ends. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Policy, or to determine the validity of its terms, then the prevailing party will be entitled to recover from the non-prevailing party its reasonable attorneys' fees and court costs incurred in obtaining enforcement of, or determining the validity of, this Policy.
- g. **Waiver.** Employee understands and agrees that in the event the Company waives or allows any breach of this Policy, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.
- h. **Tolling.** If the Company files a lawsuit in any court of competent jurisdiction alleging a breach of the non-disclosure or non-solicitation provisions of this Agreement by Employee, then any time period set forth in this Agreement relating to the post-termination restrictions on the activities of Employee will be deemed tolled as of the time the lawsuit is filed and will remain tolled until the dispute is finally resolved, either by written settlement agreement resolving all claims raised in the lawsuit, or by entry of a final judgment and final resolution of any post-judgment appellate proceedings.

* * * * *

I, [[FIRSTNAME]] [[LASTNAME]], have executed this Agreement on the respective date set forth below:

Date: [[DATE]] [[SIGNATURE]] (Signature)

EXHIBIT A

Performance Goals

Performance Measure:

The performance measures for the Performance Goal are (A) the Company's relative Total Shareholder Return (as defined below) as compared to the TSR of the companies identified below as the "**Peer Group**" over the period commencing on and including May 1, 2024 and ending on and including April 30, 2027 (the "**Performance Period**"); provided, that if, on the last day of the Performance Period, one of the listed companies is no longer publicly traded, such company shall not be considered to be part of the Peer Group and shall not be replaced and (B) the Company's absolute Total Shareholder Return over the Performance Period.

Performance Goal:

Subject to the terms, definitions and provisions of this PSU Award and the Plan, Participant will be entitled to receive a number of shares of Shares equal to the number of Earned PSUs (subject to the Award Maximum). The number of Earned PSUs will be equal to the number of Target PSUs (plus the number of dividend equivalent units credited with respect thereto), multiplied by (A) the Relative TSR Vesting Percentage, multiplied by (B) the Absolute TSR Modifier.

The Relative TSR Vesting Percentage shall be correlated to the Company's Relative TSR Percentile for the Performance Period in accordance with the table below (with linear interpolation between the 25th and 75th percentiles and between the 75th and 90th percentiles, as applicable):

Relative TSR Percentile	Relative TSR Vesting Percentage
Below 25th percentile	0%
25th percentile	50%
75 th percentile	150%
90 th percentile or above	175%

The Absolute TSR Modifier shall be correlated to the Company's absolute Total Shareholder Return for the Performance Period in accordance with the table below (with linear interpolation between 30% and 100% absolute Total Shareholder Return):

Absolute TSR	Absolute TSR Modifier
30% or below	100%
100% or above	200%

Any PSUs that were eligible to vest with respect to the Performance Period and did not become Earned PSUs in accordance with this Exhibit A shall be forfeited and cancelled as of the Vesting Date.

Definitions

“**Award Maximum**” shall mean:

(a) in the event the Company has a negative Total Shareholder Return for the Performance Period, 100% of the Target PSUs, and

(b) in the event that clause (a) is not applicable, and the value of the Earned PSUs (computed as the product of the number of the Earned PSUs determined without regard to the Award Maximum, multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Vesting Date) would exceed 8 times the initial value of the Target PSUs (computed as the product of the number of Target PSUs multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Grant Date), such number of PSUs that, if multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Vesting Date, would equal 8 times the initial value of the Target PSUs (computed as the product of the Target PSUs multiplied by the closing price of the Company's common stock on the Nasdaq Global Select Market on the Grant Date).

“**Beginning Stock Price**” shall mean the average of the closing prices of common shares during the twenty (20) consecutive trading days ending on the last trading day immediately preceding the first day of the Performance Period.

“**Ending Stock Price**” shall mean the average of the closing prices of common shares (as appropriately adjusted to reflect stock splits, spin-offs, and similar transactions that occurred during the Performance Period) during the twenty (20) consecutive trading days ending on the last trading day of the Performance Period. If a Change in Control occurs during the Performance Period, the Ending Stock Price of the Company shall equal (i) the value of the consideration paid for each Share in the Change in Control transaction, with the value of any non-cash consideration determined by the Committee in its discretion, or (ii) if no consideration is paid in respect of Shares in connection with the Change in Control, the volume weighted average price of a Share on the Nasdaq Global Select Market during the period of twenty (20) consecutive trading days ending on, and including, the last practicable trading day preceding the Change in Control.

“**Total Shareholder Return**” shall mean the appreciation of share price during the Performance Period, plus any Dividends Paid on the common stock during such Performance Period, calculated as follows:

[Ending Stock Price *minus* Beginning Stock Price *plus* Dividends Paid]

divided by

[Beginning Stock Price]

“**Relative TSR Percentile**” shall mean the percentile rank of the Company's TSR relative to the TSR of the companies in the Peer Group for the Performance Period. Relative TSR Percentile will be determined by ranking the TSR of the Company and each of the companies in the Peer Group (with the company having the lowest TSR being ranked number 1, the company with the second lowest TSR being ranked number 2, and so forth) and determining the Company's percentile rank based upon its position in the list by dividing the Company's position by the total number of companies (including the Company) in the Peer Group and rounding the quotient to the nearest hundredth.

"Dividends Paid" shall mean all dividends paid with respect to an ex-dividend date that occurs during the Performance Period (whether or not the dividend payment date occurs during the Performance Period), which shall be deemed to have been reinvested in the underlying common shares and shall include dividends paid with respect to such reinvested dividends, appropriately adjusted to reflect stock splits, spin-offs, and similar transactions.

"Peer Group" shall mean the companies set on Exhibit C hereto; provided, that if, on the last day of the Performance Period, one of the foregoing companies is no longer publicly traded, such companies shall not be considered to be part of the Peer Group and shall not be replaced.

EXHIBIT B

Certain Definitions

"Cause" shall mean the Company's determination in good faith that Participant: (i) has misappropriated, stolen or embezzled funds or property from the Company or any of its subsidiaries or affiliates, or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Company or any of its subsidiaries or affiliates, (ii) has been indicted or arrested on a felony, (iii) has neglected his or her employment duties, (iv) has materially violated a restrictive covenant contained in any written agreement between Participant and the Company, (v) has willfully violated or breached any material provision of any written agreement between Participant and the Company in any material respect or violated any material law or regulation or (vi) any other misconduct by Participant that is injurious to the financial condition or business reputation of the Company or any of its Subsidiaries or Affiliates.

"Good Reason"

(a) In the case of a voluntary termination of employment not occurring on or after a Change in Control, "Good Reason" shall mean:

(i) a material reduction in Participant's base salary as in effect immediately prior to Participant's "Good Reason Notice of Termination" as defined below unless such reduction is made in accordance with a uniform reduction in base salaries of the Company's similarly situated employees; or

(ii) a material reduction in Participant's target annual bonus opportunity as in effect immediately prior to Participant's Good Reason Notice of Termination unless such reduction is made in accordance with a uniform reduction in target annual bonus opportunity of the Company's similarly situated employees.

(b) In the case of a voluntary termination of employment occurring on or after a Change in Control, " Good Reason" shall mean:

(i) a material reduction in Participant's position, authority, duties or responsibilities relative to such position, authority, duties or responsibilities immediately prior to the Change in Control;

(ii) a material reduction in Participant's base salary opportunity as in effect immediately prior to the Change in Control;

(iii) a material reduction in Participant's target annual bonus opportunity as in effect immediately prior to the Change in Control; or

(iv) receipt of notice by Participant with regard to the mandatory relocation of the office at which Participant is to perform the majority of his duties following the Change in Control to a location more than 50 miles from the location at which Participant performed such duties prior to the Change in Control; provided that such new location is farther from Participant's residence than the prior location.

(c) Notwithstanding anything in this Agreement to the contrary, no act, omission or event shall constitute grounds for a voluntary termination due to "Good Reason" under either paragraph (a) or (b) immediately above unless:

(i) Participant provides the Company thirty (30) day advance written notice of his or her intent to termination employment for Good Reason which notice must describe the claimed act, omission or event giving rise to Good Reason ("Good Reason Notice of Termination");

(ii) the Good Reason Notice of Termination is given within ninety (90) days of Participant's first actual knowledge of such act, omission or event;

(iii) the Company fails to cure such act, omission or event within the thirty (30) day period after receiving the Good Reason Notice of Termination; and

(iv) Participant's termination of employment for Good Reason actually occurs at the end of such 30-day cure period if the Good Reason is not cured.

EXHIBIT C – FINTECH PEER GROUP

Company (n=32)	Assets (\$M)		Market Cap - 4/1/2024 (\$M)	GICS Sub-Industry
	FY23	TTM		
Affirm Holdings, Inc.	\$6,974	\$9,065	\$10,372	Transaction and Payment Processing Services
AvidXchange Holdings, Inc.	\$2,212	\$2,484	\$2,476	Transaction and Payment Processing Services
Block, Inc.	\$31,364	\$34,070	\$49,524	Transaction and Payment Processing Services
Cantaloupe, Inc.	\$256	\$302	\$472	Transaction and Payment Processing Services
Cass Information Systems, Inc.	\$2,573	\$2,479	\$632	Transaction and Payment Processing Services
Corpay, Inc. (fka FLEETCOR)	\$14,089	\$15,476	\$21,967	Transaction and Payment Processing Services
Euronet Worldwide, Inc.	\$5,404	\$5,894	\$4,869	Transaction and Payment Processing Services
EVERTEC, Inc.	\$1,132	\$2,060	\$2,445	Transaction and Payment Processing Services
Fidelity National Information Services, Inc.	\$63,278	\$55,105	\$41,598	Transaction and Payment Processing Services
Fiserv, Inc.	\$83,869	\$90,890	\$90,428	Transaction and Payment Processing Services
Flywire Corporation	\$674	\$1,080	\$2,791	Transaction and Payment Processing Services
Global Payments Inc.	\$44,809	\$50,570	\$31,768	Transaction and Payment Processing Services
i3 Verticals, Inc.	\$770	\$877	\$554	Transaction and Payment Processing Services
International Money Express, Inc.	\$512	\$577	\$743	Transaction and Payment Processing Services
Jack Henry & Associates, Inc.	\$2,456	\$2,754	\$12,391	Transaction and Payment Processing Services
Marqeta, Inc.	\$1,770	\$1,590	\$2,975	Transaction and Payment Processing Services
Mastercard Incorporated	\$38,724	\$42,448	\$436,882	Transaction and Payment Processing Services
NCR Atleos Corporation	\$5,772	\$5,741	\$1,520	Transaction and Payment Processing Services
PagSeguro Digital Ltd.	\$8,574	\$55,108	\$4,075	Transaction and Payment Processing Services
Payoneer Global Inc.	\$6,595	\$7,283	\$1,803	Transaction and Payment Processing Services
PayPal Holdings, Inc.	\$78,624	\$82,166	\$69,264	Transaction and Payment Processing Services
Paysafe Limited	\$5,957	\$5,228	\$981	Transaction and Payment Processing Services
Paysign, Inc.	\$108	\$147	\$236	Transaction and Payment Processing Services
Priority Technology Holdings, Inc.	\$1,373	\$1,615	\$243	Transaction and Payment Processing Services
Remitly Global, Inc.	\$696	\$1,036	\$3,680	Transaction and Payment Processing Services
Repay Holdings Corporation	\$1,627	\$1,520	\$897	Transaction and Payment Processing Services
Shift4 Payments, Inc.	\$2,554	\$3,388	\$4,163	Transaction and Payment Processing Services
StoneCo Ltd.	\$7,991	\$48,694	\$5,142	Transaction and Payment Processing Services
The Western Union Company	\$8,496	\$8,199	\$4,527	Transaction and Payment Processing Services
Toast, Inc.	\$1,761	\$1,958	\$13,459	Transaction and Payment Processing Services
Visa Inc.	\$85,501	\$91,409	\$553,832	Transaction and Payment Processing Services
WEX Inc.	\$11,529	\$13,882	\$10,021	Transaction and Payment Processing Services

**2014 OMNIBUS INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT**

THIS OPTION AGREEMENT (this "Agreement"), dated as of May 1, 2024 (the "Grant Date"), is made by and between Triumph Financial, Inc., a Texas corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] ("Participant"). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Triumph Financial, Inc., 2014 Omnibus Incentive Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, pursuant to which Nonqualified Stock Options may be granted to purchase shares of Common Stock; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant Participant Nonqualified Stock Options on the terms and subject to the conditions set forth in this Agreement and the Plan.

NOW, THEREFORE, in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

- (a) Grant. The Company hereby grants to Participant a Nonqualified Stock Option (the "Option" and any portion thereof, the "Options") to purchase [[SHARESGRANTED]] shares of Common Stock (such shares of Common Stock, the "Shares"), on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.
- (b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan.

2. Exercise Price.

- (a) Exercise Price. The option price, being the price at which Participant shall be entitled to purchase the Shares upon the exercise of all or any of the Options, shall be [[GRANTPRICE]] per Share (the "Exercise Price").
- (b) Payment of the Exercise Price. The Option may be exercised only by written notice, substantially in the form provided by the Company, delivered in person or by mail in accordance with Section 10(b) and accompanied by payment of the Exercise Price. The aggregate Exercise Price shall be payable in cash, or, to the extent permitted by the Committee, by any of the other methods permitted under Section 5(g) of the Plan.

3. Vesting. Except as may otherwise be provided herein, the Option shall become vested and nonforfeitable (any Options that shall have become vested and nonforfeitable pursuant to this Section 3, the "Vested Options") and shall become exercisable according to the following provisions:

- (a) General Vesting. The Options (rounded down to the nearest whole Share, if applicable) shall become Vested Options and exercisable per schedule below, in each case, subject to Participant not having incurred a Termination of Service as of the applicable vesting date; provided that if such Termination of Service is due to Participant's Retirement, the Options shall continue to become Vested Options in accordance with the schedule set forth in this Section 3(a), so long as Participant does not engage in activities reasonably determined by the Committee to be competitive with the Company or any of its Affiliates (it being understood that in the event of any such engagement, any Options that have not become Vested Options shall be immediately forfeited). For purposes hereof, Retirement means a Termination of Service on or after reaching the minimum retirement age adopted by the Company for its executives generally as in effect at the time of such Termination of Service.

[[ALLVESTSEGS]]

- (b) Vesting upon Death or Disability. If Participant incurs a Termination of Service due to death or Disability, all Options that have not theretofore become Vested Options shall become Vested Options and be exercisable in accordance with Section 4.
- (c) Vesting upon post-Change in Control Severance Event. If, during the 24-month period following a Change in Control, Participant incurs a Termination of Service due to a termination by the Company without Cause, all Options that have not theretofore become Vested Options shall become Vested Options and be exercisable in accordance with Section 4. If Participant is party to an Individual Agreement or covered under any severance plan or arrangement with a "good reason" or similar provision, a Termination of Employment by Participant for good reason or similar term during such 24-month period shall be treated as a termination by the Company without Cause for purposes of this paragraph.
- (d) Other Termination of Service. If Participant incurs a Termination of Service for any reason other than as set forth in Section 3(b) or 3(c), any Options that have not theretofore become Vested Options shall be forfeited by Participant without consideration.

4. Termination.

- (a) The Options (to the extent not otherwise forfeited) shall automatically terminate and shall become null and void, be unexercisable and be of no further force and effect upon the earliest of:
 - (i) the tenth anniversary of the Grant Date;

- (ii) the first anniversary of Participant's Termination of Service in the case of a Termination of Service due to death or Disability;
 - (iii) the 90th day following Participant's Termination of Service in the case of a Termination of Service by the Company without Cause or a Termination of Service due to Participant's resignation for any reason; and
 - (iv) the day of Participant's Termination of Service in the case of a Termination of Service for Cause.
- (b) Notwithstanding the provisions of Section 4(a) to the contrary, in the event of a Termination of Service under the circumstances described in Section 3(c), the Option shall remain outstanding and exercisable until the earlier of (i) the tenth anniversary of the Grant Date and (ii) the third anniversary of such Termination of Service.
5. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, its Subsidiaries and its Affiliates; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. The Option shall be subject to the restrictions on transfer set forth in the Plan and this Agreement.
6. Adjustment. In the event of any event described in Section 3(c) of the Plan occurring after the Grant Date, the adjustment provisions as provided for under Section 3(c) of the Plan shall apply to the Option.
7. Change in Control. The provisions of this Section 7 shall govern vesting of the Option upon a Change of Control.
- (a) In the event of a Change in Control of the Company occurring after the Grant Date, any unvested Options (if not previously forfeited) shall become Vested Options, except to the extent that another award meeting the requirements of Section 7(b) is provided to Participant to replace this Option (any award meeting the requirements of Section 7(b), a "Replacement Award").
 - (b) An award shall meet the conditions of this Section 7(b) (and hence qualify as a Replacement Award) if: (1) it is a stock option or stock appreciation right in respect of publicly traded equity securities of the Company or the surviving corporation following the Change in Control, (2) it has a value at least equal to the value of this Option as of the date of the Change in Control (other than in respect of customary fractional rounding of share amounts and exercise price), (3) it contains terms relating to vesting and exercisability (including with respect to Termination of Service) that are substantially identical to those of this Option, and (4) its other terms and conditions are not less favorable to Participant than the terms and conditions of this Option (including provisions that apply in the event of a subsequent Change in

Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of this Option if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 7(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

8. Tax Withholding. As a condition to exercising the Option, in whole or in part, Participant will pay to the Company, or, to the extent permitted by the Committee, make provisions satisfactory to the Company for payment of, any federal, state and local and employment taxes in respect of the exercise or the transfer of the Shares upon the exercise of the Option that are required by applicable laws and regulations to be withheld. Participant may direct the Company, to the extent permitted by law and as may be authorized by the Committee or as may otherwise be permitted under Section 14(d) of the Plan, to deduct any such taxes from any payment otherwise due to Participant, including the delivery of Shares upon the exercise of the Option that gives rise to the withholding requirement. The Company's obligation to deliver the Shares upon exercise of the Option (or to make a book entry or other electronic notation indicating ownership of the Shares) is subject to the condition precedent that Participant either pay or provide for the amount of any such withholding.

9. Compensation Recovery Policy. Participant agrees that, notwithstanding any other provision of this Agreement or the Plan, the Option awarded under this Agreement shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any compensation recovery policy that the Company may adopt and that is applicable to Participant, as it may be amended from time to time, and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation.

10. Miscellaneous.

- (a) Waiver and Amendment. The Committee may unilaterally amend the terms of this Agreement and the Option granted thereunder; provided that no such amendment shall, without the Participant's consent, materially impair the rights of any Participant with respect to this Agreement and the Option granted thereunder, except such an amendment made to cause the Plan, this Agreement, or the Option Stock granted thereunder to comply with applicable law, Applicable Exchange listing standards, or accounting rules. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.
- (b) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, facsimile, courier service or personal delivery:

if to the Company to:

Triumph Financial, Inc.
12700 Park Central Drive, Suite 1700
Dallas, TX 75251
Facsimile: (214) 237-3197
Attention: General Counsel

if to Participant: at the address last on the records of the Company.

All such notices, demands and other communications shall be deemed to have been duly given (i) when delivered by hand, if personally delivered; (ii) when delivered by courier, if delivered by commercial courier service; (iii) five business days after being deposited in the mail, postage prepaid, if mailed; and (iv) when receipt is mechanically acknowledged, if by facsimile.

- (c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.
- (d) No Rights to Service. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which is hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.
- (e) Beneficiary. Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, change or revoke such designation by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by Participant, the beneficiary shall be deemed to be his or her spouse or, if Participant is unmarried at the time of death, his or her estate.
- (f) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.
- (g) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations with respect thereto.

- (h) Bound by the Plan. By signing this Agreement, Participant acknowledges that he or she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.
- (i) Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Texas without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Texas.
- (j) Headings. The headings of the Sections of this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction and shall not constitute a part, of this Agreement.
- (k) Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11. Compliance with Legal Requirements. The grant of the Option and any other obligations of the Company under this Agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Shares in compliance with applicable laws, rules and regulations

12.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

TRIUMPH FINANCIAL, INC.

By: _____
Name: Adam Nelson
Title: EVP and General Counsel

PARTICIPANT

__[[SIGNATURE]]_____
[[FIRSTNAME]] [[LASTNAME]]

TRIUMPH FINANCIAL, INC.
RESTRICTIVE COVENANTS AGREEMENT

As a condition of any incentive compensation that I may earn and receive under any incentive-based compensation plan maintained by Triumph Financial, Inc. (together with its subsidiaries, the "Company"), and in particular, my receipt of non-qualified stock options granted under the terms of the Nonqualified Stock Option Agreement entered into between the Company and me (such agreements, the "Award Agreements"), I agree to the terms and conditions of this Restrictive Covenants Agreement ("Agreement"):

- (a) **Access to Confidential Information.** Employee understands and agrees that in the course of performing work on behalf of the Company, he will continue to have access to, and will continue to be given Confidential Information relating to the business of the Company. Employee acknowledges and agrees that such Confidential Information includes, but is not limited to financial information pertinent to the Company and its customers, and investors, customer lists, customer and investor identities and their preferences, confidential banking and financial information of both the Company and its customers and investors, and information that Employee may create or prepare certain information related to his duties. Employee hereby expressly agrees to maintain in strictest confidence and not to access without proper business purposes (including repetitive unnecessary access), use (including without limitation in any future business or personal relationship of Employee), publish, disclose or in any way authorize anyone else to use, publish or disclose in any way, any Confidential Information relating in any manner to the business or affairs of the Company and its customers and investors, except for legitimate business-related reasons while performing duties on behalf of the Company. Employee agrees further not to remove or retain any figures, financial information, personnel data, calculations, letters, documents, lists, papers, or copies thereof, which embody Confidential Information of the Company, and to return any such information in Employee's possession at the conclusion of Employee's use of such information and at the conclusion of Employee's employment with the Company.

For purposes of this Agreement, "Confidential Information" includes, but is not limited to, information in the possession of, prepared by, obtained by, compiled by, or that is used by Company, its customers, investors and/or vendors, or is prepared by, obtained by, compiled by or that is used by Employee in conjunction with his duties, and (1) is proprietary to, about, or created by the Company, its customers, investors and/or vendors; (2) is information the disclosure of which might be detrimental to the interest of the Company, its investors or customers; or (3) is not typically disclosed by the Company, its customers, investors and/or vendors, or known by persons who are not associated with the Company.

- (b) **Restrictive Covenants.** Employee acknowledges that, as a result of Employee's service with the Company, a special relationship of trust and confidence will develop between Employee, the Company and its clients and customers, and that this relationship will generate a substantial amount of good will between the Company

and its clients and customers. Employee further acknowledges and agrees that it is fair and reasonable for the Company to take steps to protect it from the loss of its Confidential Information or its customer goodwill. Employee further acknowledges that throughout his service with the Company, Employee will be provided with access to and informed of confidential, proprietary and highly sensitive information relating to the Company's clients and customers, which is a competitive asset of the Company, and which enables Employee to benefit from the goodwill and know-how of the Company. Therefore, as a material condition to the Company's willingness to perform its obligations hereunder, Employee agrees that, for a period of twelve (12) months following the date of the termination of employment by the Company for any reason (except as specifically set forth below), Employee will not, either for himself or in conjunction with others:

(i) solicit, divert, take away, do business with, or provide information about, or attempt to solicit, divert, take away or do business with in any fashion any of the Company's customers, clients, business or patrons about whom Employee has Confidential Information, or with whom Employee has done business or attempted to do business on behalf of the Company;

(ii) (i) offer employment to, enter into a contract for the employment of, or attempt to entice away from the Company, any individual who is at the time of such offer or attempt, or has been during the twelve months prior to such offer or attempt, an employee of the Company, (ii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, (iii) procure or facilitate the making of any such offer or attempt by any other person, or (iv) solicit, directly or through any other person, any investor of the Company for purposes of facilitating any investment, partnership or business opportunity unrelated to the Company. The restriction in subsection (iv) above shall not apply to any investor with which the Employee had a preexisting relationship prior to becoming employed by the Company.

Notwithstanding anything to the contrary contained herein, the foregoing restrictions in Section (b) this Restrictive Covenants Agreement shall not apply in the event Employee is terminated by the Company without Cause (as defined in the Award Agreements) during the first twelve (12) months following Employee's execution of the Award Agreements.

(c) **Representations of Employee.**

(i) EMPLOYEE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIM, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF THIS AGREEMENT.

(ii) EMPLOYEE ACKNOWLEDGES AND RECOGNIZES THE HIGHLY COMPETITIVE NATURE OF THE COMPANY'S BUSINESS, THAT

ACCESS TO CONFIDENTIAL INFORMATION RENDERS THE EMPLOYEE SPECIAL AND UNIQUE WITHIN THE COMPANY'S INDUSTRY, AND THAT THE EMPLOYEE WILL HAVE THE OPPORTUNITY TO DEVELOP SUBSTANTIAL RELATIONSHIPS WITH EXISTING AND PROSPECTIVE CLIENTS, ACCOUNTS, CUSTOMERS, CONSULTANTS, CONTRACTORS, INVESTORS, AND STRATEGIC PARTNERS OF THE COMPANY DURING THE COURSE OF AND AS A RESULT OF THE EMPLOYEE'S EMPLOYMENT WITH THE COMPANY. IN LIGHT OF THE FOREGOING, EMPLOYEE RECOGNIZES AND ACKNOWLEDGES THAT THE RESTRICTIONS AND LIMITATIONS SET FORTH IN THIS AGREEMENT ARE REASONABLE AND VALID IN GEOGRAPHICAL AND TEMPORAL SCOPE AND IN ALL OTHER RESPECTS AND ARE ESSENTIAL TO PROTECT THE VALUE OF THE BUSINESS AND ASSETS OF THE COMPANY.

- (d) **Severable Provisions.** The provisions of this Agreement are severable and the invalidity of any one or more provisions shall not affect the validity of any other provision. In the event that a court of competent jurisdiction shall determine that any provision of this Agreement or the application thereof is unenforceable in whole or in part because of the duration or scope thereof, the parties hereto agree that said court in making such determination shall have the power to reduce the duration and scope of such provision to the extent necessary to make it enforceable, and that the Agreement in its reduced form shall be valid and enforceable to the full extent permitted by law.
- (e) **Intellectual Property.** Employee agrees to disclose and hereby assigns to the Company any and all material of a proprietary nature, particularly including, without limitation, material subject to protection as trade secrets or as patentable ideas or copyrightable works, that Employee may conceive, invent, author or discover, either solely or jointly with another or other during Employee's employment and that relates to or is capable of use in connection with the business of the Company or any employment or products offered, manufactured, used, sold or being developed by the Company at the time said material is developed. Employee will, upon request of the Company, either during or at any time after Employee's employment ends, regardless of how or why Employee's employment ends, execute and deliver all papers, including applications for patents and registrations for copyrights, and do such other legal acts (entirely at the Company's expense) as may be necessary to obtain and maintain proprietary rights in any and all countries and to vest title thereto in the Company.
- (f) **Remedy.** Employee understands and acknowledges that the Company has a legitimate business interest in preventing Employee from taking any actions in violation of this Policy and that this Policy is intended to protect the business and goodwill of the Company. Employee further acknowledges that a breach of this Policy will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Employee therefore agrees that in the event Employee violates any of the terms of

this Policy, the Company will be entitled to, in addition to any other remedies available to it in law or in equity, seek temporary, preliminary and permanent injunctive relief and specific performance to enforce the terms of this Policy without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. If Employee does take actions in violation of this Policy, Employee understands that the time periods set forth in the applicable provisions herein will run from the date on which violations of those provisions, whether by injunction or otherwise, ends and not from the date that Employee's employment ends. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Policy, or to determine the validity of its terms, then the prevailing party will be entitled to recover from the non-prevailing party its reasonable attorneys' fees and court costs incurred in obtaining enforcement of, or determining the validity of, this Policy.

- (g) **Waiver.** Employee understands and agrees that in the event the Company waives or allows any breach of this Policy, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.
- (h) **Tolling.** If the Company files a lawsuit in any court of competent jurisdiction alleging a breach of the non-disclosure or non-solicitation provisions of this Agreement by Employee, then any time period set forth in this Agreement relating to the post-termination restrictions on the activities of Employee will be deemed tolled as of the time the lawsuit is filed and will remain tolled until the dispute is finally resolved, either by written settlement agreement resolving all claims raised in the lawsuit, or by entry of a final judgment and final resolution of any post-judgment appellate proceedings.

* * * * *

I, [[FIRSTNAME]] [[LASTNAME]], have executed this Agreement on the respective date set forth below:

Date: [[Date]] [[SIGNATURE]]
(Signature)

CERTIFICATION

I, Aaron P. Graft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triumph Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 17, 2024

By: /s/ Aaron P. Graft

Name: Aaron P. Graft

Title: President and Chief Executive Officer

CERTIFICATION

I, W. Bradley Voss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triumph Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 17, 2024

By: /s/ W. Bradley Voss

Name: W. Bradley Voss

Title: Executive Vice President and Chief Financial Officer

CERTIFICATIONS**SARBANES-OXLEY ACT SECTION 906**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, the undersigned President and Chief Executive Officer and Executive Vice President and Chief Financial Officer of Triumph Financial, Inc. (the Company) certify, on the basis of such officers' knowledge and belief that:

- (1) The Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on July 17, 2024, (the Report) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Aaron P. Graft

Name: Aaron P. Graft

Title: President and Chief Executive Officer

Date: July 17, 2024

By: /s/ W. Bradley Voss

Name: W. Bradley Voss

Title: Executive Vice President and Chief Financial Officer

Date: July 17, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request. This certification accompanies the Report and shall not be treated as having been filed as part of this Report.