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, 2022

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 BANCORP, INC.
(Exact name of registrant as specified in its charter)

Texas	**20-0477066**
(State or other jurisdiction of incorporation or organization)	**(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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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 x No o

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	x	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

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, 24,464,746 shares, as of July 18, 2022.

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	TBK	NASDAQ Global Select Market
Depositary 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	TBKCP	NASDAQ Global Select Market

TRIUMPH BANCORP, INC.

FORM 10-Q

June 30, 2022

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PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2022 and December 31, 2021
(Dollar amounts in thousands)

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Cash and due from banks	$ 84,625	$ 122,929
Interest bearing deposits with other banks	639,612	260,249
Total cash and cash equivalents	724,237	383,178
Securities - equity investments with readily determinable fair values	5,050	5,504
Securities - available for sale	215,909	182,426
Securities - held to maturity, net of allowance for credit losses of $2,355 and $2,082, respectively, fair value of $5,790 and $5,447, respectively	4,335	4,947
Loans held for sale	6	7,330
Loans, net of allowance for credit losses of $43,407 and $42,213, respectively	4,391,959	4,825,359
Assets held for sale	24,405	—
Federal Home Loan Bank and other restricted stock	6,169	10,146
Premises and equipment, net	105,293	105,729
Other real estate owned, net	168	524
Goodwill	233,709	233,727
Intangible assets, net	36,957	43,129
Bank-owned life insurance	41,278	40,993
Deferred tax asset, net	13,117	10,023
Indemnification asset	4,377	4,786
Other assets	148,538	98,449
Total assets	$ 5,955,507	$ 5,956,250
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 2,085,249	$ 1,925,370
Interest bearing	2,695,675	2,721,309
Total deposits	4,780,924	4,646,679
Deposits held for sale	1,410	—
Customer repurchase agreements	11,746	2,103
Federal Home Loan Bank advances	30,000	180,000
Paycheck Protection Program Liquidity Facility	—	27,144
Subordinated notes	107,377	106,957
Junior subordinated debentures	40,876	40,602
Other liabilities	108,893	93,901
Total liabilities	5,081,226	5,097,386
Commitments and contingencies - See Note 9 and Note 10		
Stockholders' equity - See Note 13		
Preferred stock	45,000	45,000
Common stock, 24,457,777 and 25,158,879 shares outstanding, respectively	283	283
Additional paid-in-capital	524,636	510,939
Treasury stock, at cost	(156,924)	(104,743)
Retained earnings	466,269	399,351
Accumulated other comprehensive income (loss)	(4,983)	8,034
Total stockholders’ equity	874,281	858,864
Total liabilities and stockholders' equity	$ 5,955,507	$ 5,956,250

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2022 and 2021
(Dollar amounts in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest and dividend income:				
Loans, including fees	$ 44,131	$ 45,988	$ 84,978	$ 94,694
Factored receivables, including fees	60,026	47,328	121,232	85,123
Securities	1,329	1,187	2,507	2,837
FHLB and other restricted stock	34	27	110	103
Cash deposits	787	158	915	284
Total interest income	106,307	94,688	209,742	183,041
Interest expense:				
Deposits	2,706	2,470	4,267	5,842
Subordinated notes	1,302	1,350	2,601	2,699
Junior subordinated debentures	556	446	1,010	888
Other borrowings	315	140	357	310
Total interest expense	4,879	4,406	8,235	9,739
Net interest income	101,428	90,282	201,507	173,302
Credit loss expense (benefit)	2,901	(1,806)	3,402	(9,651)
Net interest income after credit loss expense (benefit)	98,527	92,088	198,105	182,953
Noninterest income:				
Service charges on deposits	1,664	1,857	3,627	3,644
Card income	2,080	2,225	4,091	4,197
Net OREO gains (losses) and valuation adjustments	18	(287)	(114)	(367)
Net gains (losses) on sale or call of securities	2,514	1	2,514	1
Net gains (losses) on sale of loans	17,269	1,019	17,203	2,588
Fee income	6,273	4,470	11,976	6,719
Insurance commissions	1,346	1,272	3,018	2,758
Other	16,996	3,339	16,966	8,647
Total noninterest income	48,160	13,896	59,281	28,187
Noninterest expense:				
Salaries and employee benefits	54,257	41,658	100,541	77,638
Occupancy, furniture and equipment	6,507	6,112	12,943	11,891
FDIC insurance and other regulatory assessments	382	500	793	1,477
Professional fees	3,607	5,052	7,266	7,597
Amortization of intangible assets	3,064	2,428	6,172	4,403
Advertising and promotion	1,785	1,241	2,987	2,131
Communications and technology	9,820	6,028	18,932	11,928
Other	9,185	7,779	17,537	14,625
Total noninterest expense	88,607	70,798	167,171	131,690
Net income before income tax expense	58,080	35,186	90,215	79,450
Income tax expense	13,888	7,204	21,694	17,545
Net income	$ 44,192	$ 27,982	$ 68,521	$ 61,905
Dividends on preferred stock	(802)	(802)	(1,603)	(1,603)
Net income available to common stockholders	$ 43,390	$ 27,180	$ 66,918	$ 60,302
Earnings per common share				
Basic	$ 1.78	$ 1.10	$ 2.72	$ 2.44
Diluted	$ 1.74	$ 1.08	$ 2.66	$ 2.39

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Six Months Ended June 30, 2022 and 2021
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 44,192	$ 27,982	$ 68,521	$ 61,905
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(5,457)	(611)	(8,358)	(926)
Tax effect	1,251	145	1,941	214
Unrealized holding gains (losses) arising during the period, net of taxes	(4,206)	(466)	(6,417)	(712)
Reclassification of amount realized through sale or call of securities	(2,514)	(1)	(2,514)	(1)
Tax effect	619	—	619	—
Reclassification of amount realized through sale or call of securities, net of taxes	(1,895)	(1)	(1,895)	(1)
Change in unrealized gains (losses) on securities, net of tax	(6,101)	(467)	(8,312)	(713)
Unrealized gains (losses) on derivative financial instruments:				
Unrealized holding gains (losses) arising during the period	—	(592)	3,152	3,071
Tax effect	—	141	(754)	(734)
Unrealized holding gains (losses) arising during the period, net of taxes	—	(451)	2,398	2,337
Reclassification of amount of (gains) losses recognized into income	(9,083)	29	(9,316)	52
Tax effect	2,144	(7)	2,213	(12)
Reclassification of amount of (gains) losses recognized into income, net of taxes	(6,939)	22	(7,103)	40
Change in unrealized gains (losses) on derivative financial instruments	(6,939)	(429)	(4,705)	2,377
Total other comprehensive income (loss)	(13,040)	(896)	(13,017)	1,664
Comprehensive income	$ 31,152	$ 27,086	$ 55,504	$ 63,569

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three and Six Months Ended June 30, 2022 and 2021
(Dollar amounts in thousands)
(Unaudited)

	Preferred Stock	Common Stock			Treasury Stock			Accumulated	
	Liquidation Preference Amount	Shares Outstanding	Par Amount	Additional Paid-in-Capital	Shares Outstanding	Cost	Retained Earnings	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2022	$ 45,000	25,158,879	$ 283	$ 510,939	3,102,801	$(104,743)	$ 399,351	$ 8,034	$ 858,864
Issuance of restricted stock awards	—	5,502	—	—	—	—	—	—	—
Stock option exercises, net	—	2,021	—	(74)	—	—	—	—	(74)
Issuance of common stock pursuant to the Employee Stock Purchase Plan	—	10,585	—	688	—	—	—	—	688
Stock based compensation	—	—	—	4,952	—	—	—	—	4,952
Forfeiture of restricted stock awards	—	(487)	—	46	487	(46)	—	—	—
Purchase of treasury stock	—	(14,810)	—	—	14,810	(1,316)	—	—	(1,316)
Dividends on preferred stock	—	—	—	—	—	—	(801)	—	(801)
Net income	—	—	—	—	—	—	24,329	—	24,329
Other comprehensive income (loss)	—	—	—	—	—	—	—	23	23
Balance, March 31, 2022	$ 45,000	25,161,690	$ 283	$ 516,551	3,118,098	$(106,105)	$ 422,879	$ 8,057	886,665
Issuance of restricted stock awards	—	—	—	—	—	—	—	—	—
Vesting of performance stock units	—	20,996	—	—	—	—	—	—	—
Stock option exercises, net	—	32	—	—	—	—	—	—	—
Stock based compensation	—	—	—	7,880	—	—	—	—	7,880
Forfeiture of restricted stock awards	—	(2,417)	—	205	2,417	(205)	—	—	—
Purchase of treasury stock	—	(722,524)	—	—	722,524	(50,614)	—	—	(50,614)
Dividends on preferred stock	—	—	—	—	—	—	(802)	—	(802)
Net income	—	—	—	—	—	—	44,192	—	44,192
Other comprehensive income (loss)	—	—	—	—	—	—	—	(13,040)	(13,040)
Balance, June 30, 2022	$ 45,000	24,457,777	$ 283	$ 524,636	3,843,039	$(156,924)	$ 466,269	$ (4,983)	874,281

	Preferred Stock	Common Stock		Additional Paid-in-Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Liquidation Preference Amount	Shares Outstanding	Par Amount		Shares Outstanding	Cost			
Balance, January 1, 2021	$ 45,000	24,868,218	$ 280	$ 489,151	3,083,503	$(103,052)	$ 289,583	$ 5,819	$ 726,781
Issuance of restricted stock awards	—	4,613	—	—	—	—	—	—	—
Stock option exercises, net	—	10,205	—	191	—	—	—	—	191
Stock based compensation	—	—	—	1,350	—	—	—	—	1,350
Forfeiture of restricted stock awards	—	(107)	—	7	107	(7)	—	—	—
Dividends on preferred stock	—	—	—	—	—	—	(801)	—	(801)
Net income	—	—	—	—	—	—	33,923	—	33,923
Other comprehensive income (loss)	—	—	—	—	—	—	—	2,560	2,560
Balance, March 31, 2021	$ 45,000	24,882,929	$ 280	$ 490,699	3,083,610	$(103,059)	$ 322,705	$ 8,379	$ 764,004
Issuance of restricted stock awards	—	224,287	2	(2)	—	—	—	—	—
Stock option exercises, net	—	18,934	—	(45)	—	—	—	—	(45)
Stock based compensation	—	—	—	3,386	—	—	—	—	3,386
Forfeiture of restricted stock awards	—	(2,278)	—	186	2,278	(186)	—	—	—
Purchase of treasury stock	—	(14,169)	—	—	14,169	(1,241)	—	—	(1,241)
Dividends on preferred stock	—	—	—	—	—	—	(802)	—	(802)
Net income	—	—	—	—	—	—	27,982	—	27,982
Other comprehensive income (loss)	—	—	—	—	—	—	—	(896)	(896)
Balance, June 30, 2021	$ 45,000	25,109,703	$ 282	$ 494,224	3,100,057	$(104,486)	$ 349,885	$ 7,483	$ 792,388

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2022 and 2021
(Dollar amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net income	$ 68,521	$ 61,905
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,044	5,905
Net accretion on loans	(5,092)	(5,662)
Amortization of subordinated notes issuance costs	420	111
Amortization of junior subordinated debentures	274	261
Net (accretion) amortization on securities	(398)	(337)
Amortization of intangible assets	6,172	4,403
Deferred taxes	943	4,464
Credit Loss Expense (benefit)	3,402	(9,651)
Stock based compensation	12,832	4,736
Net (gains) losses on sale or call of debt securities	(2,514)	(1)
Net (gains) losses on equity securities	(9,709)	(28)
Net OREO (gains) losses and valuation adjustments	114	367
Origination of loans held for sale	(6,873)	(26,771)
Purchases of loans held for sale	(6,913)	(16,096)
Proceeds from sale of loans originated or purchased for sale	14,145	45,138
Net (gains) losses on sale of loans	(17,203)	(2,588)
Net change in operating leases	555	303
(Increase) decrease in other assets	(38,471)	(12,261)
Increase (decrease) in other liabilities	(12,122)	3,306
Net cash provided by (used in) operating activities	14,127	57,504
Cash flows from investing activities:		
Purchases of securities available for sale	(79,119)	(8,000)
Proceeds from sales of securities available for sale	40,163	—
Proceeds from maturities, calls, and pay downs of securities available for sale	20,798	43,344
Proceeds from maturities, calls, and pay downs of securities held to maturity	424	560
Purchases of loans held for investment	(68,908)	(51,585)
Proceeds from sale of loans	207,405	45,582
Net change in loans	215,676	164,616
Purchases of premises and equipment, net	(5,608)	(9,221)
Net proceeds from sale of OREO	289	408
(Purchases) redemptions of FHLB and other restricted stock, net	3,977	(1,345)
Net cash (paid for) received in acquisitions	—	(96,926)
Proceeds from sale of disposal group	66,918	—
Net cash provided by (used in) investing activities	402,015	87,433
Cash flows from financing activities:		
Net increase (decrease) in deposits	145,337	8,850
Increase (decrease) in customer repurchase agreements	9,643	6,144
Increase (decrease) in Federal Home Loan Bank advances	(150,000)	25,000
Proceeds from Paycheck Protection Program Liquidity Facility borrowings	—	226,630
Repayment of Paycheck Protection Program Liquidity Facility borrowings	(27,144)	(278,817)
Preferred dividends	(1,603)	(1,603)
Stock option exercises	(74)	146
Proceeds from employee stock purchase plan common stock issuance	688	—
Purchase of treasury stock	(51,930)	(1,241)
Net cash provided by (used in) financing activities	(75,083)	(14,891)
Net increase (decrease) in cash and cash equivalents	341,059	130,046
Cash and cash equivalents at beginning of period	383,178	314,393
Cash and cash equivalents at end of period	724,237	444,439

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2022 and 2021
(Dollar amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Supplemental cash flow information:		
Interest paid	$ 7,296	$ 11,393
Income taxes paid, net	$ 45,035	$ 28,449
Cash paid for operating lease liabilities	$ 1,903	$ 2,147
Supplemental noncash disclosures:		
Loans transferred to OREO	$ 47	$ 356
Loans held for investment transferred to loans held for sale	$ 197,899	$ 64,603
Assets transferred to assets held for sale	$ 80,819	$ —
Deposits transferred to deposits held for sale	$ 10,434	$ —
Lease liabilities arising from obtaining right-of-use assets	$ 5,267	$ 16,396
Securities available for sale purchased, not settled	$ 23,370	$ 5,250
Indemnification reduction	$ —	$ 35,633
Non-cash consideration received from sale of loan portfolio or disposal group	$ 4,502	$ —

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Triumph Bancorp, Inc. (collectively with its subsidiaries, “Triumph”, 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 subsidiary Advance Business Capital LLC, which currently operates under the d/b/a of Triumph Business Capital (“TBC”), 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. 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, 2021. Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

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 considered 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 Bancorp, 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 TBC 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 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 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.

The Corporate segment includes holding company financing and investment activities and management and administrative expenses to support the overall operations of the Company.

Prior to June 30, 2021, management determined that the Company had three reportable segments consisting of Banking, Factoring, and Corporate, and the Banking segment included the operations of TBK Bank and TriumphPay. On June 1, 2021, TriumphPay acquired HubTran, Inc., a cloud-based provider of automation software for the trucking industry’s back office (see Note 2 – Acquisitions and Divestitures for further disclosures regarding the acquisition of HubTran). The acquisition of HubTran allows TriumphPay to create a payments network for trucking; servicing brokers and factors. TriumphPay already offered tools and services to provide automation, mitigate fraud, and create back-office efficiency. Through the acquisition of HubTran, TriumphPay created additional value through building upon its presentment, audit, and payment capabilities for shippers, third party logistics companies (i.e., freight brokers) and their carriers, and factors. The acquisition of HubTran was an 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 a payments network for the trucking industry with a focus on fee revenue. In terms of total revenue, operating income (loss), and total assets, TriumphPay had historically been quantitatively immaterial; however, given the shift in strategy brought on by the acquisition of HubTran as well as management and chief operating decision maker focus on TriumphPay operations, management believes disclosing TriumphPay's operations through the Payments segment is qualitatively useful for readers of these financial statements. This change also brings the Company's reportable segments in line with its reporting units used for goodwill impairment evaluation. Prior to the acquisition of HubTran, the Payments reporting unit carried no goodwill. Prior period business segment disclosures have been revised as appropriate to reflect the current period change in reportable segments.

Risks and Uncertainties

COVID-19 has adversely impacted a broad range of industries in which the Company's customers operate and could still impair their ability to fulfill their financial obligations to the Company. The Company’s business is dependent upon the willingness and ability of its employees and customers to conduct banking and other financial transactions. While epidemiological and macroeconomic conditions have improved as of June 30, 2022, if there is a resurgence in the virus, the Company could experience further adverse effects on its business, financial condition, results of operations and cash flows. While it is not possible to know the full universe or extent that the impact of COVID-19, and any potential resulting measures to curtail its spread, will have on the Company's future operations, the Company is disclosing potentially material items of which it is aware.

Allowance for credit losses

Improving conditions around COVID-19 had an impact on the Company's allowance for credit losses ("ACL") throughout the prior year as the Company experienced a decline in required reserves over that period. Pertaining to the Company's June 30, 2022 financial condition and year to date results of operations, COVID-19 had little impact on required ACL levels. The Company has not yet experienced material charge-offs related to COVID-19. The Company's ACL calculation, and resulting provision for credit losses, are significantly impacted by changes in forecasted economic conditions. Should economic conditions worsen as a result of a resurgence in the virus and resulting measures to curtail its spread, the Company could experience increases in its required ACL and record additional credit loss expense. It is possible that the Company's asset quality measures could worsen at future measurement periods if the effects of COVID-19 are prolonged.

Capital and liquidity

As of June 30, 2022, all of the Company's capital ratios, and its subsidiary bank’s capital ratios, were in excess of all regulatory requirements. While the Company believes that it has sufficient capital to withstand an economic recession brought about by a resurgence in COVID-19 and/or resulting impacts of efforts used to curtail its spread, the Company's reported and regulatory capital ratios could be adversely impacted by further credit loss expense. The Company relies on cash on hand as well as dividends from its subsidiary bank to service its debt. If the Company's capital deteriorates such that its subsidiary bank is unable to pay dividends to the Company for an extended period of time, the Company may not be able to service its debt.

The Company maintains access to multiple sources of liquidity. Wholesale funding markets have remained open to the Company, but rates for short term funding can be volatile. If an extended recession caused large numbers of the Company's deposit customers to withdraw their funds, the Company might become more reliant on volatile or more expensive sources of funding.

Credit

While all industries experienced adverse impacts as a result of COVID-19 virus, the Company had no material exposure to loan categories that management considered to be "at-risk" of significant impact as of June 30, 2022.

The Company continues to work with customers directly affected by COVID-19. The Company is prepared to offer assistance in accordance with regulator guidelines. As a result of the current economic environment caused by the COVID-19 virus, the Company continues to engage in communication with borrowers to better understand their situation and the challenges faced, allowing the Company to respond proactively as needs and issues arise.

Newly Issued, But Not Yet Effective 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".

ASU 2022-02 is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the effect that ASU 2022-02 will have on its consolidated financial statements and related disclosures.

NOTE 2 — ACQUISITIONS AND DIVESTITURES

Equipment Loan Sale

During the second quarter of 2022, the Company made the decision to sell and closed on the sale of a portfolio of equipment loans for cash consideration. The sale closed on June 23, 2022. A summary of the carrying amount of the assets sold and the gain on sale is as follows:

(Dollars in thousands)		
Equipment loans	$	191,167
Accrued interest receivable	$	1,587
Assets sold	$	192,754
Cash consideration	$	197,454
Return of premium liability	$	(708)
Total consideration	$	196,746
Transaction costs	$	73
Gain on sale, net of transaction costs	$	3,919

The associated agreement contains a provision that in the event that a sold loan is prepaid in full prior to the due date of the final scheduled contractual payment, the Company will return a pro-rata portion of the premium calculated as of the date of such prepayment in full. As this transaction qualified as a sale of a group of entire financial assets, management must recognize, as proceeds, any assets obtained and liabilities incurred. Thus, management recorded a $708,000 liability for the potential return of premium measured at fair value as of the date of close. Management has elected the fair value option to account for the liability. It is recorded in other liabilities in the Company's Consolidated Balance Sheet and will be marked to fair value through earnings at each reporting period.

The gain on sale, net of transaction costs, was included in net gains (losses) on sale of loans in the Company's Consolidated Statements of Income and was allocated to the Banking segment.

Factored Receivable Disposal Group

During the quarter ended March 31, 2022, the Company made the decision to sell a portfolio of non-transportation factored receivables and their related customer reserves, (the "Factored Receivable Disposal Group"). As a result, the Factored Receivable Disposal Group was classified as assets and deposits held for sale on the unaudited March 31, 2022 Consolidated Balance Sheet. The fair value of the Factored Receivable Disposal Group exceeded the Company's corresponding cost basis and thus, the Factored Receivable Disposal Group was classified as held for sale at cost with no impact to earnings except for the reversal of the allowance for credit loss associated with the factored receivables discussed below.

A summary of the carrying amount of the assets and liabilities in the Factored Receivable Disposal Group transferred to held for sale at March 31, 2022 is as follows:

(Dollars in thousands)		
Factored receivables	$	80,819
Assets held for sale	$	80,819
Customer reserve noninterest bearing deposits	$	10,434
Deposits held for sale	$	10,434

The Company reversed $415,000 of allowance for credit losses on loans during the quarter ended March 31, 2022 when the factored receivables were transferred to assets held for sale.

On June 30, 2022, the Company entered into an agreement to sell and closed on the sale of a portion of the Factored Receivable Disposal Group. A summary of the carrying amount of the assets and liabilities sold and the gain on sale is as follows:

(Dollars in thousands)		
Factored receivables	$	67,888
Assets held for sale	$	67,888
Customer reserve noninterest bearing deposits	$	9,682
Liabilities held for sale	$	9,682
Net assets sold	$	58,206
Cash consideration	$	66,292
Revenue share asset		5,210
Total consideration	$	71,502
Transaction costs		82
Gain on sale, net of transaction costs	$	13,214

The associated agreement contains a revenue share provision 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. As this transaction qualified as a sale of a group of entire financial assets, management must recognize, as proceeds, any assets obtained and liabilities incurred. Thus, management recorded a $5,210,000 asset for the contractual right to receive future cash flows from a third party measured at fair value as of the date of close. This is a financial asset for which management elected the fair value option. It is recorded in other assets in the Company's Consolidated Balance Sheet and will be marked to fair value through earnings at each reporting period.

The gain on sale, net of transaction costs, was included in net gains (losses) on sale of loans in the Company's Consolidated Statements of Income and was allocated to the Factoring segment.

A summary of the remaining carrying amount of the assets and liabilities in the Factored Receivable Disposal Group held for sale at June 30, 2022 is as follows.

(Dollars in thousands)		
Factored receivables	$	24,405
Assets held for sale	$	24,405
Customer reserve noninterest bearing deposits	$	1,410
Deposits held for sale	$	1,410

Factored receivables in the Factored Receivable Disposal Group with a recorded investment of $1,647,000 and $2,012,000 were past due 30-59 days and past due 60-90 days, respectively, and factored receivables with a recorded investment of $164,000 were past due 90 days or more and considered nonperforming assets at June 30, 2022. The Factored Receivable Disposal Group is included in the Factoring segment.

Branch Disposal Group

During the quarter ended March 31, 2022, the Company made the decision to sell 15 branches primarily located in rural eastern Colorado and western Kansas (the "Branch Disposal Group"). The gross assets and deposits of the Branch Disposal Group were classified as held for sale on the unaudited March 31, 2022 Consolidated Balance Sheet. During the quarter ended June 30, 2022, there was a change in circumstances and the Company made the decision to terminate the sale process completely (including all marketing activities) and retain the branches indefinitely. The gross assets and deposits of the Branch Disposal Group were returned to held for investment at their carrying amounts less depreciation and amortization expense that would have been recognized had the disposal group been continuously classified as held for investment.

HubTran Inc.

On June 1, 2021, the Company, through TriumphPay, a division of the Company's wholly-owned subsidiary TBK Bank, SSB, acquired HubTran, Inc. ("HubTran"), a cloud-based provider of automation software for the trucking industry's back-office.

A summary of the estimated fair values of assets acquired, liabilities assumed, consideration transferred, and the resulting goodwill is as follows:

(Dollars in thousands)	Initial Values	Measurement Period Adjustments	Adjusted Values
Assets acquired:			
Cash	$ 170	$ —	$ 170
Intangible assets - capitalized software	16,932	—	16,932
Intangible assets - customer relationship	10,360	—	10,360
Other assets	1,546	24	1,570
	29,008	24	29,032
Liabilities assumed:			
Deferred income taxes	4,703	(3,248)	1,455
Other liabilities	906	16	922
	5,609	(3,232)	2,377
Fair value of net assets acquired	$ 23,399	$ 3,256	$ 26,655
Consideration:			
Cash paid	$ 97,096	$ —	$ 97,096
Goodwill	$ 73,697	$ (3,256)	$ 70,441

The Company has recognized goodwill of $70,441,000, which included measurement period adjustments related to customary settlement adjustments and the finalization of the HubTran stub period tax return and its impact on the acquired deferred tax liability.

Goodwill was calculated as the excess of the fair value of consideration exchanged as compared to the fair value of identifiable net assets acquired and was allocated to the Company's Payments segment. The goodwill in this acquisition resulted from expected synergies and progress in the development of a fully integrated open loop payments network for the transportation industry. The goodwill will not be deducted for tax purposes.

The intangible assets recognized include a capitalized software intangible asset with an acquisition date fair value of $16,932,000 which will be amortized on a straight-line basis over its four year estimated useful life and customer relationship intangible assets with an acquisition date fair value of $10,360,000 which will be amortized utilizing an accelerated method over their eleven year estimated useful lives.

Revenue and earnings of HubTran since the acquisition date have not been disclosed as the acquired company was merged into the Company and separate financial information is not readily available.

Expenses related to the acquisition, including professional fees and other transaction costs, totaling $2,992,000 were recorded in noninterest expense in the consolidated statements of income during the three months ended June 30, 2021.

Transportation Financial Solutions

On July 8, 2020, the Company, through its wholly-owned subsidiary Advance Business Capital LLC ("ABC"), acquired the transportation factoring assets (the "TFS Acquisition") of Transport Financial Solutions ("TFS"), a wholly owned subsidiary of Covenant Logistics Group, Inc. ("CVLG"), in exchange for cash consideration of $108,375,000, 630,268 shares of the Company's common stock valued at approximately $13,942,000, and contingent consideration of up to approximately $9,900,000 to be paid in cash following the twelve-month period ending July 31, 2021.

Subsequent to the closing of the TFS Acquisition, the Company identified that approximately $62,200,000 of the assets acquired at closing were advances against future payments to be made to three large clients (and their affiliated entities) of TFS pursuant to long-term contractual arrangements between the obligor on such contracts and such clients (and their affiliated entities) for services that had not yet been performed.

On September 23, 2020, the Company and ABC entered into an Account Management Agreement, Amendment to Purchase Agreement and Mutual Release (the "Agreement") with CVLG and Covenant Transport Solutions, LLC, a wholly owned subsidiary of CVLG ("CTS" and, together with CVLG, "Covenant"). Pursuant to the Agreement, the parties agreed to certain amendments to that certain Accounts Receivable Purchase Agreement (the "ARPA"), dated as of July 8, 2020, by and among ABC, as buyer, CTS, as seller, and the Company, as buyer indirect parent. Such amendments include:

- Return of the portion of the purchase price paid under the ARPA consisting of 630,268 shares of Company common stock, which will be accomplished through the sale of such shares by Covenant pursuant to the terms of the Agreement and the surrender of the cash proceeds of such sale (net of brokerage or underwriting fees and commissions) to the Company;

- Elimination of the earn-out consideration potentially payable to CTS under the ARPA; and

- Modification of the indemnity provisions under the ARPA to eliminate the existing indemnifications for breaches of representations and warranties and to replace such with a newly established indemnification by Covenant in the event ABC incurs losses related to the $62,200,000 in over-formula advances made to specified clients identified in the Agreement (the "Over-Formula Advance Portfolio"). Under the terms of the new indemnification arrangement, Covenant will be responsible for and will indemnify ABC for 100% of the first $30,000,000 of any losses incurred by ABC related to the Over-Formula Advance Portfolio, and for 50% of the next $30,000,000 of any losses incurred by ABC, for total indemnification by Covenant of $45,000,000.

Covenant's indemnification obligations under the Agreement were secured by a pledge of equipment collateral by Covenant with an estimated net orderly liquidation value of $60,000,000 (the "Equipment Collateral"). The Company's wholly-owned bank subsidiary, TBK Bank, SSB, has provided Covenant with a $45,000,000 line of credit, also secured by the Equipment Collateral, the proceeds of which may be drawn to satisfy Covenant's indemnification obligations under the Agreement.

Pursuant to the Agreement, Triumph and Covenant have agreed to certain terms related to the management of the Over-Formula Advance Portfolio, and the terms by which Covenant may provide assistance to maximize recovery on the Over-Formula Advance Portfolio.

Pursuant to the Agreement, the Company and Covenant have provided mutual releases to each other related to any and all claims related to the transactions contemplated by the ARPA or the Over-Formula Advance Portfolio.

The indemnification asset created by the ARPA is measured separately from the related covered portfolio. It is not contractually embedded in the covered portfolio nor is it transferable with the covered portfolio should the Company choose to dispose of the portfolio or a portion of the portfolio. The indemnification asset was initially recorded in other assets in the Consolidated Balance Sheets at the time of the TFS Acquisition at a fair value of $30,959,000, measured 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. These cash flows were discounted at a rate to reflect the uncertainty of the timing and receipt of the payments from Covenant. The amount ultimately collected for this asset will be dependent upon the performance of the underlying covered portfolio, the passage of time, and Covenant's willingness and ability to make necessary payments. The terms of the Agreement are such that indemnification has no expiration date and the Company will continue to carry the indemnification asset until ultimate resolution of the covered portfolio. The indemnification asset is reviewed quarterly and changes to the asset are recorded as adjustments to other noninterest income, as appropriate, within the Consolidated Statements of Income. The value of the indemnification asset was $4,377,000 and $4,786,000 at June 30, 2022 and December 31, 2021, respectively.

During the three months ended March 31, 2021, new adverse developments with the largest of the three Over-Formula Advance clients caused the Company to charge-off the entire Over-Formula Advance amount due from that client. This resulted in a net charge-off of $41,265,000; however, this net charge-off had no impact on credit loss expense for the three months ended March 31, 2021 as the entire amount had been reserved in a prior period. In accordance with the Agreement reached with Covenant, Covenant reimbursed the Company for $35,633,000 of this charge-off by drawing on its secured line of credit, which was reflected on the Company's March 31, 2021 Consolidated Balance Sheet as a current and performing equipment loan held for investment. Given separate developments with the other two Over-Formula Advance clients, the Company reserved an additional $2,844,000 reflected in credit loss expense for the three months ended March 31, 2021. The $2,844,000 increase in required ACL as well as accretion of most of the fair value discount on the indemnification asset held at December 31, 2020 resulted in a $4,654,000 gain on the indemnification asset which was recorded through non-interest income. Since March 31, 2021, Covenant has paid down its secured line of credit with TBK in its entirety and carries no outstanding balance at June 30, 2022. At June 30, 2022, Covenant had remaining availability of $9,361,000 on its TBK line of credit available to cover our gross indemnification balance of up to $4,608,000.

During the six months ended June 30, 2022, there were no material changes in the underlying credit quality of the remaining two Over-Formula Advance clients. As such, there were no charge-offs related to these balances. One of the remaining Over-Formula Advance clients has made payments totaling $861,000 during the six months ended June 30, 2022, which resulted in a dollar-for-dollar reduction in the required ACL as well as a write-off of a portion of the corresponding indemnification asset. The impact of the payment to net income available to common stockholders for the six months ended June 30, 2022 was not significant.

NOTE 3 — SECURITIES

Equity Securities With Readily Determinable Fair Values

The Company held equity securities with fair values of $5,050,000 and $5,504,000 at June 30, 2022 and December 31, 2021, respectively. The gross realized and unrealized losses recognized on equity securities with readily determinable fair values in noninterest income in the Company’s consolidated statements of income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Unrealized gains (losses) on equity securities held at the reporting date	$ (35)	$ 28	$ (454)	$ 28
Realized gains (losses) on equity securities sold during the period	—	—	—	—
	$ (35)	$ 28	$ (454)	$ 28

Equity Securities Without Readily Determinable Fair Values

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

(Dollars in thousands)	June 30, 2022	December 31, 2021
Equity Securities without readily determinable fair value, at cost	$ 38,505	$ 14,671
Upward adjustments based on observable price changes, cumulative	10,163	—
Equity Securities without readily determinable fair value, carrying value	$ 48,668	$ 14,671

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, and other investments, which 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Unrealized gains (losses) on equity securities still held at the reporting date	$ 10,163	$ —	$ 10,163	$ —
Realized gains (losses) on equity securities sold during the period	—	—	—	—
	$ 10,163	$ —	$ 10,163	$ —

During the three months ended June 30, 2022, the Company adjusted the fair value of an equity security without readily determinable fair value upwards due to an orderly and observable transaction for an identical investment. For further information on this transaction, see Note 6 – Equity Method Investment.

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:

(Dollars in thousands) June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for sale securities:					
Mortgage-backed securities, residential	$ 51,742	$ 113	$ (3,217)	$ —	$ 48,638
Asset-backed securities	6,590	—	(39)	—	6,551
State and municipal	14,995	83	(55)	—	15,023
CLO securities	145,631	—	(3,380)	—	142,251
Corporate bonds	1,270	1	(3)	—	1,268
SBA pooled securities	2,191	62	(75)	—	2,178
Total available for sale securities	$ 222,419	$ 259	$ (6,769)	$ —	$ 215,909

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(Unaudited)

(Dollars in thousands) June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 6,690	$ 336	$ (1,236)	$ 5,790
Allowance for credit losses	(2,355)			
Total held to maturity securities, net of ACL	$ 4,335			

(Dollars in thousands) December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for sale securities:					
Mortgage-backed securities, residential	$ 36,885	$ 720	$ (156)	$ —	$ 37,449
Asset-backed securities	6,763	2	(1)	—	6,764
State and municipal	26,309	516	—	—	26,825
CLO Securities	103,579	3,109	(54)	—	106,634
Corporate bonds	1,992	64	—	—	2,056
SBA pooled securities	2,536	162	—	—	2,698
Total available for sale securities	$ 178,064	$ 4,573	$ (211)	$ —	$ 182,426

(Dollars in thousands) December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 7,029	$ —	$ (1,582)	$ 5,447
Allowance for credit losses	(2,082)			
Total held to maturity securities, net of ACL	$ 4,947			

The amortized cost and estimated fair value of securities at June 30, 2022, 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	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,872	$ 1,873	$ —	$ —
Due from one year to five years	2,079	2,088	—	—
Due from five years to ten years	49,899	48,875	6,690	5,790
Due after ten years	108,046	105,706	—	—
	161,896	158,542	6,690	5,790
Mortgage-backed securities, residential	51,742	48,638	—	—
Asset-backed securities	6,590	6,551	—	—
SBA pooled securities	2,191	2,178	—	—
	$ 222,419	$ 215,909	$ 6,690	$ 5,790

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, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Proceeds	$ 40,163	$ —	$ 40,163	$ —
Gross gains	2,512	—	2,512	—
Gross losses	—	—	—	—
Net gains and losses from calls of securities	2	1	2	1

Debt securities with a carrying amount of approximately $99,294,000 and $72,805,000 at June 30, 2022 and December 31, 2021, 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 $944,000 and $802,000 at June 30, 2022 and December 31, 2021, 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, 2022 and 2021.

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	
June 30, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
Mortgage-backed securities, residential	$ 35,002	$ (3,217)	$ —	$ —	$ 35,002	$ (3,217)
Asset-backed securities	1,561	(29)	4,990	(10)	6,551	(39)
State and municipal	1,880	(55)	—	—	1,880	(55)
CLO securities	118,933	(3,272)	4,892	(108)	123,825	(3,380)
Corporate bonds	766	(3)	—	—	766	(3)
SBA pooled securities	1,471	(75)	—	—	1,471	(75)
	$ 159,613	$ (6,651)	$ 9,882	$ (118)	$ 169,495	$ (6,769)

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
Mortgage-backed securities, residential	$ 20,386	$ (155)	$ 6	$ (1)	$ 20,392	$ (156)
Asset-backed securities	37	—	4,999	(1)	5,036	(1)
State and municipal	30	—	—	—	30	—
CLO Securities	22,707	(54)	—	—	22,707	(54)
Corporate bonds	—	—	—	—	—	—
SBA pooled securities	—	—	—	—	—	—
	$ 43,160	$ (209)	$ 5,005	$ (2)	$ 48,165	$ (211)

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.

At June 30, 2022, the Company had 102 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, 2022, 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 no losses have been recognized in the Company's consolidated statements of income.

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
Held to Maturity CLO Securities	2022	2021	2022	2021
Allowance for credit losses:				
Beginning balance	$ 2,455	$ 1,859	$ 2,082	$ 2,026
Credit loss expense	(100)	(132)	273	(299)
Allowance for credit losses ending balance	$ 2,355	$ 1,727	$ 2,355	$ 1,727

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, 2022 and December 31, 2021, 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, 2022, $5,258,000 of the Company's held to maturity securities were classified as nonaccrual.

NOTE 4 — LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans Held for Sale

The following table presents loans held for sale:

(Dollars in thousands)	June 30, 2022	December 31, 2021
1-4 family residential	$ —	$ 712
Commercial	6	6,618
Total loans held for sale	$ 6	$ 7,330

Loans held for sale exclude loans transferred to assets held for sale as part of a disposal group. For further information regarding loans transferred to assets held for sale as part of a disposal group, see Note 2 – Acquisitions and Divestitures.

Loans Held for Investment

Loans

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

	June 30, 2022			December 31, 2021		
(Dollars in thousands)	Amortized Cost	Unpaid Principal	Difference	Amortized Cost	Unpaid Principal	Difference
Commercial real estate	$ 649,280	$ 650,900	$ (1,620)	$ 632,775	$ 634,319	$ (1,544)
Construction, land development, land	103,377	103,416	(39)	123,464	123,643	(179)
1-4 family residential	126,362	126,599	(237)	123,115	123,443	(328)
Farmland	70,272	70,661	(389)	77,394	77,905	(511)
Commercial	1,225,479	1,234,555	(9,076)	1,430,429	1,440,542	(10,113)
Factored receivables	1,596,282	1,601,310	(5,028)	1,699,537	1,703,936	(4,399)
Consumer	9,709	9,713	(4)	10,885	10,883	2
Mortgage warehouse	654,605	654,605	—	769,973	769,973	—
Total loans held for investment	4,435,366	$ 4,451,759	$ (16,393)	4,867,572	$ 4,884,644	$ (17,072)
Allowance for credit losses	(43,407)			(42,213)		
	$ 4,391,959			$ 4,825,359		

The difference between the amortized cost and the unpaid principal is due to (1) premiums and discounts associated with acquired loans totaling $10,256,000 and $11,723,000 at June 30, 2022 and December 31, 2021, respectively, and (2) net deferred origination and factoring fees totaling $6,137,000 and $5,349,000 at June 30, 2022 and December 31, 2021, respectively.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled $13,586,000 and $14,513,000 at June 30, 2022 and December 31, 2021, respectively, and was included in other assets on the Company's consolidated balance sheets.

At June 30, 2022 and December 31, 2021, the Company had $248,812,000 and $254,970,000, 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, 2022 and December 31, 2021 the balance of the Over-Formula Advance Portfolio included in factored receivables was $9,216,000 and $10,077,000, respectively. These balances were fully reserved as of those respective dates.

At June 30, 2022 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 have commenced 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, 2022.

Loans with carrying amounts of $1,538,687,000 and $1,733,917,000 at June 30, 2022 and December 31, 2021, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity, Paycheck Protection Program Liquidity Facility borrowings and Federal Reserve Bank discount window borrowing capacity.

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 unless the Company has identified an expected troubled debt restructuring. The activity in the allowance for credit losses ("ACL") related to loans held for investment is as follows:

(Dollars in thousands) Three months ended June 30, 2022	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 3,527	$ 1,594	$ —	$ 46	$ 5,167
Construction, land development, land	901	290	—	1	1,192
1-4 family residential	450	305	—	2	757
Farmland	121	369	—	—	490
Commercial	13,215	(407)	(260)	190	12,738
Factored receivables	22,471	(120)	(712)	573	22,212
Consumer	175	77	(96)	41	197
Mortgage warehouse	693	(39)	—	—	654
	$ 41,553	$ 2,069	$ (1,068)	$ 853	$ 43,407

(Dollars in thousands) Three months ended June 30, 2021	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 6,823	$ (2,422)	$ —	$ 3	$ 4,404
Construction, land development, land	1,670	(181)	—	1	1,490
1-4 family residential	631	(62)	(25)	1	545
Farmland	699	(30)	—	—	669
Commercial	17,158	(1,678)	(8)	202	15,674
Factored receivables	19,716	2,643	(583)	47	21,823
Consumer	296	(59)	(90)	89	236
Mortgage warehouse	1,031	(178)	—	—	853
	$ 48,024	$ (1,967)	$ (706)	$ 343	$ 45,694

(Dollars in thousands) Six Months Ended June 30, 2022	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 3,961	$ 1,254	$ (108)	$ 60	$ 5,167
Construction, land development, land	827	363	—	2	1,192
1-4 family residential	468	284	—	5	757
Farmland	562	(72)	—	—	490
Commercial	14,485	(1,014)	(984)	251	12,738
Factored receivables	20,915	2,115	(1,420)	602	22,212
Consumer	226	118	(207)	60	197
Mortgage warehouse	769	(115)	—	—	654
	$ 42,213	$ 2,933	$ (2,719)	$ 980	$ 43,407

(Dollars in thousands) Six months ended June 30, 2021	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 10,182	$ (5,786)	$ —	$ 8	$ 4,404
Construction, land development, land	3,418	(1,918)	(12)	2	1,490
1-4 family residential	1,225	(740)	(25)	85	545

Farmland	832	(163)	—	—	669
Commercial	22,040	(6,749)	(281)	664	15,674
Factored receivables	56,463	7,361	(42,086)	85	21,823
Consumer	542	(252)	(169)	115	236
Mortgage warehouse	1,037	(184)	—	—	853
	$ 95,739	$ (8,431)	$ (42,573)	$ 959	$ 45,694

The increase in required ACL during the three months ended June 30, 2022 is a function of net charge-offs of $215,000 and credit loss expense of $2,069,000. The increase in required ACL during the six months ended June 30, 2022 is a function of net charge-offs of $1,739,000 and credit loss expense of $2,933,000.

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 current interest rate environment. Generally, the impact of these assumed prepayment speeds is lesser in magnitude than the aforementioned loss driver assumptions.

For all DCF models at June 30, 2022, 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, 2022, as compared to December 31, 2021, the Company forecasted an increase in national unemployment, a decrease in one-year percentage change in national retail sales, a decrease in one-year percentage change in the national home price index, and a decrease in one-year percentage change in national gross domestic product. At June 30, 2022 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 sustained levels in the first two projected quarters followed by a decline over the last two projected quarters to a level below recent actual periods. For percentage changes in national home price index and national gross domestic product, the Company projected declines over the last three projected quarters to levels below recent actual periods. At June 30, 2022, the Company slowed its historical prepayment speeds in response to the rising interest rate environment in the macro economy.

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, 2022, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period increased the required ACL by $2,558,000. Changes in net new required specific reserves also increased the required ACL at June 30, 2022. Changes in loan volume and mix during the three months ended June 30, 2022 decreased the ACL during the period. Charge-offs had an insignificant impact on the change in required ACL during the three months ended June 30, 2022.

For the three months ended June 30, 2021, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period decreased the required ACL by $1,847,000. Changes in loan volume and mix during the three months ended June 30, 2021 also decreased the ACL during the period. These decreases were partially offset by an increase in net new specific reserves. Charge-offs had an insignificant impact on the change in required ACL during the three months ended June 30, 2021.

For the six months ended June 30, 2022, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period increased the required ACL by $1,541,000. Changes in net new required specific reserves also increased the required ACL at June 30, 2022. Changes in loan volume and mix during the six months ended June 30, 2022 decreased the ACL during the period. Net charge-offs during the period were $1,739,000.

For the six months ended June 30, 2021, in addition to the impact of changes to the ACL on acquired PCD Over-Formula Advances previously discussed, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period decreased the required ACL by $10,142,000. Further, the Company experienced a net reserve release of specific reserves on non-PCD loans. Changes in loan volume and mix during the six months ended June 30, 2021 also decreased the ACL during the period. Non-PCD-related charge-offs had an insignificant impact on the change in required ACL during the six months ended June 30, 2021.

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, 2022	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
Commercial real estate	$ 2,037	$ —	$ —	$ 146	$ 2,183	$ 283
Construction, land development, land	152	—	—	—	152	—
1-4 family residential	1,455	—	—	55	1,510	80
Farmland	983	—	117	116	1,216	—
Commercial	223	—	4,575	1,725	6,523	1,897
Factored receivables	—	49,471	—	—	49,471	14,191
Consumer	—	—	—	183	183	18
Mortgage warehouse	—	—	—	—	—	—
Total	$ 4,850	$ 49,471	$ 4,692	$ 2,225	$ 61,238	$ 16,469

At June 30, 2022 the balance of the Over-Formula Advance Portfolio included in factored receivables was $9,216,000 and was fully reserved. At June 30, 2022 the balance of Misdirected Payments included in factored receivables was $19,361,000 and carried no ACL allocation.

(Dollars in thousands) December 31, 2021	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
Commercial real estate	$ 2,143	$ —	$ —	$ 155	$ 2,298	$ 283
Construction, land development, land	987	—	—	—	987	—
1-4 family residential	1,583	—	—	116	1,699	39
Farmland	1,803	—	126	116	2,045	—
Commercial	254	—	5,598	3,017	8,869	1,733
Factored receivables	—	42,863	—	—	42,863	12,640
Consumer	—	—	—	240	240	21
Mortgage warehouse	—	—	—	—	—	—
Total	$ 6,770	$ 42,863	$ 5,724	$ 3,644	$ 59,001	$ 14,716

At December 31, 2021 the balance of the Over-Formula Advance Portfolio included in factored receivables was $10,077,000 and carried an ACL allocation of $10,077,000. At December 31, 2021 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, 2022	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	$ 566	$ —	$ 16	$ 582	$ 648,698	$ 649,280	$ —
Construction, land development, land	—	—	145	145	103,232	103,377	—
1-4 family residential	1,476	212	927	2,615	123,747	126,362	—
Farmland	141	—	553	694	69,578	70,272	—
Commercial	176	1,238	4,925	6,339	1,219,140	1,225,479	—
Factored receivables	46,043	14,192	38,679	98,914	1,497,368	1,596,282	38,679
Consumer	116	63	83	262	9,447	9,709	—
Mortgage warehouse	—	—	—	—	654,605	654,605	—
Total	$ 48,518	$ 15,705	$ 45,328	$ 109,551	$ 4,325,815	$ 4,435,366	$ 38,679

(Dollars in thousands) December 31, 2021	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	$ 1,021	$ —	$ 16	$ 1,037	$ 631,738	$ 632,775	$ —
Construction, land development, land	30	—	145	175	123,289	123,464	—
1-4 family residential	730	332	1,114	2,176	120,939	123,115	134
Farmland	378	154	977	1,509	75,885	77,394	—
Commercial	996	346	4,948	6,290	1,424,139	1,430,429	—
Factored receivables	70,109	18,302	39,134	127,545	1,571,992	1,699,537	39,134
Consumer	255	48	99	402	10,483	10,885	—
Mortgage warehouse	—	—	—	—	769,973	769,973	—
Total	$ 73,519	$ 19,182	$ 46,433	$ 139,134	$ 4,728,438	$ 4,867,572	$ 39,268

At June 30, 2022 and December 31, 2021, total past due Over-Formula Advances recorded in factored receivables was $9,216,000 and $10,077,000, respectively, all of which was considered past due 90 days or more. Aging of the Over-Formula Advances is based upon the service month on which the advances were made by TFS prior to acquisition. At June 30, 2022 and December 31, 2021, 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 at June 30, 2022. Historically, any income recognized on factored receivables that are past due 90 days or more has not been material.

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:

	June 30, 2022		December 31, 2021	
(Dollars in thousands)	Nonaccrual	Nonaccrual With No ACL	Nonaccrual	Nonaccrual With No ACL
Commercial real estate	$ 1,906	$ 1,317	$ 2,025	$ 1,375
Construction, land development, land	152	152	964	964
1-4 family residential	1,494	1,438	1,683	1,582
Farmland	1,215	1,215	2,044	2,044
Commercial	5,881	3,067	8,078	3,910
Factored receivables	—	—	—	—
Consumer	183	125	240	159
Mortgage warehouse	—	—	—	—
	$ 10,831	$ 7,314	$ 15,034	$ 10,034

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Commercial real estate	$ —	$ 8	$ —	$ 8
Construction, land development, land	—	—	—	—
1-4 family residential	—	—	—	1
Farmland	—	—	—	6
Commercial	2	20	6	23
Factored receivables	—	—	—	—
Consumer	—	—	—	—
Mortgage warehouse	—	—	—	—
	$ 2	$ 28	$ 6	$ 38

There was no interest earned on nonaccrual loans during the three and six months ended June 30, 2022 and 2021.

The following table presents information regarding nonperforming loans:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Nonaccrual loans[(1)]	$ 10,831	$ 15,034
Factored receivables greater than 90 days past due	29,463	29,057
Other nonperforming factored receivables[(2)]	997	1,428
Troubled debt restructurings accruing interest	643	765
	$ 41,934	$ 46,284

(1) Includes troubled debt restructurings of $2,859,000 and $3,912,000 at June 30, 2022 and December 31, 2021, respectively.

(2) Other nonperforming factored receivables represent the portion of the Over-Formula Advance Portfolio that is not covered by Covenant's indemnification. This amount is also considered Classified from a risk rating perspective.

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.

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, 2022 and December 31, 2021, based on the most recent analysis performed, the risk category of loans is as follows:

(Dollars in thousands)	Year of Origination							Revolving Loans Converted To Term Loans	
June 30, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans		Total
Commercial real estate									
Pass	$ 159,609	$ 165,100	$ 213,311	$ 35,879	$ 19,446	$ 43,806	$ 4,638	$ —	$ 641,789
Classified	—	3,522	2,565	40	—	1,108	256	—	7,491
Total commercial real estate	$ 159,609	$ 168,622	$ 215,876	$ 35,919	$ 19,446	$ 44,914	$ 4,894	$ —	$ 649,280
Construction, land development, land									
Pass	$ 34,136	$ 33,901	$ 27,972	$ 4,446	$ 673	$ 748	$ 9	$ —	$ 101,885
Classified	—	1,340	7	—	—	145	—	—	1,492
Total construction, land development, land	$ 34,136	$ 35,241	$ 27,979	$ 4,446	$ 673	$ 893	$ 9	$ —	$ 103,377
1-4 family residential									
Pass	$ 15,577	$ 23,796	$ 13,257	$ 8,628	$ 4,137	$ 23,987	$ 35,147	$ 271	$ 124,800
Classified	—	239	164	53	4	1,083	19	—	1,562
Total 1-4 family residential	$ 15,577	$ 24,035	$ 13,421	$ 8,681	$ 4,141	$ 25,070	$ 35,166	$ 271	$ 126,362
Farmland									
Pass	$ 6,610	$ 12,925	$ 12,249	$ 6,372	$ 6,896	$ 22,297	$ 1,301	$ 233	$ 68,883
Classified	199	—	497	607	—	86	—	—	1,389
Total farmland	$ 6,809	$ 12,925	$ 12,746	$ 6,979	$ 6,896	$ 22,383	$ 1,301	$ 233	$ 70,272
Commercial									
Pass	$ 182,667	$ 264,391	$ 201,907	$ 49,325	$ 9,454	$ 15,229	$ 473,418	$ 265	$ 1,196,656
Classified	1,532	11,792	5,518	2,548	68	109	7,256	—	28,823
Total commercial	$ 184,199	$ 276,183	$ 207,425	$ 51,873	$ 9,522	$ 15,338	$ 480,674	$ 265	$ 1,225,479
Factored receivables									
Pass	$ 1,561,503	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,561,503
Classified	14,204	—	20,575	—	—	—	—	—	34,779
Total factored receivables	$ 1,575,707	$ —	$ 20,575	$ —	$ —	$ —	$ —	$ —	$ 1,596,282
Consumer									
Pass	$ 2,161	$ 1,943	$ 1,244	$ 444	$ 410	$ 3,163	$ 161	$ —	$ 9,526
Classified	—	3	1	—	—	179	—	—	183
Total consumer	$ 2,161	$ 1,946	$ 1,245	$ 444	$ 410	$ 3,342	$ 161	$ —	$ 9,709
Mortgage warehouse									
Pass	$ 654,605	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 654,605
Classified	—	—	—	—	—	—	—	—	—
Total mortgage warehouse	$ 654,605	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 654,605
Total loans									
Pass	$ 2,616,868	$ 502,056	$ 469,940	$ 105,094	$ 41,016	$ 109,230	$ 514,674	$ 769	$ 4,359,647
Classified	15,935	16,896	29,327	3,248	72	2,710	7,531	—	75,719
Total loans	$ 2,632,803	$ 518,952	$ 499,267	$ 108,342	$ 41,088	$ 111,940	$ 522,205	$ 769	$ 4,435,366

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(Dollars in thousands)	Year of Origination							Revolving Loans Converted To Term Loans	
December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans		Total
Commercial real estate									
Pass	$ 211,088	$ 249,652	$ 50,223	$ 25,930	$ 47,447	$ 37,290	$ 4,595	$ —	$ 626,225
Classified	2,879	3,358	41	—	16	—	256	—	6,550
Total commercial real estate	$ 213,967	$ 253,010	$ 50,264	$ 25,930	$ 47,463	$ 37,290	$ 4,851	$ —	$ 632,775
Construction, land development, land									
Pass	$ 56,764	$ 33,756	$ 4,744	$ 23,696	$ 1,199	$ 994	$ 8	$ —	$ 121,161
Classified	2,150	8	—	—	—	145	—	—	2,303
Total construction, land development, land	$ 58,914	$ 33,764	$ 4,744	$ 23,696	$ 1,199	$ 1,139	$ 8	$ —	$ 123,464
1-4 family residential									
Pass	$ 26,840	$ 15,195	$ 9,485	$ 6,526	$ 8,591	$ 22,151	$ 32,210	$ 318	$ 121,316
Classified	273	233	53	6	64	1,089	81	—	1,799
Total 1-4 family residential	$ 27,113	$ 15,428	$ 9,538	$ 6,532	$ 8,655	$ 23,240	$ 32,291	$ 318	$ 123,115
Farmland									
Pass	$ 14,387	$ 13,396	$ 7,892	$ 8,040	$ 10,040	$ 19,792	$ 1,317	$ 241	$ 75,105
Classified	199	612	593	333	128	298	126	—	2,289
Total farmland	$ 14,586	$ 14,008	$ 8,485	$ 8,373	$ 10,168	$ 20,090	$ 1,443	$ 241	$ 77,394
Commercial									
Pass	$ 466,254	$ 332,746	$ 77,010	$ 18,940	$ 15,032	$ 7,704	$ 490,159	$ 49	$ 1,407,894
Classified	9,317	6,858	5,088	558	56	456	202	—	22,535
Total commercial	$ 475,571	$ 339,604	$ 82,098	$ 19,498	$ 15,088	$ 8,160	$ 490,361	$ 49	$ 1,430,429
Factored receivables									
Pass	$ 1,667,922	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,667,922
Classified	10,826	20,789	—	—	—	—	—	—	31,615
Total factored receivables	$ 1,678,748	$ 20,789	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,699,537
Consumer									
Pass	$ 3,252	$ 1,794	$ 669	$ 553	$ 2,424	$ 1,882	$ 70	$ —	$ 10,644
Classified	5	—	—	12	119	105	—	—	241
Total consumer	$ 3,257	$ 1,794	$ 669	$ 565	$ 2,543	$ 1,987	$ 70	$ —	$ 10,885
Mortgage warehouse									
Pass	$ 769,973	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 769,973
Classified	—	—	—	—	—	—	—	—	—
Total mortgage warehouse	$ 769,973	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 769,973
Total loans									
Pass	$ 3,216,480	$ 646,539	$ 150,023	$ 83,685	$ 84,733	$ 89,813	$ 528,359	$ 608	$ 4,800,240
Classified	25,649	31,858	5,775	909	383	2,093	665	—	67,332
Total loans	$ 3,242,129	$ 678,397	$ 155,798	$ 84,594	$ 85,116	$ 91,906	$ 529,024	$ 608	$ 4,867,572

Troubled Debt Restructurings and Loan Modifications

The Company had troubled debt restructurings with an amortized cost of $3,502,000 and $4,677,000 as of June 30, 2022 and December 31, 2021, respectively. The Company had allocated $1,069,000 and $1,068,000 of allowance for those loans at June 30, 2022 and December 31, 2021, respectively, and had not committed to lend additional amounts.

The following table presents the pre- and post-modification recorded investment of loans modified as troubled debt restructurings. The Company did not grant principal reductions on any restructured loans.

(Dollars in thousands)	Extended Amortization Period	Payment Deferrals	Protective Advances	Total Modifications	Number of Loans
Six months ended June 30, 2021					
Commercial real estate	$ —		$ 741	$ 741	1

There were no loans modified as troubled debt restructurings during the three and six months ended June 30, 2022 or during the three months ended June 30, 2021.

During the six months ended June 30, 2022, the Company had one loan modified as a troubled debt restructuring with a recorded investment of $521,000 for which there was payment default within twelve months following the modification. During the six months ended June 30, 2021, the Company had four loans modified as troubled debt restructurings with a recorded investment of $670,000 for which there were payment defaults within twelve months following the modification. Default is determined at 90 or more days past due, upon charge-off, or upon foreclosure.

The following table summarizes the balance of loans modified for borrowers impacted by the COVID-19 pandemic.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Total modifications	—	—	—	10,459

These modifications primarily consisted of payment deferrals to assist customers. As these modifications related to the COVID-19 pandemic and qualify under the provisions of either Section 4013 of the CARES act or Interagency Guidance, they are not considered troubled debt restructurings. The following table summarized the amortized cost of loans with payments currently in deferral and the accrued interest related to the loans with payments in deferral at June 30, 2022 and December 31, 2021:

(Dollars in thousands) June 30, 2022	Total Loans	Balance of Loans Currently in Deferral	Percentage of Portfolio	Accrued Interest Receivable
Commercial real estate	$ 649,280	$ —	— %	$ —
Construction, land development, land	103,377	1,340	1.3 %	5
1-4 family residential	126,362	—	— %	—
Farmland	70,272	—	— %	—
Commercial	1,225,479	—	— %	—
Factored receivables	1,596,282	—	— %	—
Consumer	9,709	—	— %	—
Mortgage warehouse	654,605	—	— %	—
Total	$ 4,435,366	$ 1,340	— %	$ 5

(Dollars in thousands) December 31, 2021	Total Loans	Balance of Loans Currently in Deferral	Percentage of Portfolio	Accrued Interest Receivable
Commercial real estate	$ 632,775	$ 30,212	4.8 %	$ 116
Construction, land development, land	123,464	1,340	1.1 %	5
1-4 family residential	123,115	—	— %	—
Farmland	77,394	338	0.4 %	3
Commercial	1,430,429	—	— %	—
Factored receivables	1,699,537	—	— %	—
Consumer	10,885	6	0.1 %	—
Mortgage warehouse	769,973	—	— %	—
Total	$ 4,867,572	$ 31,896	0.7 %	$ 124

Residential Real Estate Loans In Process of Foreclosure

At June 30, 2022 and December 31, 2021, the Company had $254,000 and $301,000, respectively, in 1-4 family residential real estate loans for which formal foreclosure proceedings were in process.

NOTE 5 — GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Goodwill	$ 233,709	$ 233,727

	June 30, 2022			December 31, 2021		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$ 43,578	$ (33,649)	$ 9,929	$ 43,578	$ (31,800)	$ 11,778
Software intangible assets	16,932	(4,586)	12,346	16,932	(2,469)	14,463
Other intangible assets	29,560	(14,878)	14,682	29,560	(12,672)	16,888
	$ 90,070	$ (53,113)	$ 36,957	$ 90,070	$ (46,941)	$ 43,129

The changes in goodwill and intangible assets during the three and six months ended June 30, 2022 and 2021 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Beginning balance	$ 269,119	$ 188,006	$ 276,856	$ 189,922
Acquired goodwill	—	73,697	—	73,697
Acquired intangible assets	—	27,292	—	27,292
Acquired goodwill - measurement period adjustment	—	—	(18)	59
Goodwill transferred to assets held for sale	—	—	(3,217)	—
Intangible assets transferred to assets held for sale	—	—	(1,394)	—
Goodwill transferred from assets held for sale	3,217	—	3,217	—
Intangible assets transferred from assets held for sale	1,394	—	1,394	—
Amortization of intangibles	(3,064)	(2,428)	(6,172)	(4,403)
Ending balance	$ 270,666	$ 286,567	$ 270,666	$ 286,567

NOTE 6 — EQUITY METHOD INVESTMENT

On October 17, 2019, the Company made a minority equity investment of $8,000,000 in Warehouse Solutions Inc. ("WSI"), purchasing 8% of the common stock of WSI and receiving warrants to purchase an additional 10% of the common stock of WSI upon exercise of the warrants at a later date. WSI provides technology solutions to help reduce supply chain costs for a global client base across multiple industries.

Although the Company held less than 20% of the voting stock of WSI, the investment in common stock was initially accounted for using the equity method as the Company's representation on WSI's board of directors, which was disproportionately larger in size than the common stock investment held, demonstrated that it had significant influence over the investee.

On June 10, 2022, the Company entered into two separate agreements with WSI. First, the Company entered into an Affiliate Agreement. The Affiliate Agreement canceled the Company's outstanding warrants and modified the structure of the existing operating agreement to be consistent with TriumphPay operating as an open loop payments network. By modifying the operating agreement, the Company's Payments segment operations now have greater ability to operate in the freight shipper audit space. As a result of the Affiliate Agreement, the Company recognized a total loss on impairment of the warrants of $3,224,000, which represented the full book balance of the warrants on the date the Affiliate Agreement was executed. The impairment loss was included in other noninterest income on the Company's consolidated statements of income during the three and six months ended June 30, 2022.

Separately, the Company also entered into an Amended and Restated Investor Rights Agreement (the "Investor Rights Agreement"). The Investor Rights Agreement eliminated the Company's representation on WSI's board of directors making the Company a completely passive investor. The Investor Rights Agreement also provided for the Company's purchase of an additional 10% of WSI's common stock for $23,000,000 raising the Company's ownership of WSI's common stock to 18%. As a passive investor, the Company no longer holds significant influence over the investee and the investment in WSI's common stock no longer qualifies for equity method accounting. The investment in WSI's common stock is now accounted for as an equity investment without a readily determinable fair value measured under the measurement alternative. The measurement alternative requires the Company to remeasure its investment in the common stock of WSI only upon the execution of an orderly and observable transaction in an identical or similar instrument.

The Company's additional investment in WSI under the Investor Rights Agreement resulted in the Company discontinuing the equity method of accounting and qualified as an orderly and observable transaction for an identical investment in WSI, therefore the fair value of the Company's original 8% common stock investment was required to be adjusted from $4,925,000 at March 31, 2022 to $15,088,000, resulting in a gain of $10,163,000 that was recorded in other noninterest income on the Company's consolidated statements of income during the three and six months ended June 30, 2022.

The following table presents the Company's investment in WSI:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Common stock	$ 38,088	$ 5,142
Warrants	—	3,224
Total investment	$ 38,088	$ 8,366

The investment is included in other assets on the Company's consolidated balance sheets and is included in other assets on the Payment Segment's balance sheets. All gains and losses related to the investment are included in the Payment segment's operating results.

NOTE 7 — DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's interest bearing deposits.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Beginning in June 2020, such derivatives were used to hedge the variable cash flows associated with interest bearing deposits.

The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the derivative is settled or terminated, or treatment of the derivative as a hedge is no longer appropriate or intended. During the three months ended March 31, 2022, the Company terminated its single derivative with a notional value totaling $200,000,000, resulting in a termination value of $9,316,000. During the three and six months ended June 31, 2022, the Company reclassified $232,000 and $465,000, respectively, into earnings through interest expense in the consolidated statements of income. On May 4, 2022, the Company terminated the hedged funding, incurring a termination fee of $732,000, which was recognized through interest expense in the consolidated statements of income, and reclassified the remaining $8,851,000 unrealized gain on the terminated derivative into earnings through other noninterest income in the consolidated statements of income.

The following table presents the pre-tax impact of the terminated cash flow hedge on AOCI:

(Dollars in thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Unrealized gains on terminated hedges				
Beginning Balance	$ 9,083	$ —	$ —	$ —
Unrealized gains arising during the period	—	—	9,316	—
Reclassification adjustments for amortization of unrealized (gains) into net income	(9,083)	—	(9,316)	—
Ending Balance	$ —	$ —	$ —	$ —

The Company did not have any derivative financial instruments at June 30, 2022. The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of December 31, 2021:

	Derivative Assets		
	As of December 31, 2021		
(Dollars in thousands)	Notional Amount	Balance Sheet Location	Fair Value Total
Derivatives designated as hedging instruments:			
Interest rate swaps	$ 200,000	Other Assets	$ 6,164

The table below presents the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income, net of tax:

(Dollars in thousands)	Amount of Gain or (Loss) Recognized in OCI on Derivative	Amount of Gain or (Loss) Recognized in OCI Included Component	Location of (Gain) or Loss Recognized from AOCI into Income	Amount of (Gain) or Loss Reclassified from AOCI into Income	Amount of (Gain) or Loss Reclassified from AOCI into Income Included Component
Three Months Ended June 30, 2022					
Derivatives in cash flow hedging relationships:					
Interest rate swaps	$ (6,939)	$ (6,939)	Interest Expense, Noninterest Income	$ (6,939)	$ (6,939)
Three Months Ended June 30, 2021					
Derivatives in cash flow hedging relationships:					
Interest rate swaps	$ (429)	$ (429)	Interest Expense	$ 22	$ 22
Six Months Ended June 30, 2022					
Derivatives in cash flow hedging relationships:					
Interest rate swaps	$ (4,705)	$ (4,705)	Interest Expense, Noninterest Income	$ (7,103)	$ (7,103)
Six Months Ended June 30, 2021					
Derivatives in cash flow hedging relationships:					
Interest rate swaps	$ 2,377	$ 2,377	Interest Expense	$ 40	$ 40

NOTE 8 — 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:

(Dollars in thousands)	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

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 $4,335,000 and $4,947,000 at June 30, 2022 and December 31, 2021, 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 9 — LEGAL CONTINGENCIES

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, 2022, will have no material effect on the Company's consolidated financial statements.

NOTE 10 — 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:

	June 30, 2022			December 31, 2021		
(Dollars in thousands)	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Unused lines of credit	$ 14,774	$ 505,448	$ 520,222	$ 26,029	$ 523,483	$ 549,512
Standby letters of credit	$ 11,501	$ 5,524	$ 17,025	$ 11,090	$ 5,409	$ 16,499
Commitments to purchase loans	$ —	$ 127,358	$ 127,358	$ —	$ 108,423	$ 108,423
Mortgage warehouse commitments	$ —	$ 997,165	$ 997,165	$ —	$ 823,060	$ 823,060

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.

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, 2022 and December 31, 2021, the allowance for credit losses on off-balance sheet credit exposures totaled $4,278,000 and $4,082,000, 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Credit loss expense (benefit)	$ 932	$ 293	$ 196	$ (921)

NOTE 11 — 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 17 of the Company's 2021 Form 10-K.

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

(Dollars in thousands)	Fair Value Measurements Using			
June 30, 2022	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value on a recurring basis				
Securities available for sale				
Mortgage-backed securities, residential	$ —	$ 48,638	$ —	$ 48,638
Asset-backed securities	—	6,551	—	6,551
State and municipal	—	15,023	—	15,023
CLO securities	—	142,251	—	142,251
Corporate bonds	—	1,268	—	1,268
SBA pooled securities	—	2,178	—	2,178
	$ —	$ 215,909	$ —	$ 215,909
Equity securities with readily determinable fair values				
Mutual fund	$ 5,050	$ —	$ —	$ 5,050
Loans held for sale	$ —	$ 6	$ —	$ 6
Indemnification asset	$ —	$ —	$ 4,377	$ 4,377
Revenue share asset	$ —	$ —	$ 5,210	$ 5,210
Liabilities measured at fair value on a recurring basis				
Return of premium liability	$ —	$ —	$ 708	$ 708

(Dollars in thousands) December 31, 2021	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value on a recurring basis				
Securities available for sale				
Mortgage-backed securities, residential	$ —	$ 37,449	$ —	$ 37,449
Asset-backed securities	—	6,764	—	6,764
State and municipal	—	26,825	—	26,825
CLO Securities	—	106,634	—	106,634
Corporate bonds	—	2,056	—	2,056
SBA pooled securities	—	2,698	—	2,698
	$ —	$ 182,426	$ —	$ 182,426
Equity securities with readily determinable fair values				
Mutual fund	$ 5,504	$ —	$ —	$ 5,504
Loans held for sale	$ —	$ 7,330	$ —	$ 7,330
Derivative financial instruments (cash flow hedges)				
Interest rate swap	$ —	$ 6,164	$ —	$ 6,164
Indemnification asset	$ —	$ —	$ 4,786	$ 4,786

There were no transfers between levels during 2022 or 2021.

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. 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, 2022 and December 31, 2021, the estimated cash payments expected to be received from Covenant for probable losses on the covered Over-Formula Advance Portfolio were approximately $4,608,000 and $5,038,000, 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, 2022	2021	Six Months Ended June 30, 2022	2021
Beginning balance	$ 4,582	$ 5,246	$ 4,786	$ 36,225
Indemnification asset recognized in business combination	—	—	—	—
Change in fair value of indemnification asset recognized in earnings	(205)	—	(409)	4,654
Indemnification reduction	—	—	—	(35,633)
Ending balance	$ 4,377	$ 5,246	$ 4,377	$ 5,246

On June 30, 2022, the Company entered into an agreement to sell a portfolio of factored receivables. The associated agreement contains a revenue share provision 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 fair value of the revenue share asset is calculated each reporting period, and changes in the fair value of the revenue share asset 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, 2022, the estimated cash payments expected to be received from the purchaser for the Company's share of future gross monthly revenue as $7,719,000 and a discount rate of 10.0% was applied to calculate the present value of the revenue share asset of $5,210,000. As the revenue share asset was recorded during the three months ended June 30, 2022, there was no difference between the opening balance and the closing balance of the fair value of the revenue share asset during the current period.

On June 23, 2022, the Company made the decision to sell and closed on the sale of a portfolio of equipment loans for cash consideration. The associated agreement contains a provision that in the event that a sold loan is prepaid in full prior to the due date of the final scheduled contractual payment, the Company will return a pro-rata portion of the premium calculated as of the date of such prepayment in full. The fair value of the return of premium liability is calculated each reporting period, and changes in the fair value of the return of premium liability are recorded in noninterest income in the consolidated statements of income. The return of premium liability is considered a Level 3 classification. At June 30, 2022, the fair value of the estimated premium expected to be returned to the purchaser for sold loans prepaid in full was $708,000 calculated as the difference between the discounted cash flows of each sold loan assuming no prepayments and the discounted cash flows of each sold loan assuming an 11% prepayment speed; consistent with management's expected prepayment speed. As the return of premium liability was recorded during the three months ended June 30, 2022, there was no difference between the opening balance and the closing balance of the fair value of the return of premium liability during the current period.

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, 2022 and December 31, 2021.

(Dollars in thousands)	Fair Value Measurements Using			
June 30, 2022	Level 1	Level 2	Level 3	Total Fair Value
Collateral dependent loans				
Commercial real estate	$ —	$ —	$ 306	$ 306
1-4 family residential	—	—	27	27
Commercial	—	—	2,020	2,020
Factored receivables	—	—	35,280	35,280
Consumer	—	—	40	40
Other real estate owned [(1)]				
1-4 family residential	—	—	41	41
Equity investment without readily determinable fair value	$ 38,088	$ —	$ —	$ 38,088
	$ 38,088	$ —	$ 37,714	$ 75,802

(Dollars in thousands)	Fair Value Measurements Using			
December 31, 2021	Level 1	Level 2	Level 3	Total Fair Value
Collateral dependent loans				
Commercial real estate	$ —	$ —	$ 366	$ 366
1-4 family residential	—	—	61	61
Commercial	—	—	2,435	2,435
Factored receivables	—	—	30,224	30,224
Consumer	—	—	60	60
Other real estate owned [(1)]				
Commercial real estate	—	—	7	7
Construction, land development, land	—	—	63	63
	$ —	$ —	$ 33,216	$ 33,216

(1) Represents the fair value of OREO that was adjusted during the year to date period and subsequent to its initial classification as OREO.

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.

OREO: OREO is primarily comprised of real estate acquired in partial or full satisfaction of loans. OREO is recorded at its estimated fair value less estimated selling and closing costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the ACL. Subsequent changes in fair value are reported as adjustments to the carrying amount and are recorded against earnings. The Company outsources the valuation of OREO with material balances to third party appraisers. 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.

Equity Investment Without Readily Determinable Fair Value: Equity investments without a readily determinable fair value are measured under the measurement alternative. The measurement alternative requires the fair value of the investment to be adjusted upwards or downwards only upon the execution of an orderly and observable transaction in an identical or similar instrument. As the fair value measurement is based on an observable price change, it is classified in Level 1of the valuation hierarchy.

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, 2022 and December 31, 2021 were as follows:

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
June 30, 2022	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$ 724,237	$ 724,237	$ —	$ —	$ 724,237
Securities - held to maturity	4,335	—	—	5,790	5,790
Loans not previously presented, gross	4,397,693	167,575	—	4,172,858	4,340,433
FHLB and other restricted stock	6,169	N/A	N/A	N/A	N/A
Accrued interest receivable	14,563	14,563	—	—	14,563
Financial liabilities:					
Deposits	4,782,334	—	4,773,774	—	4,773,774
Customer repurchase agreements	11,746	—	11,746	—	11,746
Federal Home Loan Bank advances	30,000	—	30,000	—	30,000
Subordinated notes	107,377	—	122,308	—	122,308
Junior subordinated debentures	40,876	—	42,344	—	42,344
Accrued interest payable	2,054	2,054	—	—	2,054

(Dollars in thousands) December 31, 2021	Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 383,178	$ 383,178	$ —	$ —	$ 383,178
Securities - held to maturity	4,947	—	—	5,447	5,447
Loans not previously presented, gross	4,834,426	142,962	—	4,685,058	4,828,020
FHLB and other restricted stock	10,146	N/A	N/A	N/A	N/A
Accrued interest receivable	15,319	15,319	—	—	15,319
Financial liabilities:					
Deposits	4,646,679	—	4,646,552	—	4,646,552
Customer repurchase agreements	2,103	—	2,103	—	2,103
Federal Home Loan Bank advances	180,000	—	180,000	—	180,000
Paycheck Protection Program Liquidity Facility	27,144	—	27,144	—	27,144
Subordinated notes	106,957	—	110,045	—	110,045
Junior subordinated debentures	40,602	—	41,286	—	41,286
Accrued interest payable	1,951	1,951	—	—	1,951

NOTE 12 — 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, 2022 and December 31, 2021, the Company and TBK Bank meet all capital adequacy requirements to which they are subject.

As of June 30, 2022 and December 31, 2021, 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, 2022 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	
June 30, 2022	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$ 806,684	15.9%	$ 405,879	8.0%	N/A	N/A
TBK Bank, SSB	$ 777,831	15.5%	$ 401,461	8.0%	$ 501,826	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$ 661,392	13.0%	$ 305,258	6.0%	N/A	N/A
TBK Bank, SSB	$ 741,811	14.8%	$ 300,734	6.0%	$ 400,979	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$ 575,516	11.3%	$ 229,188	4.5%	N/A	N/A
TBK Bank, SSB	$ 741,811	14.8%	$ 225,551	4.5%	$ 325,795	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$ 661,392	11.8%	$ 224,201	4.0%	N/A	N/A
TBK Bank, SSB	$ 741,811	13.2%	$ 224,791	4.0%	$ 280,989	5.0%
As of December 31, 2021						
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$ 769,475	14.1%	$ 436,582	8.0%	N/A	N/A
TBK Bank, SSB	$ 698,286	12.9%	$ 433,046	8.0%	$ 541,307	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$ 628,094	11.5%	$ 327,701	6.0%	N/A	N/A
TBK Bank, SSB	$ 665,336	12.3%	$ 324,554	6.0%	$ 432,739	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$ 542,492	9.9%	$ 246,587	4.5%	N/A	N/A
TBK Bank, SSB	$ 665,336	12.3%	$ 243,416	4.5%	$ 351,600	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$ 628,094	11.1%	$ 226,340	4.0%	N/A	N/A
TBK Bank, SSB	$ 665,336	11.8%	$ 225,538	4.0%	$ 281,922	5.0%

As permitted by the interim final rule issued on March 27, 2020 by the federal banking regulatory agencies, the Company has 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") will be delayed for two years. After two years, the cumulative amount of the transition adjustments will become 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, 2022 and December 31, 2021. 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, 2022 and December 31, 2021, the Company’s and TBK Bank’s risk based capital exceeded the required capital conservation buffer.

NOTE 13 — STOCKHOLDERS' EQUITY

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

Preferred Stock Series C

(Dollars in thousands, except per share amounts)	June 30, 2022	December 31, 2021
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, 2022	December 31, 2021
Shares authorized	50,000,000	50,000,000
Shares issued	28,300,816	28,261,680
Treasury shares	(3,843,039)	(3,102,801)
Shares outstanding	24,457,777	25,158,879
Par value per share	$ 0.01	$ 0.01

Stock Repurchase Programs

On February 7, 2022, the Company announced that its board of directors had authorized the Company to repurchase up to $50,000,000 of its outstanding common stock. This program was completed during the three months ended June 30, 2022, and on May 23, 2022, the Company announced that its board of directors had authorized the Company to repurchase up to an additional $75,000,000 of its outstanding common stock in open market transactions or through privately negotiated transactions at the Company’s discretion. The amount, timing and nature of any share repurchases will be based on a variety of factors, including the trading price of the Company’s common stock, applicable securities laws restrictions, regulatory limitations and market and economic factors. The repurchase program is authorized for a period of up to one year and does not require the Company to repurchase any specific number of shares. The repurchase program may be modified, suspended or discontinued at any time, at the Company’s discretion.

The following repurchases were made under these programs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Shares repurchased into treasury stock	694,985	—	709,795	—
Average price of shares repurchased into treasury stock	$ 70.02	$ —	$ 70.41	$ —
Total cost of shares repurchased into treasury stock	$ 48,684,000	$ —	$ 50,000,000	$ —

NOTE 14 — STOCK BASED COMPENSATION

Stock based compensation expense that has been charged against income was $7,880,000 and $3,386,000 for the three months ended June 30, 2022 and 2021, respectively, and $12,832,000 and $4,736,000 for the six months ended June 30, 2022 and 2021, 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 2,450,000 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, 2022 were as follows:

Nonvested RSAs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2022	363,404	67.56
Granted	5,502	87.63
Vested	(119,234)	61.61
Forfeited	(2,904)	45.68
Nonvested at June 30, 2022	246,768	71.15

RSAs granted to employees under the Omnibus Incentive Plan typically vest 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, 2022, there was $9,011,000 of unrecognized compensation cost related to the nonvested RSAs. The cost is expected to be recognized over a remaining period of 2.76 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, 2022 were as follows:

Nonvested RSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2022	122,470	52.07
Granted	91,849	69.44
Vested	—	—
Forfeited	(535)	38.75
Nonvested at June 30, 2022	213,784	59.57

RSUs granted to employees under the Omnibus Incentive Plan typically vest over four to five 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, 2022, there was $9,049,000 of unrecognized compensation cost related to the nonvested RSUs. The cost is expected to be recognized over a remaining period of 3.37 years.

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, 2022 were as follows:

Nonvested Market Based PSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2022	94,984	$ 43.68
Granted	33,276	84.22
Incremental shares earned	8,997	N/A
Vested	(20,996)	33.91
Forfeited	(535)	38.57
Nonvested at June 30, 2022	115,726	$ 56.38

Market Based PSUs granted to employees under the Omnibus Incentive Plan vest after three to five 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 a specified group of peer banks. 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, 2022	Six Months Ended June 30, 2021
Grant date	May 1, 2022	May 1, 2021
Performance period	3.00 years	3.00 years
Stock price	$ 69.44	$ 88.63
Triumph stock price volatility	55.17 %	51.71 %
Risk-free rate	2.84 %	0.35 %

As of June 30, 2022, there was $3,813,000 of unrecognized compensation cost related to the nonvested Market Based PSUs. The cost is expected to be recognized over a remaining period of 2.41 years.

Performance Based Performance Stock Units

A summary of changes in the Company's nonvested Performance Based Performance Stock Units ("Performance Based PSUs") under the Omnibus Incentive Plan for the six months ended June 30, 2022 were as follows:

Nonvested Performance Based PSUs	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2022	259,383	$ 39.32
Granted	3,000	69.44
Vested	—	—
Forfeited	(7,551)	42.43
Nonvested at June 30, 2022	254,832	$ 39.58

Performance 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 200% of the shares granted based on the Company's cumulative diluted earnings per share over the performance period. Compensation expense for the Performance Based PSUs will be estimated each period based on the fair value of the stock at the grant date and the most probable outcome of the performance condition, adjusted for the passage of time within the vesting period of the awards.

During the three and six months ended June 30, 2022, the Company recognized $4,328,000 and $5,135,000, respectively, of stock based compensation expense related to Performance based PSUs. As of June 30, 2022, the maximum unrecognized compensation cost related to the nonvested Performance Based PSUs was $7,631,000, and the remaining performance period over which the cost could be recognized was 0.50 years. No compensation cost was recorded during the three and six months ended June 30, 2021.

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, 2022 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, 2022	166,755	$ 33.34		
Granted	35,939	69.44		
Exercised	(3,797)	26.12		
Forfeited or expired	—	—		
Outstanding at June 30, 2022	198,897	$ 40.00	6.66	$ 5,175
Fully vested shares and shares expected to vest at June 30, 2022	198,897	$ 40.00	6.66	$ 5,175
Shares exercisable at June 30, 2022	128,958	$ 29.10	5.40	$ 4,425

Information related to the stock options for the six months ended June 30, 2022 and 2021 was as follows:

(Dollars in thousands, except per share amounts)	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Aggregate intrinsic value of options exercised	$ 280	$ 2,249
Cash received from option exercises	—	146
Tax benefit realized from option exercises	59	472
Weighted average fair value per share of options granted	$ 32.15	$ 35.37

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. Beginning in 2022, expected volatilities are determined based on the Company's historical volatility. Prior to 2022, expected volatilities were determined based on a blend of the Company's historical volatility and historical volatilities of a peer group of companies with a similar size, industry, stage of life cycle, and capital structure. 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, 2022	Six Months Ended June 30, 2021
Risk-free interest rate	2.77 %	1.16 %
Expected term	6.25 years	6.25 years
Expected stock price volatility	43.33 %	39.26 %
Dividend yield	—	—

As of June 30, 2022, there was $1,278,000 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 3.44 years.

Employee Stock Purchase Plan

On April 1, 2019, the Company's Board of Directors adopted the Triumph Bancorp, Inc. Employee Stock Purchase Plan ("ESPP") and reserved 2,500,000 shares of common stock 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. The first offering period commenced on February 1, 2021. During the six months ended June 30, 2022, 10,585 shares were issued under the plan. No shares were issued during the six months ended June 30, 2021.

NOTE 15 — EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2022	2021	2022	2021
Basic				
Net income to common stockholders	$ 43,390	$ 27,180	$ 66,918	$ 60,302
Weighted average common shares outstanding	24,427,270	24,724,128	24,612,988	24,699,754
Basic earnings per common share	$ 1.78	$ 1.10	$ 2.72	$ 2.44
Diluted				
Net income to common stockholders	$ 43,390	$ 27,180	$ 66,918	$ 60,302
Weighted average common shares outstanding	24,427,270	24,724,128	24,612,988	24,699,754
Dilutive effects of:				
Assumed exercises of stock options	89,443	134,358	99,402	133,219
Restricted stock awards	144,526	139,345	189,492	156,029
Restricted stock units	85,934	73,155	91,236	70,236
Performance stock units - market based	115,825	134,313	127,694	131,240
Performance stock units - performance based	—	—	—	—
Employee stock purchase program	3,575	3,708	2,173	2,563
Average shares and dilutive potential common shares	24,866,573	25,209,007	25,122,985	25,193,041
Diluted earnings per common share	$ 1.74	$ 1.08	$ 2.66	$ 2.39

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,	
	2022	2021	2022	2021
Stock options	52,878	16,939	52,878	16,939
Restricted stock awards	6,348	—	6,348	209,040
Restricted stock units	15,000	—	15,000	17,757
Performance stock units - market based	45,296	13,520	45,296	13,520
Performance stock units - performance based	254,832	265,625	254,832	265,625
Employee stock purchase program	—	—	—	—

NOTE 16 — 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 are typically fixed; charged either on a periodic basis or based on activity. The Company presents disaggregated revenue from contracts with customers in the consolidated statements of income.

Descriptions of the Company's significant 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.

  Fee income for the Payments segment includes TriumphPay payment and audit fees. These fees totaled $3,381,000 and $1,075,000 for the three months ended June 30, 2022 and 2021, respectively, and $6,610,000 and $1,156,000 for the six months ended June 30, 2022 and 2021, respectively. These fees are transaction based and are recognized at the time the transaction is executed as that is the point in time that 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.

NOTE 17 — BUSINESS SEGMENT INFORMATION

The following table presents the Company's operating segments. The accounting policies of the reportable segments substantially the same as those described in the "Summary of Significant Accounting Policies" in Note 1 of the Company's 2021 Form 10-K. Transactions between segments consist primarily of borrowed funds. Intersegment interest expense is allocated to the Factoring and Payments segments based on Federal Home Loan Bank advance rates. Credit loss expense is allocated based on the segment's allowance for credit losses determination. Noninterest income and expense directly attributable to a segment are assigned to it. The majority of salaries and benefits expense for the Company's executive leadership team as well as certain other selling, general, and administrative shared services costs are allocated to the Banking segment. Taxes are paid on a consolidated basis and are not allocated for segment purposes. The Factoring segment includes only factoring originated by TBC.

(Dollars in thousands)

Three months ended June 30, 2022	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 46,239	$ 55,854	$ 4,172	$ 42	$ 106,307
Intersegment interest allocations	2,188	(2,079)	(109)	—	—
Total interest expense	3,020	—	—	1,859	4,879
Net interest income (expense)	45,407	53,775	4,063	(1,817)	101,428
Credit loss expense (benefit)	3,120	64	(184)	(99)	2,901
Net interest income after credit loss expense	42,287	53,711	4,247	(1,718)	98,527
Noninterest income	22,312	15,521	10,309	18	48,160
Noninterest expense	48,385	22,123	17,663	436	88,607
Net income (loss) before income tax expense	$ 16,214	$ 47,109	$ (3,107)	$ (2,136)	$ 58,080

(Dollars in thousands)

Three months ended June 30, 2021	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 47,356	$ 44,653	$ 2,675	$ 4	$ 94,688
Intersegment interest allocations	2,723	(2,584)	(139)	—	—
Total interest expense	2,610	—	—	1,796	4,406
Net interest income (expense)	47,469	42,069	2,536	(1,792)	90,282
Credit loss expense (benefit)	(4,335)	2,444	218	(133)	(1,806)
Net interest income after credit loss expense	51,804	39,625	2,318	(1,659)	92,088
Noninterest income	10,018	2,742	1,083	53	13,896
Noninterest expense	41,860	17,174	10,842	922	70,798
Net income (loss) before income tax expense	$ 19,962	$ 25,193	$ (7,441)	$ (2,528)	$ 35,186

(Dollars in thousands)

Six months ended June 30, 2022	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 88,422	$ 112,228	$ 9,004	$ 88	$ 209,742
Intersegment interest allocations	4,045	(3,854)	(191)	—	—
Total interest expense	4,623	—	—	3,612	8,235
Net interest income (expense)	87,844	108,374	8,813	(3,524)	201,507
Credit loss expense (benefit)	250	2,013	170	969	3,402
Net interest income after credit loss expense	87,594	106,361	8,643	(4,493)	198,105
Noninterest income	28,307	17,392	13,551	31	59,281
Noninterest expense	90,093	43,512	31,996	1,570	167,171
Net income (loss) before income tax expense	$ 25,808	$ 80,241	$ (9,802)	$ (6,032)	$ 90,215

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

(Dollars in thousands) Six months ended June 30, 2021	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 97,912	$ 80,477	$ 4,644	$ 8	$ 183,041
Intersegment interest allocations	5,665	(5,359)	(306)	—	—
Total interest expense	6,152	—	—	3,587	9,739
Net interest income (expense)	97,425	75,118	4,338	(3,579)	173,302
Credit loss expense (benefit)	(16,788)	6,927	510	(300)	(9,651)
Net interest income after credit loss expense	114,213	68,191	3,828	(3,279)	182,953
Noninterest income	17,768	9,153	1,156	110	28,187
Noninterest expense	81,314	33,327	14,977	2,072	131,690
Net income (loss) before income tax expense	$ 50,667	$ 44,017	$ (9,993)	$ (5,241)	$ 79,450

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

(Dollars in thousands) June 30, 2022	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,620,770	$ 1,614,369	$ 340,357	$ 1,024,081	$ (2,644,070)	$ 5,955,507
Gross loans	$ 3,990,481	$ 1,450,447	$ 145,835	$ —	$ (1,151,397)	$ 4,435,366

(Dollars in thousands) December 31, 2021	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,568,826	$ 1,679,495	$ 293,212	$ 1,009,998	$ (2,595,281)	$ 5,956,250
Gross loans	$ 4,444,136	$ 1,546,361	$ 153,176	$ 700	$ (1,276,801)	$ 4,867,572

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, 2021. 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, 2022, we had consolidated total assets of $5.956 billion, total loans held for investment of $4.435 billion, total deposits of $4.781 billion and total stockholders’ equity of $874.3 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 small to medium 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 Business Capital. Triumph Business Capital 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, 2022, 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 Business Capital. 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, 2022, our Banking segment generated 43% of our total revenue (comprised of interest and noninterest income), our Factoring segment generated 48% of our total revenue, our Payments segment generated 8% of our total revenue, and our Corporate segment generated less than 1% of our total revenue.

Second Quarter 2022 Overview

Net income available to common stockholders for the three months ended June 30, 2022 was $43.4 million, or $1.74 per diluted share, compared to net income to common stockholders for the three months ended June 30, 2021 of $27.2 million, or $1.08 per diluted share. Excluding material gains and expenses related to merger and acquisition related activities, including divestitures, adjusted net income to common stockholders was $29.5 million, or $1.17 per diluted share, for the three months ended June 30, 2021. For the three months ended June 30, 2022, our return on average common equity was 20.78% and our return on average assets was 3.02%.

Net income available to common stockholders for the six months ended June 30, 2022 was $66.9 million, or $2.66 per diluted share, compared to net income available to common stockholders for the six months ended June 30, 2021 of $60.3 million, or $2.39 per diluted share. Excluding material gains and expenses related to merger and acquisition related activities, including divestitures, adjusted net income to common stockholders was $62.6 million, or $2.48 per diluted share, for the six months ended June 30, 2021. For the six months ended June 30, 2022, our return on average common equity was 16.13% and our return on average assets was 2.36%.

At June 30, 2022, we had total assets of $5.956 billion, including gross loans held for investment of $4.435 billion, compared to $5.956 billion of total assets and $4.868 billion of gross loans held for investment at December 31, 2021. Total loans held for investment decreased $432.2 million during the six months ended June 30, 2022. Our Banking loans, which constitute 64% of our total loan portfolio at June 30, 2022, decreased from $3.168 billion in aggregate as of December 31, 2021 to $2.839 billion as of June 30, 2022, a decrease of 10.4%. Our Factoring factored receivables, which constitute 33% of our total loan portfolio at June 30, 2022, decreased from $1.546 billion in aggregate as of December 31, 2021 to $1.450 billion as of June 30, 2022, a decrease of 6.2%. The period end balance of Factoring factored receivables was impacted by our decision to sell certain factored receivables (discussed in 2022 Items of Note) during the period. Our Payments factored receivables, which constitute 3% of our total loan portfolio at June 30, 2022, decreased from $153.2 million in aggregate as of December 31, 2021 to $145.8 million as of June 30, 2022, a decrease of 4.8%.

At June 30, 2022, we had total liabilities of $5.081 billion, including total deposits of $4.781 billion, compared to $5.097 billion of total liabilities and $4.647 billion of total deposits at December 31, 2021. Deposits increased $134.2 million during the six months ended June 30, 2022.

At June 30, 2022, we had total stockholders' equity of $874.3 million. During the six months ended June 30, 2022, total stockholders’ equity increased $15.4 million, primarily due to our net income during the period, offset in part by our treasury stock purchases made under our share repurchase program. Capital ratios remained strong with Tier 1 capital and total capital to risk weighted assets ratios of 13.04% and 15.91%, respectively, at June 30, 2022.

The total dollar value of invoices purchased by Triumph Business Capital during the three months ended June 30, 2022 was $4.024 billion with an average invoice size of $2,332. The average transportation invoice size for the three months ended June 30, 2022 was $2,176. This compares to invoice purchase volume of $3.068 billion with an average invoice size of $2,189 and average transportation invoice size of $2,090 during the same period a year ago.

TriumphPay processed 4.4 million invoices paying Carriers a total of $6.034 billion during the three months ended June 30, 2022. This compares to processed volume of 3.2 million invoices for a total of $3.427 billion during the same period a year ago.

2022 Items of Note

Equipment Loan Sale

During the quarter ended June 30, 2022, we made the decision to sell and closed on the sale of a portfolio of equipment loans. Equipment loans totaling $191.2 million were sold resulting in a gain on sale of loans of $3.9 million.

The gain on sale, net of transaction costs, was included in net gains (losses) on sale of loans in the Company's Consolidated Statements of Income and was allocated to the Banking segment.

Factored Receivable Disposal Group

During the quarter ended March 31, 2022, we made the decision to sell a portfolio of non-transportation factored receivables, net of customer reserves, (the "Factored Receivable Disposal Group"). As a result, the Factored Receivable Disposal Group was classified as assets and deposits held for sale on the unaudited March 31, 2022 Consolidated Balance Sheet. As the fair value of the Factored Receivable Disposal Group exceeded the corresponding cost basis, the Factored Receivable Disposal Group was classified as held for sale at cost with no impact to earnings except for the reversal of the allowance for credit loss associated with the factored receivables. Factored receivables totaling $80.8 million and customer reserves totaling $10.4 million were transferred to assets held for sale and deposits held for sale, respectively, during the three months ended March 31, 2022. During the three months ended June 30, 2022, Factored Receivable Disposal Group factored receivables totaling $67.9 million and customer reserves totaling $9.7 million were sold resulting in a gain on sale of loans of $13.2 million. Factored receivables totaling $24.4 million and customer reserves totaling $1.4 million remain classified as assets held for sale and deposits held for sale, respectively, at June 30, 2022.

The gain on sale, net of transaction costs, was included in net gains (losses) on sale of loans in the Company's Consolidated Statements of Income and was allocated to the Factoring segment.

Branch Disposal Group

During the quarter ended March 31, 2022, we made the decision to sell 15 branches primarily located in rural eastern Colorado and western Kansas (the "Branch Disposal Group"). The gross assets and deposits of the Branch Disposal Group were classified as held for sale on the unaudited March 31, 2022 Consolidated Balance Sheet. During the quarter ended June 30, 2022, there was a change in circumstances and we made the decision to terminate the sale process completely (including all marketing activities) and retain the branches indefinitely. The gross assets and deposits of the Branch Disposal Group were returned to held for investment at their carrying amounts less depreciation and amortization expense that would have been recognized had the disposal group been continuously classified as held for investment.

For further information on the above transactions, see Note 2 – Acquisitions and Divestitures in the accompanying condensed notes to the consolidated financial statements included elsewhere in this report.

Interest rate swap termination

During the three months ended March 31, 2022, we terminated our single derivative with a notional value totaling $200.0 million, resulting in a termination value of $9.3 million. On May 4, 2022, we terminated the associated hedged funding, incurring a termination fee of $0.7 million which was recognized through interest expense in the consolidated statements of income, and reclassified the remaining $8.9 million unrealized gain on the terminated derivative into earnings through other noninterest income in the consolidated statements of income.

The gains and losses associated with this transaction were allocated to the Banking segment.

For further information on the above transaction, see Note 7 – Derivative Financial Instruments in the accompanying condensed notes to the consolidated financial statements included elsewhere in this report.

Equity Method Investment

On October 17, 2019, we made a minority equity investment of $8.0 million in Warehouse Solutions Inc. ("WSI"), purchasing 8% of the common stock of WSI and receiving warrants to purchase an additional 10% of the common stock of WSI upon exercise of the warrants at a later date. WSI provides technology solutions to help reduce supply chain costs for a global client base across multiple industries.

Although we held less than 20% of the voting stock of WSI, the investment in common stock was initially accounted for using the equity method as our representation on WSI's board of directors, which was disproportionately larger in size than the common stock investment held, demonstrated that we had significant influence over the investee.

On June 10, 2022, we entered into two separate agreements with WSI. First, we entered into an Affiliate Agreement. The Affiliate Agreement canceled our outstanding warrants in exchange for cancellation of an exclusivity clause included in the original investment agreement executed during 2019. By cancelling the exclusivity clause, our Payments segment operations now have greater ability to operate in the freight shipper audit space. As a result of the Affiliate Agreement, we recognized a total loss on impairment of the warrants of $3.2 million, which represented the full book balance of the warrants on the date the Affiliate Agreement was executed. The impairment loss was included in other noninterest income in the consolidated statements of income during the three and six months ended June 30, 2022.

Separately, we also entered into an Amended and Restated Investor Rights Agreement (the “Investor Rights Agreement”). The Investor Rights Agreement eliminated our representation on WSI's board of directors making us a completely passive investor. The Investor Rights Agreement also provided for our purchase of an additional 10% of WSI's common stock for $23.0 million raising our ownership of WSI's common stock to 18%. As a passive investor, we no longer hold significant influence over the investee and the investment in WSI's common stock no longer qualifies for equity method accounting. The investment in WSI's common stock is now accounted for as an equity investment without a readily determinable fair value measured under the measurement alternative. The measurement alternative requires us to remeasure our investment in the common stock of WSI only upon the execution of an orderly and observable transaction in an identical or similar instrument.

Our additional investment in WSI under the Investor Rights Agreement resulted in us discontinuing the equity method of accounting and qualified as an orderly and observable transaction for an identical investment in WSI, therefore the fair value of our original 8% common stock investment was required to be adjusted from $4.9 million at March 31, 2022 to $15.1 million, resulting in a gain of $10.2 million that was recorded in other noninterest income in the consolidated statements of income during the three and six months ended June 30, 2022.

The gains and losses associated with this transaction were allocated to the Payments segment.

For further information on the above transactions, see Note 6 – Equity Method Investment in the accompanying condensed notes to the consolidated financial statements included elsewhere in this report.

Stock Repurchase Programs

On February 7, 2022, we announced that our board of directors had authorized us to repurchase up to $50.0 million of our outstanding common stock in open market transactions or through privately negotiated transactions at our discretion. During the three and six months ended June 30, 2022, we repurchased into treasury stock under the stock repurchase program 694,985 shares at an average price of $70.02 for a total of $48.7 million and 709,795 shares at an average price of $70.41 for a total of $50.0 million, respectively, completing this stock repurchase program.

On May 23, 2022, we announced that our board of directors had authorized us to repurchase up to an additional $75.0 million of our outstanding common stock in open market transactions or through privately negotiated transactions at our discretion. The amount, timing and nature of any share repurchases will be based on a variety of factors, including the trading price of our common stock, applicable securities laws restrictions, regulatory limitations and market and economic factors. The repurchase program is authorized for a period of up to one year and does not require us to repurchase any specific number of shares. The repurchase program may be modified, suspended or discontinued at any time, at our discretion. As of June 30, 2022, no share repurchases had been made under the May 23, 2022 plan.

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, 2022.

At June 30, 2022, the carrying value of the acquired over-formula advances was $9.2 million, the total reserve on acquired over-formula advances was $9.2 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 $4.4 million.

As of June 30, 2022 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 have commenced 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, 2022. The full amount of such receivable is reflected in non-performing and past due factored receivables as of June 30, 2022 in accordance with our policy. As of June 30, 2022, the entire $19.4 million Misdirected Payments amount was greater than 90 days past due.

2021 Items of Note

HubTran, Inc.

On June 1, 2021, we, through TriumphPay, a division of our wholly-owned subsidiary TBK Bank, SSB, entered into a definitive agreement to acquire HubTran, Inc., a cloud-based provider of automation software for the trucking industry's back-office, for $97 million in cash subject to customary purchase price adjustments.

The acquisition of HubTran enables us to create a payments network that will allow freight brokers and factors to lower costs, remove inefficiencies, reduce fraud and add value for their stakeholders. 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., 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 a payments network for the trucking industry with a focus on fee revenue.

For further information on the above transaction, see Note 2 – Acquisitions and Divestitures in the accompanying condensed notes to the consolidated financial statements included elsewhere in this report.

Trucking transportation

The second quarter saw a slight decline in over the road trucks utilization as slowing of the economy was reflected in the trucking industry. In what is seasonally a strong demand quarter, volumes were steady instead of the uptick usually seen. Spot rates continued a slow decline, but imputed fuel surcharge related to record diesel prices kept average invoice values fairly even with little downward movement in most of May and June.

While shipping rates are declining, there remains near record volumes of ships waiting at U.S. ports, not limited to California ports. The railroads have been metering capacity on certain lanes in an attempt to decongest their networks. This has benefited long-haul trucking segments with cross country volumes still strong in the second quarter. The potential for California port worker and national railroad worker strikes in early third quarter could have a material impact on trucking; however, warehouses are at capacity and, for example, Mexican plants were asked to slow production at the end of June.

The shipping rate decline has been muted by rising diesel prices. The spot market is a real time indicator that re-prices daily and thus, automatically adjusts for fuel costs. With fuel prices remaining elevated for the foreseeable future, we expect average invoice sizes to stay close to current levels, but we could see volumes decrease if the environment becomes more recessionary.

COVID-19

Significant progress has been made to combat the outbreak of COVID-19; however, the global pandemic adversely impacted a broad range of industries in which the Company’s customers operate and could still impair their ability to fulfill their financial obligations to the Company. While employee availability has had no material impact on operations to date, a resurgence of COVID-19 has the potential to create widespread business continuity issues for the Company.

The Company’s business is dependent upon the willingness and ability of its employees and customers to conduct banking and other financial transactions. While it appears that epidemiological and macroeconomic conditions are trending in a positive direction as of June 30, 2022, if there is a resurgence in the virus, the Company could experience further adverse effects on its business, financial condition, results of operations and cash flows. While it is not possible to know the full universe or extent that the impact of

COVID-19, and any potential resulting measures to curtail its spread, will have on the Company's future operations, the Company is disclosing potentially material items of which it is aware.

Allowance for credit losses

Improving conditions around COVID-19 had an impact on our allowance for credit losses ("ACL") throughout the prior year as we experienced a decline in required reserves over that period. Pertaining to our June 30, 2022 financial condition and year to date results of operations, COVID-19 had little direct impact on required ACL levels. We have not yet experienced material charge-offs related to COVID-19. Our ACL calculation, and resulting provision for credit losses, are significantly impacted by changes in forecasted economic conditions. Should economic conditions worsen as a result of a resurgence in the virus and resulting measures to curtail its spread, we could experience increases in our required ACL and record additional credit loss expense. It is possible that our asset quality measures could worsen at future measurement periods if the effects of COVID-19 are prolonged.

Capital and liquidity

As of June 30, 2022, all of our capital ratios, and our subsidiary bank's capital ratios, were in excess of all regulatory requirements. While we believe that we have sufficient capital to withstand an economic recession brought about by a resurgence in COVID-19 and/or resulting impacts of efforts used to curtail its spread, our reported and regulatory capital ratios could be adversely impacted by further credit loss expense. We rely on cash on hand as well as dividends from our subsidiary bank to service our debt. If our capital deteriorates such that our subsidiary bank is unable to pay dividends to us for an extended period of time, we may not be able to service our debt.

We maintain access to multiple sources of liquidity. Wholesale funding markets have remained open to us, but rates for short term funding can be volatile. If an extended recession caused large numbers of our deposit customers to withdraw their funds, we might become more reliant on volatile or more expensive sources of funding.

Credit

While all industries experienced adverse impacts as a result of COVID-19 virus, we had no material exposure to loan categories that management considered to be "at-risk" of significant impact as of March 31, 2022.

We continue to work with customers directly affected by COVID-19. We are prepared to offer assistance in accordance with regulator guidelines. As a result of the current economic environment caused by the COVID-19 virus, we continue to engage in communication with borrowers to better understand their situation and the challenges faced, allowing us to respond proactively as needs and issues arise.

Financial Highlights

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Income Statement Data:				
Interest income	$ 106,307	$ 94,688	$ 209,742	$ 183,041
Interest expense	4,879	4,406	8,235	9,739
Net interest income	101,428	90,282	201,507	173,302
Credit loss expense (benefit)	2,901	(1,806)	3,402	(9,651)
Net interest income after credit loss expense (benefit)	98,527	92,088	198,105	182,953
Noninterest income	48,160	13,896	59,281	28,187
Noninterest expense	88,607	70,798	167,171	131,690
Net income (loss) before income taxes	58,080	35,186	90,215	79,450
Income tax expense (benefit)	13,888	7,204	21,694	17,545
Net income (loss)	$ 44,192	$ 27,982	$ 68,521	$ 61,905
Dividends on preferred stock	(802)	(802)	(1,603)	(1,603)
Net income available (loss) to common stockholders	$ 43,390	$ 27,180	$ 66,918	$ 60,302
Per Share Data:				
Basic earnings (loss) per common share	$ 1.78	$ 1.10	$ 2.72	$ 2.44
Diluted earnings (loss) per common share	$ 1.74	$ 1.08	$ 2.66	$ 2.39
Weighted average shares outstanding - basic	24,427,270	24,724,128	24,612,988	24,699,754
Weighted average shares outstanding - diluted	24,866,573	25,209,007	25,122,985	25,193,041
Adjusted Per Share Data[1]:				
Adjusted diluted earnings per common share	$ 1.74	$ 1.17	$ 2.66	$ 2.48
Adjusted weighted average shares outstanding - diluted	24,866,573	25,209,007	25,122,985	25,193,041
Performance ratios - Annualized:				
Return on average assets	3.02 %	1.84 %	2.36 %	2.06 %
Return on average total equity	20.08 %	14.27 %	15.67 %	16.28 %
Return on average common equity	20.78 %	14.70 %	16.13 %	16.85 %
Return on average tangible common equity [1]	30.63 %	20.92 %	23.91 %	23.52 %
Yield on loans[2]	8.79 %	7.77 %	8.69 %	7.51 %
Cost of interest bearing deposits	0.41 %	0.31 %	0.32 %	0.36 %
Cost of total deposits	0.23 %	0.20 %	0.19 %	0.24 %
Cost of total funds	0.40 %	0.34 %	0.34 %	0.38 %
Net interest margin[2]	7.68 %	6.47 %	7.68 %	6.27 %
Efficiency ratio	59.23 %	67.96 %	64.10 %	65.36 %
Adjusted efficiency ratio [1]	59.23 %	65.09 %	64.10 %	63.87 %
Net noninterest expense to average assets	2.76 %	3.75 %	3.71 %	3.45 %
Adjusted net noninterest expense to average assets [1]	2.76 %	3.55 %	3.71 %	3.35 %

(Dollars in thousands, except per share amounts)	June 30, 2022	December 31, 2021
Balance Sheet Data:		
Total assets	$ 5,955,507	$ 5,956,250
Cash and cash equivalents	724,237	383,178
Investment securities	225,294	192,877
Loans held for investment, net	4,391,959	4,825,359
Total liabilities	5,081,226	5,097,386
Noninterest bearing deposits	2,085,249	1,925,370
Interest bearing deposits	2,695,675	2,721,309
FHLB advances	30,000	180,000
Paycheck Protection Program Liquidity Facility	—	27,144
Subordinated notes	107,377	106,957
Junior subordinated debentures	40,876	40,602
Total stockholders’ equity	874,281	858,864
Preferred stockholders' equity	45,000	45,000
Common stockholders' equity	829,281	813,864
Per Share Data:		
Book value per share	$ 33.91	$ 32.35
Tangible book value per share [1]	$ 22.84	$ 21.34
Shares outstanding end of period	24,457,777	25,158,879
Asset Quality ratios[3]:		
Past due to total loans	2.47 %	2.86 %
Nonperforming loans to total loans	0.95 %	0.95 %
Nonperforming assets to total assets	0.83 %	0.92 %
ACL to nonperforming loans	103.51 %	91.20 %
ACL to total loans	0.98 %	0.87 %
Net charge-offs to average loans[4]	0.04 %	0.95 %
Capital ratios:		
Tier 1 capital to average assets	11.76 %	11.11 %
Tier 1 capital to risk-weighted assets	13.04 %	11.51 %
Common equity Tier 1 capital to risk-weighted assets	11.35 %	9.94 %
Total capital to risk-weighted assets	15.91 %	14.10 %
Total stockholders' equity to total assets	14.68 %	14.42 %
Tangible common stockholders' equity ratio [1]	9.83 %	9.46 %

(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:

- “*Adjusted diluted earnings per common share*” is defined as adjusted net income available to common stockholders divided by adjusted weighted average diluted common shares outstanding. Excluded from net income available to common stockholders are material gains and expenses related to merger and acquisition-related activities, including divestitures, net of tax. In our judgment, the adjustments made to net income available to common stockholders allow management and investors to better assess our performance in relation to our core net income by removing the volatility associated with certain acquisition-related items and other discrete items that are unrelated to our core business. Weighted average diluted common shares outstanding are adjusted as a result of changes in their dilutive properties given the gain and expense adjustments described herein.

- "*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.
- "*Adjusted efficiency ratio*" is defined as noninterest expenses divided by our operating revenue, which is equal to net interest income plus noninterest income. Also excluded are material gains and expenses related to merger and acquisition-related activities, including divestitures. In our judgment, the adjustments made to operating revenue allow management and investors to better assess our performance in relation to our core operating revenue by removing the volatility associated with certain acquisition-related items and other discrete items that are unrelated to our core business.
- *"Adjusted net noninterest expense to average total assets"* is defined as noninterest expenses net of noninterest income divided by total average assets. Excluded are material gains and expenses related to merger and acquisition-related activities, including divestitures. This metric is used by our management to better assess our operating efficiency.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	2022	2021	2022	2021
Loan discount accretion	$ 3,556	$ 2,161	$ 5,092	$ 5,662

(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, 2022 and the year ended December 31, 2021.

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	2022	2021	2022	2021
Net income available to common stockholders	$ 43,390	$ 27,180	$ 66,918	$ 60,302
Transaction costs	—	2,992	—	2,992
Tax effect of adjustments	—	(715)	—	(715)
Adjusted net income available to common stockholders	$ 43,390	$ 29,457	$ 66,918	$ 62,579
Weighted average shares outstanding - diluted	24,866,573	25,209,007	25,122,985	25,193,041
Adjusted diluted earnings per common share	$ 1.74	$ 1.17	$ 2.66	$ 2.48
Average total stockholders' equity	$ 882,505	$ 786,404	$ 881,732	$ 766,736
Average preferred stock liquidation preference	(45,000)	(45,000)	(45,000)	(45,000)
Average total common stockholders' equity	837,505	741,404	836,732	721,736
Average goodwill and other intangibles	(269,319)	(220,310)	(272,332)	(204,732)
Average tangible common equity	$ 568,186	$ 521,094	$ 564,400	$ 517,004
Net income available to common stockholders	$ 43,390	$ 27,180	$ 66,918	$ 60,302
Average tangible common equity	568,186	521,094	564,400	517,004
Return on average tangible common equity	30.63 %	20.92 %	23.91 %	23.52 %
Efficiency ratio:				
Net interest income	$ 101,428	$ 90,282	$ 201,507	$ 173,302
Noninterest income	48,160	13,896	59,281	28,187
Operating revenue	149,588	104,178	260,788	201,489
Total noninterest expense	$ 88,607	$ 70,798	$ 167,171	$ 131,690
Transaction costs	—	(2,992)	—	(2,992)
Adjusted noninterest expense	$ 88,607	$ 67,806	$ 167,171	$ 128,698
Efficiency ratio	59.23 %	65.09 %	64.10 %	63.87 %
Net noninterest expense to average assets ratio:				
Total noninterest expense	$ 88,607	$ 70,798	$ 167,171	$ 131,690
Transaction costs	—	(2,992)	—	(2,992)
Adjusted noninterest expense	88,607	67,806	167,171	128,698
Total noninterest income	48,160	13,896	59,281	28,187
Net noninterest expenses	$ 40,447	$ 53,910	$ 107,890	$ 100,511
Average total assets	$ 5,878,320	$ 6,093,805	$ 5,860,916	$ 6,053,826
Net noninterest expense to average assets ratio	2.76 %	3.55 %	3.71 %	3.35 %

(Dollars in thousands, except per share amounts)	June 30, 2022	December 31, 2021
Total stockholders' equity	$ 874,281	$ 858,864
Preferred stock	(45,000)	(45,000)
Total common stockholders' equity	829,281	813,864
Goodwill and other intangibles	(270,666)	(276,856)
Tangible common stockholders' equity	$ 558,615	$ 537,008
Common shares outstanding	24,457,777	25,158,879
Tangible book value per share	$ 22.84	$ 21.34
Total assets at end of period	$ 5,955,507	$ 5,956,250
Goodwill and other intangibles	(270,666)	(276,856)
Tangible assets at period end	$ 5,684,841	$ 5,679,394
Tangible common stockholders' equity ratio	9.83 %	9.46 %

Results of Operations

Three months ended June 30, 2022 compared with three months ended June 30, 2021.

Net Income

We earned net income of $44.2 million for the three months ended June 30, 2022 compared to net income of $28.0 million for the three months ended June 30, 2021, an increase of $16.2 million.

The results for the three months ended June 30, 2021 were impacted by $3.0 million of transaction costs associated with the HubTran acquisition reported as noninterest expense. Excluding the transaction costs, net of taxes, we earned adjusted net income of $30.3 million for the three months ended June 30, 2021. There were no such adjustments during the three months ended June 30, 2022. The adjusted increase in net income for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 totaled $13.9 million and was driven by a $34.4 million increase in noninterest income and an $11.1 million increase in net interest income offset by an adjusted $20.8 million increase in noninterest expense, an adjusted $6.1 million increase in income tax expense and an increase of $4.7 million in credit loss expense.

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.

	Three Months Ended June 30,					
	2022			2021		
(Dollars in thousands)	Average Balance	Interest	Average Rate[4]	Average Balance	Interest	Average Rate[4]
Interest earning assets:						
Cash and cash equivalents	343,210	787	0.92 %	572,485	158	0.11 %
Taxable securities	174,489	1,237	2.84 %	165,786	967	2.34 %
Tax-exempt securities	14,378	92	2.57 %	33,451	220	2.64 %
FHLB and other restricted stock	12,526	34	1.09 %	9,518	27	1.14 %
Loans [1]	4,753,893	104,157	8.79 %	4,814,050	93,316	7.77 %
Total interest earning assets	5,298,496	106,307	8.05 %	5,595,290	94,688	6.79 %
Noninterest earning assets:						
Cash and cash equivalents	91,882			78,132		
Other noninterest earning assets	487,942			420,383		
Total assets	5,878,320			6,093,805		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	874,503	536	0.25 %	757,529	469	0.25 %
Individual retirement accounts	81,678	106	0.52 %	88,142	143	0.65 %
Money market	545,508	280	0.21 %	398,290	216	0.22 %
Savings	516,924	201	0.16 %	468,517	178	0.15 %
Certificates of deposit	461,280	550	0.48 %	664,478	1,157	0.70 %
Brokered time deposits	101,270	302	1.20 %	138,102	51	0.15 %
Other brokered deposits	89,714	731	3.27 %	685,397	256	0.15 %
Total interest bearing deposits	2,670,877	2,706	0.41 %	3,200,455	2,470	0.31 %
Federal Home Loan Bank advances	155,549	316	0.81 %	39,341	22	0.22 %
Subordinated notes	107,263	1,302	4.87 %	87,590	1,350	6.18 %
Junior subordinated debentures	40,802	556	5.47 %	40,251	446	4.44 %
Other borrowings	5,844	(1)	(0.07)%	138,649	118	0.34 %
Total interest bearing liabilities	2,980,335	4,879	0.66 %	3,506,286	4,406	0.50 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	1,951,725			1,749,858		
Other liabilities	63,755			51,257		
Total equity	882,505			786,404		
Total liabilities and equity	5,878,320			6,093,805		
Net interest income		101,428			90,282	
Interest spread [2]			7.39 %			6.29 %
Net interest margin [3]			7.68 %			6.47 %

(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, 2022	2021
Average Banking loans	$ 3,014,573	$ 3,516,747
Average Factoring receivables	1,576,208	1,195,209
Average Payments receivables	163,112	102,094
Average total loans	$ 4,753,893	$ 4,814,050
Banking yield	5.87 %	5.25 %
Factoring yield	14.21 %	14.99 %
Payments yield	10.26 %	10.51 %
Total loan yield	8.79 %	7.77 %

We earned net interest income of $101.4 million for the three months ended June 30, 2022 compared to $90.3 million for the three months ended June 30, 2021, an increase of $11.1 million, or 12.3%, primarily driven by the following factors.

Interest income increased $11.6 million, or 12.3%, in spite of a decrease in average interest earning assets of $296.8 million, or 5.3%, and a decrease in average total loans of $60.2 million, or 1.2%. The average balance of our higher yielding Factoring factored receivables increased $381.0 million, or 31.9%, driving the majority of the increase in interest income along with an increase in average Payments factored receivables. This was partially offset by a decrease in average Banking loans of $502.2 million, or 14.3% due to decreases in the average balances of all Banking loan types except for general commercial and asset based lending. Interest income from our Banking loans is impacted by our lower yielding mortgage warehouse lending product. The average mortgage warehouse lending balance was $651.4 million for the three months ended June 30, 2022 compared to $789.0 million for the three months ended June 30, 2021. Further, included in our Banking loans were PPP loans with a carrying amounts of $4.5 million and $135.3 million at June 30, 2022 and June 30, 2021, respectively. A component of interest income consists of discount accretion on acquired loan portfolios and acquired liquid credit. We recognized discount accretion on purchased loans of $3.6 million and $2.2 million for the three months ended June 30, 2022 and 2021, respectively.

Interest expense increased $0.5 million, or 10.7%, despite a decrease in average interest-bearing liabilities. More specifically, average total interest bearing deposits decreased $529.6 million, or 16.5%. Average noninterest bearing demand deposits grew $201.9 million. The increase in interest expense was driven by higher average rates discussed below.

Net interest margin increased to 7.68% for the three months ended June 30, 2022 from 6.47% for the three months ended June 30, 2021, an increase of 121 basis points or 18.7%.

The increase in our net interest margin was impacted by an increase in our yield on interest earning assets of 126 basis points to 8.05% for the three months ended June 30, 2022. This increase was primarily driven by higher yields on loans which increased 102 basis points to 8.79% for the same period. Factoring yield decreased period over period; however, average Factoring factored receivables as a percentage of the total loan portfolio increased significantly which had a meaningful upward impact on total loan yield. Our transportation factoring balances, which generally generate a higher yield than our non-transportation factoring balances, were 95% and 91% of our Factoring portfolio at June 30, 2022 and 2021, respectively. Banking yields also increased period over period while Payments yields decreased. Non-loan yields had little impact on our yield on interest earning assets.

The increase in our net interest margin was also impacted by an increase in our average cost of interest bearing liabilities of 16 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 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, 2022 vs. 2021		
	Increase (Decrease) Due to:		
(Dollars in thousands)	Rate	Volume	Net Increase
Interest earning assets:			
Cash and cash equivalents	$ 1,155	$ (526)	$ 629
Taxable securities	208	62	270
Tax-exempt securities	(6)	(122)	(128)
FHLB and other restricted stock	(1)	8	7
Loans	12,159	(1,318)	10,841
Total interest income	13,515	(1,896)	11,619
Interest bearing liabilities:			
Interest bearing demand	(5)	72	67
Individual retirement accounts	(29)	(8)	(37)
Money market	(12)	76	64
Savings	4	19	23
Certificates of deposit	(365)	(242)	(607)
Brokered time deposits	361	(110)	251
Other brokered deposits	5,329	(4,854)	475
Total interest bearing deposits	5,283	(5,047)	236
Federal Home Loan Bank advances	58	236	294
Subordinated notes	(287)	239	(48)
Junior subordinated debentures	102	8	110
Other borrowings	(142)	23	(119)
Total interest expense	5,014	(4,541)	473
Change in net interest income	$ 8,501	$ 2,645	$ 11,146

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 2021 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,			
(Dollars in thousands)	2022	2021	$ Change	% Change
Credit loss expense (benefit) on loans	$ 2,069	$ (1,967)	$ 4,036	205.2 %
Credit loss expense (benefit) on off balance sheet credit exposures	932	293	639	218.1 %
Credit loss expense (benefit) on held to maturity securities	(100)	(132)	32	24.2 %
Credit loss expense on available for sale securities	—	—	—	—
Total credit loss expense (benefit)	$ 2,901	$ (1,806)	$ 4,707	260.6 %

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, 2022 and March 31, 2022, 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, 2022. 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, 2022 and December 31, 2021, 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, 2022 and March 31, 2022, the Company carried $6.7 million and $6.9 million of these HTM securities at amortized cost, respectively. The required ACL on these balances was $2.4 million at June 30, 2022 and $2.5 million at March 31, 2022 resulting in a benefit to credit loss expense of $0.1 million during the current quarter. Credit loss expense during the three months ended June 30, 2021 was a benefit of $0.1 million. None of the overcollateralization triggers tied to the CLO securities were tripped as of June 30, 2022. 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 $43.4 million as of June 30, 2022, compared to $42.2 million as of December 31, 2021, representing an ACL to total loans ratio of 0.98% and 0.87% respectively.

Our credit loss expense on loans increased $4.0 million, or 205.2%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021.

During the three months ended June 30, 2022, we decreased our reserve on Over-Formula Advance clients reflecting payment made during the quarter. This resulted in a benefit to credit loss expense of $0.4 million. We continue to reserve the full balance of the Over-Formula Advance clients at June 30, 2022 which totals $9.2 million.

The increased credit loss expense was primarily the result of projected improvement of the loss drivers that the Company forecasted over the reasonable and supportable forecast period to calculate expected losses at June 30, 2021 which resulted in a benefit to credit loss expense of $1.8 million for the three months ended June 30, 2021. During the three months ended June 30, 2022 the Company forecasted some deterioration in the loss factors as well as slower prepayment speeds which resulted in credit loss expense of $2.6 million. See further discussion in the allowance for credit loss section below.

The increased credit loss expense was also driven by changes in net new specific reserves (including reserves on Over-Formula Advances) which resulted in $1.4 million and $0.7 million of credit loss expense for the three months ended June 30, 2022 and 2021, respectively.

Changes in loan volume and mix resulted in a benefit to credit loss expense of $1.6 million during the three months ended June 30, 2022 compared to a benefit of $0.7 during the same period a year prior.

Net charge-offs were $0.2 million for the three months ended June 30, 2022 and approximately $0.5 million of the gross charge-off balance had been reserved in a prior period. Net charge-offs were $0.4 million for the three months ended June 30, 2021 and approximately $0.5 million of the gross charge-off balance had been reserved in a prior period.

Credit loss expense for off balance sheet credit exposures increased $0.6 million, primarily due to the changes in the assumptions used to project the loss rates previously discussed and changes to outstanding commitments to fund period over period.

Noninterest Income

The following table presents our major categories of noninterest income:

	Three Months Ended June 30,			
(Dollars in thousands)	2022	2021	$ Change	% Change
Service charges on deposits	$ 1,664	$ 1,857	$ (193)	(10.4)%
Card income	2,080	2,225	(145)	(6.5)%
Net OREO gains (losses) and valuation adjustments	18	(287)	305	106.3 %
Net gains (losses) on sale or call of securities	2,514	1	2,513	N/M
Net gains (losses) on sale of loans	17,269	1,019	16,250	1,594.7 %
Fee income	6,273	4,470	1,803	40.3 %
Insurance commissions	1,346	1,272	74	5.8 %
Other	16,996	3,339	13,657	409.0 %
Total noninterest income	$ 48,160	$ 13,896	$ 34,264	246.6 %

Noninterest income increased $34.3 million, or 246.6%. Changes in selected components of noninterest income in the above table are discussed below.

- *Net gains (losses) on sale or call of securities.* Net gains (losses) on sale or call of securities increased $2.5 million due to gains on the sale of certain available for sale CLOs during the three months ended June 30, 2022.

- *Net gains (losses) on sale of loans.* Net gains (losses) on sale of loans increased $16.3 million due to the aforementioned gain on sale of factored receivables of $13.2 million and gain on sale of equipment loans of $3.9 million during the three months ended June 30, 2022.

- *Fee income*. Fee income increased $1.8 million, or 40.3%, due to a $2.3 million increase in payment fees earned by TriumphPay during the three months ended June 30, 2022 compared to the same period a year ago. The fees were primarily a result of the acquired operations of HubTran during June of the prior year. Additionally, wire fees increased $0.5 million period over period. These increases were partially offset by a combined $1.2 million of early termination fees charged to two customers during the three months ended June 30, 2021 that did not repeat during the current year. There were no other significant changes within the components of fee income.

- *Other.* Other noninterest income increased $13.7 million, or 409.0%, primarily due to a gain of $8.9 million on the aforementioned termination of an interest rate swap recognized during the three months ended June 30, 2022. During that same period, we recognized a net gain of $7.0 million on the aforementioned termination of WSI warrants and additional investment in WSI common stock. These increases were partially offset by a $1.5 million recovery during the three months ended June 30, 2021 on an acquired loan that was charged off prior to our acquisition of the originating bank. There were no other significant changes within the components of other noninterest income.

Noninterest Expense

The following table presents our major categories of noninterest expense:

	Three Months Ended June 30,			
(Dollars in thousands)	2022	2021	$ Change	% Change
Salaries and employee benefits	$ 54,257	$ 41,658	$ 12,599	30.2 %
Occupancy, furniture and equipment	6,507	6,112	395	6.5 %
FDIC insurance and other regulatory assessments	382	500	(118)	(23.6)%
Professional fees	3,607	5,052	(1,445)	(28.6)%
Amortization of intangible assets	3,064	2,428	636	26.2 %
Advertising and promotion	1,785	1,241	544	43.8 %
Communications and technology	9,820	6,028	3,792	62.9 %
Travel and entertainment	1,423	960	463	48.2 %
Other	7,762	6,819	943	13.8 %
Total noninterest expense	$ 88,607	$ 70,798	$ 17,809	25.2 %

Noninterest expense increased $17.8 million, or 25.2%. Noninterest expense for the three months ended June 30, 2021 was impacted by $3.0 million of transaction costs associated with the HubTran acquisition. Excluding the HubTran acquisition costs, we incurred adjusted noninterest expense of $67.8 million for the three months ended June 30, 2021, resulting in an adjusted increase in noninterest expense of $20.8 million, or 30.7%, period over period. 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 $12.6 million, or 30.2%, which is primarily due to merit increases for existing employees, higher health insurance benefit costs, incentive compensation, and 401(k) expense. The size of our workforce increased period over period due in part due to the acquisition of HubTran, but also organic growth within the Company. Our average full-time equivalent employees were 1,365.3 and 1,190.5 for the three months ended June 30, 2022 and 2021, respectively. Further, accruals for bonus expense were $2.0 million higher period over period reflecting strong operating results through the first half of 2022 and stock based compensation expense increased $4.5 million period over period. Additionally, compensation paid to temporary contract labor increased $1.6 million period over period. Sales commissions, primarily related to our operations at Triumph Business Capital and TriumphPay, decreased $0.8 million period over period.

- *Professional Fees*. Professional fees decreased $1.4 million, or 28.6%, primarily due to a $3.0 million of transaction costs associated with the acquisition of HubTran during 2021 offset by the professional fees paid on the equipment loan and factored receivable sales during the three months ended June 30, 2022.

- *Amortization of Intangible Assets*. Amortization of intangible assets increased $0.6 million, or 26.2%, primarily due to the additional intangibles recorded through the acquisition of HubTran during June 2021.

- *Advertising and Promotion*. Advertising and promotion increased $0.5 million, or 43.8%, primarily due increased activity in this area period over period.

- *Communication and Technology.* Communication and technology increased $3.8 million, or 62.9%, primarily as a result of increased spending on IT consulting and IT license and software maintenance to develop efficiency in our operations and improve the functionality of the TriumphPay platform period over period.

- *Other.* Other noninterest expense includes loan-related expenses, software amortization, training and recruiting, postage, insurance, and subscription services. Other noninterest expense increased $0.9 million, or 13.8% despite a $0.8 million decrease in other loan related expenses period over period. There were no other significant increases or decreases in the individual components of 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 increased $6.7 million, from $7.2 million for the three months ended June 30, 2021 to $13.9 million for the three months ended June 30, 2022. The effective tax rate was 24% for the three months ended June 30, 2022, compared to 20% for the three months ended June 30, 2021. The prior period effective tax rate was impacted by restricted stock and stock option activity as well as amended return benefit.

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 Business Capital 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.

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 2021 Form 10-K. Transactions between segments consist primarily of borrowed funds. Intersegment interest expense is allocated to the Factoring and Payments segments based on Federal Home Loan Bank advance rates. 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. The majority of salaries and benefits expense for our executive leadership team as well as other selling, general, and administrative shared services costs are allocated to the Banking segment. Taxes are paid on a consolidated basis and are not allocated for segment purposes. The Factoring segment includes only factoring originated by TBC.

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

(Dollars in thousands)

Three Months Ended June 30, 2022	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 46,239	$ 55,854	$ 4,172	$ 42	$ 106,307
Intersegment interest allocations	2,188	(2,079)	(109)	—	—
Total interest expense	3,020	—	—	1,859	4,879
Net interest income (expense)	45,407	53,775	4,063	(1,817)	101,428
Credit loss expense (benefit)	3,120	64	(184)	(99)	2,901
Net interest income after credit loss expense	42,287	53,711	4,247	(1,718)	98,527
Noninterest income	22,312	15,521	10,309	18	48,160
Noninterest expense	48,385	22,123	17,663	436	88,607
Net income (loss) before income tax expense	$ 16,214	$ 47,109	$ (3,107)	$ (2,136)	$ 58,080

(Dollars in thousands) Three Months Ended June 30, 2021	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 47,356	$ 44,653	$ 2,675	$ 4	$ 94,688
Intersegment interest allocations	2,723	(2,584)	(139)	—	—
Total interest expense	2,610	—	—	1,796	4,406
Net interest income (expense)	47,469	42,069	2,536	(1,792)	90,282
Credit loss expense (benefit)	(4,335)	2,444	218	(133)	(1,806)
Net interest income after credit loss expense	51,804	39,625	2,318	(1,659)	92,088
Noninterest income	10,018	2,742	1,083	53	13,896
Noninterest expense	41,860	17,174	10,842	922	70,798
Net income (loss) before income tax expense	$ 19,962	$ 25,193	$ (7,441)	$ (2,528)	$ 35,186

(Dollars in thousands) June 30, 2022	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,620,770	$ 1,614,369	$ 340,357	$ 1,024,081	$ (2,644,070)	$ 5,955,507
Gross loans	$ 3,990,481	$ 1,450,447	$ 145,835	$ —	$ (1,151,397)	$ 4,435,366

(Dollars in thousands) December 31, 2021	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,568,826	$ 1,679,495	$ 293,212	$ 1,009,998	$ (2,595,281)	$ 5,956,250
Gross loans	$ 4,444,136	$ 1,546,361	$ 153,176	$ 700	$ (1,276,801)	$ 4,867,572

Banking

(Dollars in thousands)	Three Months Ended June 30,			
Banking	2022	2021	$ Change	% Change
Total interest income	$ 46,239	$ 47,356	$ (1,117)	(2.4)%
Intersegment interest allocations	2,188	2,723	(535)	(19.6)%
Total interest expense	3,020	2,610	410	15.7 %
Net interest income (expense)	45,407	47,469	(2,062)	(4.3)%
Credit loss expense (benefit)	3,120	(4,335)	7,455	172.0 %
Net interest income after credit loss expense	42,287	51,804	(9,517)	(18.4)%
Other noninterest income	22,312	10,018	12,294	122.7 %
Noninterest expense	48,385	41,860	6,525	15.6 %
Operating income (loss)	$ 16,214	$ 19,962	$ (3,748)	(18.8)%

Our Banking segment’s operating income decreased $3.7 million, or 18.8%.

Total interest income decreased $1.1 million, or 2.4%, at our Banking segment primarily as a result of decreases in the majority of the balances of our interest earning assets, primarily loans. Average loans in our Banking segment, excluding intersegment loans, decreased 14.3% from $3.517 billion for the three months ended June 30, 2021 to $3.015 billion for the three months ended June 30, 2022. The decrease in average loan balances reflects decreases in average commercial real estate, construction, 1-4 family residential, farmland, paycheck protection program, agriculture, equipment, liquid credit, consumer and mortgage warehouse loans. The decrease in interest income was partially offset by an increase in yields on interest earning assets at our Banking segment.

Interest expense increased despite a decrease in average interest-bearing liabilities including a decrease in average total interest bearing deposits period over period. This increase was 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 $2.2 million for the three months ended June 30, 2022 compared to a benefit to credit loss expense on loans of $4.6 million for the three months ended June 30, 2021. The increase in credit loss expense was primarily the result of slower projected prepayment speeds and deterioration of the loss driver assumptions that the Company forecasted over the reasonable and supportable forecast periods to calculate expected losses at our Banking segment.

Changes in volume and rate also contributed to the increase in provision expense period over period. We also recorded more specific reserves at our Banking segment during the three months ended June 30, 2022 compared to the same period a year ago. Charge-off activity did not have a significant impact on the increase in credit loss expense period over period.

Credit loss expense for off balance sheet credit exposures increased $0.6 million from $0.3 million for the three months ended June 30, 2021 to $0.9 million for the three months ended June 30, 2022, primarily due to the changes in the assumptions used to project the loss rates previously discussed and changes to outstanding commitments to fund period over period.

Noninterest income at our Banking segment increased due to $2.5 million of gains on the sales of certain available for sale CLOs as well as the $3.9 million gain on sale of equipment loans during the three months ended June 30, 2022. Further, we recognized a gain of $8.9 million on the termination of an interest rate swap during the same period. These increases were partially offset by a $1.5 million recovery during the three months ended June 30, 2021 on an acquired loan that was charged off prior to our acquisition of the originating bank. There were no other significant changes within the components of other noninterest income at our Banking segment.

Noninterest expense increased primarily due to an increase in salaries and employee benefits expense due to merit increases for existing employees, higher health insurance benefit costs, incentive compensation, stock based compensation and 401(k) expense. Remaining fluctuations in the individual components of noninterest expense at our Banking segment were insignificant period over period. It should be noted that the majority of our executive leadership team's salary and employee benefits expense as well as other selling, general, and administrative shared services costs are allocated to the Banking segment.

During the three months ended June 30, 2022, the aggregate outstanding balances of our banking products decreased $329.0 million, or 10.4%, to $2.839 billion as of June 30, 2022. See the Financial Condition section below for further discussion of changes in loan balances:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Banking		
Commercial real estate	$ 649,280	$ 632,775
Construction, land development, land	103,377	123,464
1-4 family residential	126,362	123,115
Farmland	70,272	77,394
Commercial - General	319,660	295,662
Commercial - Paycheck Protection Program	4,538	27,197
Commercial - Agriculture	60,150	70,127
Commercial - Equipment	431,366	621,437
Commercial - Asset-based lending	239,505	281,659
Commercial - Liquid Credit	170,260	134,347
Consumer	9,709	10,885
Mortgage Warehouse	654,605	769,973
Total banking loans	$ 2,839,084	$ 3,168,035

Factoring

(Dollars in thousands)	Three Months Ended June 30,			
Factoring	2022	2021	$ Change	% Change
Total interest income	$ 55,854	$ 44,653	$ 11,201	25.1 %
Intersegment interest allocations	(2,079)	(2,584)	505	19.5 %
Total interest expense	—	—	—	—
Net interest income (expense)	53,775	42,069	11,706	27.8 %
Credit loss expense (benefit)	64	2,444	(2,380)	(97.4)%
Net interest income (expense) after credit loss expense	53,711	39,625	14,086	35.5 %
Noninterest income	15,521	2,742	12,779	466.0 %
Noninterest expense	22,123	17,174	4,949	28.8 %
Net income (loss) before income tax expense	$ 47,109	$ 25,193	$ 21,916	87.0 %

	Three Months Ended June 30, 2022	2021
Factored receivable period end balance	$ 1,474,852,000	$ 1,284,314,000
Yield on average receivable balance	14.21 %	14.99 %
Current quarter charge-off rate	— %	0.04 %
Factored receivables - transportation concentration	94 %	91 %
Interest income, including fees	$ 55,854,000	$ 44,653,000
Non-interest income[1]	15,521,000	2,742,000
Factored receivable total revenue	71,375,000	47,395,000
Average net funds employed	1,409,312,000	1,072,405,000
Yield on average net funds employed	20.31 %	17.73 %
Accounts receivable purchased	$ 4,023,569,000	$ 3,068,262,000
Number of invoices purchased	1,725,721	1,401,695
Average invoice size	$ 2,332	$ 2,189
Average invoice size - transportation	$ 2,176	$ 2,090
Average invoice size - non-transportation	$ 6,469	$ 4,701

Metrics above include assets and deposits held for sale.

[1] Non-interest income for the three months ended June 30, 2022 includes a $13.2 million gain on sale of a portfolio of factored receivables, which contributed 3.76% to the yield on average net funds employed for the quarter.

Our Factoring segment's operating income increased $21.9 million, or 87.0%.

Our average invoice size increased 6.5% from $2,189 for the three months ended June 30, 2021 to $2,332 for the three months ended June 30, 2022, and the number of invoices purchased increased 23.1% period over period.

Net interest income at our Factoring segment increased period over period. Overall average net funds employed ("NFE") increased 31.4% during the three months ended June 30, 2022 compared to the same period in 2021. The increase in average NFE was the result of increased invoice purchase volume as well as increased average invoice size. Those, in turn, resulted from historically high freight volume in a reduced capacity market. See further discussion under the Recent Developments: Trucking Transportation section. The increase in net interest income was partially offset by decreased purchase discount rates driven by greater focus on larger lower priced fleets and competitive pricing pressure; however, those negative factors were somewhat mitigated by 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 91% at June 30, 2021 and 94% at June 30, 2022.

The period over period decrease in credit loss expense at our Factoring segment is primarily due to a decrease driven by changes in volume and mix during the comparative periods. Additionally, increases in required specific reserves on factored receivables at our Factoring segment were lesser in magnitude during the current period. Changes in loss assumptions did not have a material impact on the change in credit loss expense period over period. Net charge-offs at our Factoring segment during the three months ended June 30, 2022 were less than $0.1 million compared to $0.5 million during the same period a year ago.

The increase in noninterest income at our Factoring segment was primarily due to the aforementioned $13.2 million gain on sale of factored receivables during the three months ended June 30, 2022. The increase was partially offset by a combined $1.2 million of early termination fees charged to two customers during the three months ended June 30, 2021 that did not repeat during the current year. There were no other material fluctuations in noninterest income at our Factoring segment.

Noninterest expense increased primarily due to an increase in salaries and employee benefits expense due to growth in the workforce, merit increases for existing employees, higher health insurance benefit costs, incentive compensation, stock based compensation and 401(k) expense. Remaining fluctuations in the individual components of noninterest expense at our Factoring segment were insignificant period over period.

Payments

(Dollars in thousands)	Three Months Ended June 30,			
Payments	2022	2021	$ Change	% Change
Total interest income	$ 4,172	$ 2,675	$ 1,497	56.0 %
Intersegment interest allocations	(109)	(139)	30	21.6 %
Total interest expense	—	—	—	— %
Net interest income (expense)	4,063	2,536	1,527	60.2 %
Credit loss expense (benefit)	(184)	218	(402)	(184.4)%
Net interest income after credit loss expense	4,247	2,318	1,929	83.2 %
Noninterest income	10,309	1,083	9,226	851.9 %
Noninterest expense	17,663	10,842	6,821	62.9 %
Net income (loss) before income tax expense	$ (3,107)	$ (7,441)	$ 4,334	58.2 %

	Three Months Ended June 30,	
	2022	2021
Factored receivable period end balance	$ 145,835,000	$ 113,985,000
Interest income	$ 4,172,000	$ 2,675,000
Noninterest income[1]	10,309,000	1,083,000
Total revenue	$ 14,481,000	$ 3,758,000
Operating income (loss)	$ (3,107,000)	$ (7,441,000)
Interest expense	109,000	139,000
Depreciation and software amortization expense	103,000	68,000
Intangible amortization expense	1,477,000	497,000
Earnings (losses) before interest, taxes, depreciation, and amortization	$ (1,418,000)	$ (6,737,000)
Transaction costs	$ —	$ 2,992,000
Adjusted earnings (losses) before interest, taxes, depreciation, and amortization[2]	$ (1,418,000)	$ (3,745,000)
Number of invoices processed	4,388,711	3,165,119
Amount of payments processed	$ 6,033,898,000	$ 3,426,808,000
Conforming invoice volume	118,580	—
Conforming payment volume	$ 253,312,000	$ —

(1) June 30, 2022 non-interest income includes a $10.2 million gain on an equity investment and a $3.2 million loss on impairment of warrants.

(2) Earnings (losses) before interest, taxes, depreciation, and amortization ("EBITDA") is a non-GAAP financial measure used as a supplemental measure to evaluate the performance of our Payments segment. Adjusted EBITDA excludes material gains and expenses related to merger and acquisition-related activities and is a non-GAAP financial measure used to provide meaningful supplemental information regarding the segment's operational performance and to enhance investors' overall understanding of such financial performance by removing the volatility associated with certain acquisition-related items that are unrelated to our core business.

Our Payments segment's operating loss decreased $4.3 million, or 58.2%.

The number of invoices processed by our Payments segment increased 38.7% from 3,165,119 for the three months ended June 30, 2021 to 4,388,711 for the three months ended June 30, 2022, and the amount of payments processed increased 76.1% from $3.427 billion for the three months ended June 30, 2021 to $6.034 billion for the three months ended June 30, 2022.

We began processing conforming 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 "conforming transaction." All conforming 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. In recognition of these benefits, we will charge a network fee tied to conforming transactions. During the three months ended June 30, 2022, we processed 118,580 conforming invoices representing a conforming payment volume of $253.3 million.

Net interest income increased due to increased factoring activity at our Payments segment slightly offset by decreased yields period over period. Noninterest income increased due to a $2.3 million increase in payment fees earned by TriumphPay during the three months ended June 30, 2022 compared to the same period a year ago. The fees were primarily a result of the acquired operations of HubTran during June of the prior year. Additionally, we recognized a net gain of $7.0 million on the aforementioned termination of WSI warrants and additional investment in WSI common stock.

Noninterest expense increased primarily due to an increase in salaries and employee benefits expense driven by increased headcount, merit increases for existing employees, higher health insurance benefit costs, incentive compensation, stock based compensation and 401(k) expense. Additionally at our Payments segment, IT expense increased $0.9 million, amortization of the intangible assets acquired in the HubTran acquisition increased $1.0 million, and professional fees decreased $2.1 million. We continue to invest heavily in the operations of TriumphPay.

The acquisition of HubTran during the three months ended June 30, 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 shippers, 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 will lead to meaningful amounts of amortization going forward.

Corporate

(Dollars in thousands)	Three Months Ended June 30,			
Corporate	2022	2021	$ Change	% Change
Total interest income	$ 42	$ 4	$ 38	950.0 %
Intersegment interest allocations	—	—	—	—
Total interest expense	1,859	1,796	63	3.5 %
Net interest income (expense)	(1,817)	(1,792)	(25)	(1.4)%
Credit loss expense (benefit)	(99)	(133)	34	25.6 %
Net interest income (expense) after credit loss expense	(1,718)	(1,659)	(59)	(3.6)%
Other noninterest income	18	53	(35)	(66.0)%
Noninterest expense	436	922	(486)	(52.7)%
Net income (loss) before income tax expense	$ (2,136)	$ (2,528)	$ 392	15.5 %

The Corporate segment reported an operating loss of $2.1 million for the three months ended June 30, 2022 compared to an operating loss of $2.5 million for the three months ended June 30, 2021. There were no material fluctuations in the operating results of our Corporate segment period over period.

Results of Operations

Six months ended June 30, 2022 compared with six months ended June 30, 2021

Net Income

We earned net income of $68.5 million for the six months ended June 30, 2022 compared to $61.9 million for the six months ended June 30, 2021, an increase of $6.6 million.

The results for the six months ended June 30, 2021 were impacted by $3.0 million of transaction costs associated with the HubTran acquisition reported as noninterest expense. Excluding the transaction costs and gain on sale, net of taxes, we earned adjusted net income of $64.2 million for the six months ended June 30, 2021. There were no such adjustments during the six months ended June 30, 2022. The adjusted increase in net income for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 totaled $4.3 million and was driven by a $31.1 million increase in noninterest income and a $28.2 million increase in net interest income offset by a $38.5 million increase in adjusted noninterest expense, a $13.1 million increase in credit loss expense, and a $3.4 million increase in adjusted income tax expense.

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.

	Six Months Ended June 30,					
	2022			2021		
(Dollars in thousands)	Average Balance	Interest	Average Rate[4]	Average Balance	Interest	Average Rate[4]
Interest earning assets:						
Cash and cash equivalents	$ 308,668	$ 915	0.60 %	$ 525,641	$ 284	0.11 %
Taxable securities	172,282	2,320	2.72 %	177,531	2,395	2.72 %
Tax-exempt securities	14,582	187	2.59 %	34,081	442	2.62 %
FHLB and other restricted stock	11,267	110	1.97 %	8,163	103	2.54 %
Loans [1]	4,783,709	206,210	8.69 %	4,831,068	179,817	7.51 %
Total interest earning assets	5,290,508	209,742	7.99 %	5,576,484	183,041	6.62 %
Noninterest earning assets:						
Cash and cash equivalents	80,583			84,491		
Other noninterest earning assets	489,825			392,851		
Total assets	$ 5,860,916			$ 6,053,826		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	$ 852,554	$ 979	0.23 %	$ 729,798	$ 853	0.24 %
Individual retirement accounts	82,182	210	0.52 %	89,600	329	0.74 %
Money market	542,050	561	0.21 %	398,153	445	0.23 %
Savings	513,346	393	0.15 %	457,481	345	0.15 %
Certificates of deposit	489,682	1,134	0.47 %	714,583	3,112	0.88 %
Brokered time deposits	60,065	305	1.02 %	152,910	230	0.30 %
Other brokered deposits	151,835	685	0.91 %	743,878	528	0.14 %
Total interest bearing deposits	2,691,714	4,267	0.32 %	3,286,403	5,842	0.36 %
Federal Home Loan Bank advances	109,972	354	0.65 %	37,597	45	0.24 %
Subordinated notes	107,151	2,601	4.90 %	87,561	2,699	6.22 %
Junior subordinated debentures	40,732	1,010	5.00 %	40,188	888	4.46 %
Other borrowings	5,469	3	0.11 %	155,184	265	0.34 %
Total interest bearing liabilities	2,955,038	8,235	0.56 %	3,606,933	9,739	0.54 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	1,944,606			1,622,528		
Other liabilities	79,540			57,629		
Total equity	881,732			766,736		
Total liabilities and equity	$ 5,860,916			$ 6,053,826		
Net interest income		$ 201,507			$ 173,302	
Interest spread [2]			7.43 %			6.08 %
Net interest margin [3]			7.68 %			6.27 %

(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,	
(Dollars in thousands)	2022	2021
Average Banking loans	$ 3,023,608	$ 3,619,252
Average Factoring receivables	1,595,230	1,122,492
Average Payments receivables	164,871	89,324
Average total loans	$ 4,783,709	$ 4,831,068
Banking yield	5.67 %	5.28 %
Factoring yield	14.19 %	14.46 %
Payments Yield	11.01 %	10.48 %
Total loan yield	8.69 %	7.51 %

We earned net interest income of $201.5 million for the six months ended June 30, 2022 compared to $173.3 million for the six months ended June 30, 2021, an increase of $28.2 million, or 16.3%, primarily driven by the following factors.

Interest income increased $26.7 million, or 14.6%, in spite of a decrease in total average interest earning assets of $286.0 million, or 5.1%, and a decrease in average total loans of $47.4 million, or 1.0%. The average balance of our higher yielding Factoring factored receivables increased $472.7 million, or 42.1%, driving the majority of the increase in interest income along with an increase in average Payments factored receivables. This was partially offset by a decrease in average Banking loans of $595.6 million, or 16.5% due to decreases in average commercial real estate, construction, 1-4 family residential, farmland, paycheck protection program, agriculture, liquid credit, 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 $644.1 million for the six months ended June 30, 2022 compared to $855.0 million for the six months ended June 30, 2021. A component of interest income consists of discount accretion on acquired loan portfolios. We recognized discount accretion on purchased loans of $5.1 million and $5.7 million for the six months ended June 30, 2022 and 2021, respectively.

Interest expense decreased $1.5 million, or 15.4%, and average interest bearing liabilities decreased $651.9 million, or 18.1%. More specifically, average total interest bearing deposits decreased $594.7 million, or 18.1%. Average noninterest bearing deposits grew $322.1 million. Average rates on interest bearing liabilities were relatively flat period over period.

Net interest margin increased to 7.68% for the six months ended June 30, 2022 from 6.27% for the six months ended June 30, 2021, an increase of 141 basis points, or 22.5%.

Our net interest margin was impacted by an increase in yield on our interest earning assets of 137 basis points to 7.99% for the six months ended June 30, 2022. This increase was primarily driven by higher yields on loans which increased 118 basis points to 8.69% for the same period. Factoring yield decreased period over period; however, average Factoring factored receivables as a percentage of the total loan portfolio increased significantly which had a meaningful upward impact on total loan yield. Our transportation factoring balances, which generate a higher yield than our non-transportation factoring balances, increased as a percentage of the overall factoring portfolio to 95% at June 30, 2022 compared to 91% at June 30, 2021. Banking and Payments yields also increased period over period and non-loan yields had little impact on our yield on interest earning assets.

The increase in our net interest margin was minimally impacted by an increase in our average cost of interest bearing liabilities of 2 basis points.

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, 2022 vs. 2021		
	Increase (Decrease) Due to:		
(Dollars in thousands)	Rate	Volume	Net Increase
Interest earning assets:			
Cash and cash equivalents	$ 1,274	$ (643)	$ 631
Taxable securities	(4)	(71)	(75)
Tax-exempt securities	(5)	(250)	(255)
FHLB and other restricted stock	(23)	30	7
Loans	28,434	(2,041)	26,393
Total interest income	29,676	(2,975)	26,701
Interest bearing liabilities:			
Interest bearing demand	(15)	141	126
Individual retirement accounts	(100)	(19)	(119)
Money market	(33)	149	116
Savings	5	43	48
Certificates of deposit	(1,457)	(521)	(1,978)
Brokered time deposits	546	(471)	75
Other brokered deposits	2,828	(2,671)	157
Total interest bearing deposits	1,774	(3,349)	(1,575)
Federal Home Loan Bank advances	76	233	309
Subordinated notes	(574)	476	(98)
Junior subordinated debentures	109	13	122
Other borrowings	(180)	(82)	(262)
Total interest expense	1,205	(2,709)	(1,504)
Change in net interest income	$ 28,471	$ (266)	$ 28,205

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 2021 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,			
(Dollars in thousands)	2022	2021	$ Change	% Change
Credit loss expense on loans	$ 2,933	$ (8,431)	$ 11,364	134.8 %
Credit loss expense on off balance sheet credit exposures	196	(921)	1,117	121.3 %
Credit loss expense on held to maturity securities	273	(299)	572	191.3 %
Credit loss expense on available for sale securities	—	—	—	—
Total credit loss expense	$ 3,402	$ (9,651)	$ 13,053	(135.3)%

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, 2021 and June 30, 2022, 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, 2022. 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, the Company carried $6.7 million and $7.0 million of these HTM securities at amortized cost, respectively. The ACL on these balances was $2.4 million at June 30, 2022 and $2.1 million at December 31, 2021 and we recognized credit loss expense of $0.3 million during the six months ended June 30, 2022. None of the overcollateralization triggers tied to the CLO securities were tripped as of June 30, 2022. 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, 2021 and December 31, 2020, the Company carried $7.4 million and $7.9 million of these HTM securities at amortized cost, respectively. The ACL on these balances was $1.7 million at June 30, 2021 and $2.0 million at December 31, 2020 and we recognized a benefit to credit loss expense of $0.3 million during the six months ended June 30, 2021.

Our ACL on loans was $43.4 million as of June 30, 2022, compared to $42.2 million as of December 31, 2021, representing an ACL to total loans ratio of 0.98% and 0.87% respectively.

Our credit loss expense on loans increased $11.4 million, or 134.8%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

The Over-Formula Advances classified as factored receivables and deemed to be purchased credit deteriorated ("PCD") from Covenant had an impact on credit loss expense during the six months ended June 30, 2021. During that time, new adverse developments with the largest of the three 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 $41.3 million; however, this net charge-off had no impact on credit loss expense for the six months ended June 30, 2021 as the entire amount had been reserved in a prior period. In accordance with the Agreement reached with Covenant, Covenant reimbursed us for $35.6 million of this charge-off by drawing on its secured line of credit which has been paid in full as of June 30, 2022. Given separate developments with the other two Over-Formula Advance clients, we reserved an additional $2.9 million reflected in credit loss expense during the six months ended June 30, 2021.

During the six months ended June 30, 2022, we decreased our reserve on Over-Formula Advance clients reflecting payment made during the quarter. This resulted in a benefit to credit loss expense of $0.9 million. We continue to reserve the full balance of the Over-Formula Advance clients at June 30, 2022 which totals $9.2 million.

The increased credit loss expense was primarily the result of projected improvement of the loss drivers that the Company forecasted over the reasonable and supportable forecast period to calculate expected losses at June 30, 2021 which resulted in a benefit to credit loss expense of $10.1 million for the six months ended June 30, 2021. During the six months ended June 30, 2022 the Company forecasted some deterioration in the loss factors as well as slower prepayment speeds which resulted in credit loss expense of $1.5 million. See further discussion in the allowance for credit loss section below.

Increased credit loss expense was also driven by charge-off activity. Net charge-offs were $1.7 million for the six months ended June 30, 2022 and approximately $0.7 million of the gross charge-off balance had been reserved in a prior period. Net charge-offs were $41.6 million for the six months ended June 30, 2021 and approximately $41.9 million of the gross charge-off balance had been reserved in a prior period.

Changes in loan volume and mix resulted in a benefit to credit loss expense of $2.1 million during the six months ended June 30, 2022 compared to a benefit of $0.5 during the same period a year prior.

Specific reserve activity, including reserves on Over-Formula Advance clients, did not have a material impact on the change in credit loss expense period over period.

Credit loss expense for off balance sheet credit exposures increased $1.1 million, primarily due to the changes in the assumptions used to project the loss rates previously discussed and changes to outstanding commitments to fund period over period.

Noninterest Income

The following table presents our major categories of noninterest income:

	Six Months Ended June 30,			
(Dollars in thousands)	2022	2021	$ Change	% Change
Service charges on deposits	$ 3,627	$ 3,644	$ (17)	(0.5 %)
Card income	4,091	4,197	(106)	(2.5 %)
Net OREO gains (losses) and valuation adjustments	(114)	(367)	253	68.9 %
Net gains (losses) on sale or call of securities	2,514	1	2,513	N/M
Net gains (losses) on sale of loans	17,203	2,588	14,615	564.7 %
Fee income	11,976	6,719	5,257	78.2 %
Insurance commissions	3,018	2,758	260	9.4 %
Other	16,966	8,647	8,319	96.2 %
Total noninterest income	$ 59,281	$ 28,187	$ 31,094	110.3 %

Noninterest income increased $31.1 million, or 110.3%. Changes in selected components of noninterest income in the above table are discussed below.

- *Net gains (losses) on sale or call of securities.* Net gains (losses) on sale or call of securities increased $2.5 million due to gains on the sale of certain available for sale CLOs during the six months ended June 30, 2022.

- *Net gains (losses) on sale of loans.* Net gains (losses) on sale of loans increased $14.6 million, due to the aforementioned gain on sale of factored receivables of $13.2 million and gain on sale of equipment loans of $3.9 million during the six months ended June 30, 2022.

- *Fee income*. Fee income increased $5.3 million, or 78.2% primarily due to a $5.4 million increase in payment fees earned by TriumphPay during the six months ended June 30, 2022 compared to the same period a year ago. The fees were primarily a result of the acquired operations of HubTran during June of the prior year. Additionally, wire fees increased $1.0 million period over period. These increases were partially offset by a combined $1.2 million of early termination fees charged to two customers during the six months ended June 30, 2021 that did not repeat during the current year. There were no other significant changes within the components of fee income.

- *Other*. Other noninterest income increased $8.3 million, or 96.2% primarily due to a gain of $8.9 million on the aforementioned termination of an interest rate swap recognized during the six months ended June 30, 2022. During that same period, we recognized a net gain of $7.0 million on the aforementioned termination of WSI warrants and additional investment in WSI common stock. These increases were partially offset by a $1.5 million recovery during the six months ended June 30, 2021 on an acquired loan that was charged off prior to our acquisition of the originating bank. Also offsetting the increases was a $4.7 million gain on our indemnification asset recognized during the six months ended June 30, 2021 compared to a write off of the indemnification asset of $0.4 million during the same period of the current year. There were no other significant changes within the components of other noninterest income.

Noninterest Expense

The following table presents our major categories of noninterest expense:

(Dollars in thousands)	Six Months Ended June 30, 2022	2021	$ Change	% Change
Salaries and employee benefits	$ 100,541	$ 77,638	$ 22,903	29.5 %
Occupancy, furniture and equipment	12,943	11,891	1,052	8.8 %
FDIC insurance and other regulatory assessments	793	1,477	(684)	(46.3 %)
Professional fees	7,266	7,597	(331)	(4.4 %)
Amortization of intangible assets	6,172	4,403	1,769	40.2 %
Advertising and promotion	2,987	2,131	856	40.2 %
Communications and technology	18,932	11,928	7,004	58.7 %
Travel and entertainment	2,524	1,373	1,151	83.8 %
Other	15,013	13,252	1,761	13.3 %
Total noninterest expense	$ 167,171	$ 131,690	$ 35,481	26.9 %

Noninterest expense increased $35.5 million, or 26.9%. Noninterest expense for the six months ended June 30, 2021 was impacted by $3.0 million of transaction costs associated with the HubTran acquisition. Excluding the HubTran acquisition costs, we incurred adjusted noninterest expense of $128.7 million for the six months ended June 30, 2021, resulting in an adjusted increase in noninterest expense of $38.5 million, or 29.9%, period over period. 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 $22.9 million, or 29.5%, which is primarily due to merit increases for existing employees, higher health insurance benefit costs, incentive compensation, and 401(k) expense. The size of our workforce increased period over period in part due to the acquisition of HubTran as well as organic growth within the Company. Our average full-time equivalent employees were 1,328.2 and 1,164.9 for the six months ended June 30, 2022 and 2021, respectively. Further, accruals for bonus expense were $1.2 million higher period over period reflecting strong operating results through the first half of 2022 and stock based compensation expense increased $8.1 million period over period. Additionally, compensation paid to temporary contract labor increased $2.2 million period over period. Sales commissions, primarily related to our operations at Triumph Business Capital and TriumphPay, increased $0.7 million period over period.

- *Occupancy, Furniture and Equipment.* Occupancy, furniture and equipment expenses increased $1.1 million, or 8.8%, primarily due to growth in our operations period over period.

- *FDIC Insurance and Other Regulatory Assessments*. FDIC insurance and other regulatory assessments decreased $0.7 million, or 46.3%, primarily due to decreased assessments period over period.

- *Amortization of intangible assets*. Amortization of intangible assets increased $1.8 million, or 40.2%, primarily due to the additional intangibles recorded through the HubTran acquisition during the prior year.

- *Advertising and Promotion*. Advertising and promotion increased $0.9 million, or 40.2%, primarily due increased activity in this area period over period.

- *Communications and Technology.* Communications and technology expenses increased $7.0 million, or 58.7%, primarily as a result of increased spending on IT consulting and IT license and software maintenance to develop efficiency in our operations and improve the functionality of the TriumphPay platform period over period.

- *Travel and entertainment.* Travel and entertainment expenses increased $1.2 million, or 83.8%, primarily due to increased business development activity in this area period over period.

- *Other.* Other noninterest expense increased $1.8 million or 13.3%. despite a $1.0 million decrease in other loan related expenses period over period. There were no other significant increases or decreases in the individual components of 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 increased $4.1 million, or 23.6%, from $17.5 million for the six months ended June 30, 2021 to $21.7 million for the six months ended June 30, 2022. The effective tax rate was 24% for the six months ended June 30, 2022 and 22% for the six months ended June 30, 2021. The prior period effective tax rate was impacted by restricted stock and stock option activity as well as amended return benefit.

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 Business Capital 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, freight 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 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.

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 2021 Form 10-K. Transactions between segments consist primarily of borrowed funds. Intersegment interest expense is allocated to the Factoring and Payments segments based on Federal Home Loan Bank advance rates. Credit loss expense is allocated based on the segment's ACL determination. Noninterest income and expense directly attributable to a segment are assigned accordingly. The majority of salaries and benefits expense for our executive leadership team as well as other selling, general, and administrative shared services costs are allocated to the Banking segment. Taxes are paid on a consolidated basis and are not allocated for segment purposes. The Factoring segment includes only factoring originated by TBC.

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

(Dollars in thousands)

Six Months Ended June 30, 2022	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 88,422	$ 112,228	$ 9,004	$ 88	$ 209,742
Intersegment interest allocations	4,045	(3,854)	(191)	—	—
Total interest expense	4,623	—	—	3,612	8,235
Net interest income (expense)	87,844	108,374	8,813	(3,524)	201,507
Credit loss expense (benefit)	250	2,013	170	969	3,402
Net interest income after credit loss expense	87,594	106,361	8,643	(4,493)	198,105
Noninterest income	28,307	17,392	13,551	31	59,281
Noninterest expense	90,093	43,512	31,996	1,570	167,171
Net income (loss) before income tax expense	$ 25,808	$ 80,241	$ (9,802)	$ (6,032)	$ 90,215

(Dollars in thousands) Six Months Ended June 30, 2021	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 97,912	$ 80,477	$ 4,644	$ 8	$ 183,041
Intersegment interest allocations	5,665	(5,359)	(306)	—	—
Total interest expense	6,152	—	—	3,587	9,739
Net interest income (expense)	97,425	75,118	4,338	(3,579)	173,302
Credit loss expense (benefit)	(16,788)	6,927	510	(300)	(9,651)
Net interest income after credit loss expense	114,213	68,191	3,828	(3,279)	182,953
Noninterest income	17,768	9,153	1,156	110	28,187
Noninterest expense	81,314	33,327	14,977	2,072	131,690
Net income (loss) before income tax expense	$ 50,667	$ 44,017	$ (9,993)	$ (5,241)	$ 79,450

(Dollars in thousands) June 30, 2022	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,620,770	$ 1,614,369	$ 340,357	$ 1,024,081	$ (2,644,070)	$ 5,955,507
Gross loans	$ 3,990,481	$ 1,450,447	$ 145,835	$ —	$ (1,151,397)	$ 4,435,366

(Dollars in thousands) December 31, 2021	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,568,826	$ 1,679,495	$ 293,212	$ 1,009,998	$ (2,595,281)	$ 5,956,250
Gross loans	$ 4,444,136	$ 1,546,361	$ 153,176	$ 700	$ (1,276,801)	$ 4,867,572

Banking

(Dollars in thousands)	Six Months Ended June 30,			
Banking	2022	2021	$ Change	% Change
Total interest income	$ 88,422	$ 97,912	$ (9,490)	(9.7 %)
Intersegment interest allocations	4,045	5,665	(1,620)	(28.6 %)
Total interest expense	4,623	6,152	(1,529)	(24.9 %)
Net interest income	87,844	97,425	(9,581)	(9.8 %)
Credit loss expense (benefit)	250	(16,788)	17,038	101.5 %
Net interest income after credit loss expense	87,594	114,213	(26,619)	(23.3 %)
Noninterest income	28,307	17,768	10,539	59.3 %
Noninterest expense	90,093	81,314	8,779	10.8 %
Net income (loss) before income tax expense	$ 25,808	$ 50,667	$ (24,859)	(49.1 %)

Our Banking segment's operating income decreased $24.9 million, or 49.1%.

Total interest income decreased $9.5 million, or 9.7%, primarily as a result of decreases in the balances of our interest earning assets, primarily loans. Average loans in our Banking segment, excluding intersegment loans, decreased 16.5% from $3.619 billion for the six months ended June 30, 2021 to $3.024 billion for the six months ended June 30, 2022. The decrease in interest income was also driven by a decrease in yields on interest earning assets at our Banking segment.

Interest expense decreased $1.5 million, or 24.9%. Average balance of interest bearing liabilities at our Banking segment decreased overall, and average total interest bearing deposits decreased $594.7 million, or 18.1%. Average rates on interest bearing liabilities at our Banking segment were relatively flat period over period.

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 $0.1 million for the six months ended June 30, 2022 compared to a benefit to credit loss expense on loans of $15.9 million for the six months ended June 30, 2021. The increase in credit loss expense was primarily the result of slower projected prepayment speeds and deterioration of the loss driver assumptions that the Company forecasted over the reasonable and supportable forecast periods to calculate expected losses at our Banking segment. Changes in volume and mix also contributed to the increase in provision expense period over period. We also recorded more specific reserves at our Banking segment during the six months ended June 30, 2022 compared to the same period a year ago. We recorded $0.2 million of net charge-offs at our Banking segment during the six months ended June 30, 2022 compared to a net recovery of $0.4 million during the same period a year ago.

Credit loss expense for off balance sheet credit exposures increased $1.1 million from a benefit of $0.9 million for the six months ended June 30, 2021 to $0.2 million for the six months ended June 30, 2022, primarily due to the changes in the assumptions used to project the loss rates previously discussed and changes to outstanding commitments to fund period over period.

Noninterest income at our Banking segment increased due to $2.5 million of gains on the sales of certain available for sale CLOs as well as the $3.9 million gain on sale of equipment loans during the six months ended June 30, 2022. Further, we recognized a gain of $8.9 million on the termination of an interest rate swap during the same period. These increases were partially offset by a $1.5 million recovery during the six months ended June 30, 2021 on an acquired loan that was charged off prior to our acquisition of the originating bank. There were no other significant changes within the components of other noninterest income at our Banking segment.

Noninterest expense increased primarily due to an increase in salaries and employee benefits expense due to merit increases for existing employees, higher health insurance benefit costs, incentive compensation, stock based compensation and 401(k) expense. Remaining fluctuations in the individual components of noninterest expense at our Banking segment were insignificant period over period. It should be noted that the majority of our executive leadership team's salary and employee benefits expense as well as other selling, general, and administrative shared services costs are allocated to the Banking segment.

Factoring

(Dollars in thousands)	Six Months Ended June 30,			
Factoring	2022	2021	$ Change	% Change
Total interest income	$ 112,228	$ 80,477	$ 31,751	39.5 %
Intersegment interest allocations	(3,854)	(5,359)	1,505	28.1 %
Total interest expense	—	—	—	—
Net interest income	108,374	75,118	33,256	44.3 %
Credit loss expense (benefit)	2,013	6,927	(4,914)	(70.9 %)
Net interest income after credit loss expense	106,361	68,191	38,170	56.0 %
Noninterest income	17,392	9,153	8,239	90.0 %
Noninterest expense	43,512	33,327	10,185	30.6 %
Net income (loss) before income tax expense	$ 80,241	$ 44,017	$ 36,224	82.3 %

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Factored receivable period end balance	$ 1,474,852,000	$ 1,284,314,000
Yield on average receivable balance	14.19 %	14.46 %
Year to date charge-off rate(1)	0.05 %	3.73 %
Factored receivables - transportation concentration	94 %	91 %
Interest income, including fees	$ 112,228,000	$ 80,477,000
Non-interest income(2)	17,392,000	4,499,000
Factored receivable total revenue	129,620,000	84,976,000
Average net funds employed	1,430,530,000	1,004,842,000
Yield on average net funds employed	18.27 %	17.05 %
Accounts receivable purchased	$ 8,065,452,000	$ 5,560,730,000
Number of invoices purchased	3,329,733	2,590,373
Average invoice size	$ 2,422	$ 2,147
Average invoice size - transportation	$ 2,284	$ 2,037
Average invoice size - non-transportation	$ 5,984	$ 4,738

(1) Net charge-offs for the six months ended June 30, 2021 includes a $41.3 million charge-off related to the TFS acquisition, which contributed approximately 3.67% to the net charge-off rate for the period.

(2) Non-interest income for the six months ended June 30, 2022 includes a $13.2 million gain on sale of a portfolio of factored receivables, which contributed 1.86% to the yield on average net funds employed for the period.

Non-interest income for the six months ended June 30, 2021 excludes $4.7 million of income recognized on our indemnification asset resulting from the amended TFS acquisition agreement.

Our Factoring segment's operating income increased $36.2 million, or 82.3%.

Our average invoice size increased 12.8% from $2,147 for the six months ended June 30, 2021 to $2,422 for the six months ended June 30, 2022 and the number of invoices purchased increased 28.5% period over period.

Net interest income at our Factoring segment increased period over period. Overall average net funds employed ("NFE") increased 42.4% during the six months ended June 30, 2022 compared to the same period in 2021. The increase in average NFE was the result of increased invoice purchase volume as well as increased average invoice size. Those, in turn, resulted from historically high freight volume in a reduced capacity market. See further discussion under the Recent Developments: Trucking Transportation section. The increase in net interest income was partially offset by decreased purchase discount rates driven by greater focus on larger lower priced fleets and competitive pricing pressure; however, those negative factors were somewhat mitigated by 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 91% at June 30, 2021 and 94% at June 30, 2022.

The period over period decrease in credit loss expense at our Factoring segment is primarily due to a decrease in net new specific reserves required on our factoring portfolio period over period. Such increase in specific reserves for the six months ended June 30, 2021 was impacted by an additional $2.9 million reserve on our Over-Formula Advances during that period. The period over period decrease in credit loss expense at our Factoring segment was also driven by a decreased impact of changes in volume during the comparative periods. Changes in loss assumptions did not have a material impact on the change in credit loss expense period over period. Net charge-offs at our Factoring segment during the six months ended June 30, 2022 were $0.7 million compared to $41.9 million during the same period a year ago. Net charge-offs during the six months ended June 30, 2021 reflect the aforementioned $41.3 million net charge-off of Over-Formula Advances which was fully reserved in a period prior to charge-off.

The increase in noninterest income at our Factoring segment was primarily due to the aforementioned $13.2 million gain on sale of factored receivables during the six months ended June 30, 2022. The increase was partially offset by a combined $1.2 million of early termination fees charged to two customers during the six months ended June 30, 2021 that did not repeat during the current year. Also offsetting the increase was a $4.7 million gain on our indemnification asset recognized during the six months ended June 30, 2021 compared to a write off of the indemnification asset of $0.4 million during the same period of the current year. There were no other material fluctuations in noninterest income at our Factoring segment.

Noninterest expense increased primarily due to an increase in salaries and employee benefits expense due to merit increases for existing employees, higher health insurance benefit costs, incentive compensation, stock based compensation and 401(k) expense. Remaining fluctuations in the individual components of noninterest expense at our Factoring segment were insignificant period over period.

Payments

(Dollars in thousands) Payments	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	$ Change	% Change
Total interest income	$ 9,004	$ 4,644	$ 4,360	93.9 %
Intersegment interest allocations	(191)	(306)	115	37.6 %
Total interest expense	—	—	—	— %
Net interest income	8,813	4,338	4,475	103.2 %
Credit loss expense (benefit)	170	510	(340)	(66.7)%
Net interest income after credit loss expense	8,643	3,828	4,815	125.8 %
Noninterest income	13,551	1,156	12,395	1072.2 %
Noninterest expense	31,996	14,977	17,019	113.6 %
Net income (loss) before income tax expense	$ (9,802)	$ (9,993)	$ 191	1.9 %

	Six Months Ended 2022	Six Months Ended 2021
Factored receivable period end balance	$ 145,835,000	$ 113,985,000
Interest income	$ 9,004,000	$ 4,644,000
Noninterest income	13,551,000	1,156,000
Total revenue	$ 22,555,000	$ 5,800,000
Operating income (loss)	$ (9,802,000)	$ (9,993,000)
Interest expense	191,000	306,000
Depreciation and software amortization expense	211,000	133,000
Intangible amortization expense	2,967,000	497,000
Earnings (losses) before interest, taxes, depreciation, and amortization	$ (6,433,000)	$ (9,057,000)
Transaction costs	$ —	$ 2,992,000
Adjusted earnings (losses) before interest, taxes, depreciation, and amortization[(1)]	$ (6,433,000)	$ (6,065,000)
Number of invoices processed	8,366,885	5,694,792
Amount of payments processed	$ 11,734,747,000	$ 5,728,440,000
Conforming invoice volume	170,762	—
Conforming payment volume	$ 382,881,000	$ —

(1) Adjusted earnings (losses) before interest, taxes, depreciation, and amortization excludes material gains and expenses related to merger and acquisition-related activities and is a non-GAAP financial measure used to provide meaningful supplemental information regarding the segment's operational performance and to enhance investors' overall understanding of such financial performance by removing the volatility associated with certain acquisition-related items that are unrelated to our core business.

Our Payments segment continues to pursue large factors and brokers with positive traction. Many payments companies begin with a long-term goal of capturing a level of their total addressable market that is less than what we already facilitate in ours. While growth will be non-linear due to the timing nuances and larger volumes of any new large brokers, *we see a path to facilitating over 40% of the brokered freight industry's payment volume exiting 2024*. We continue to capture share with a product that lifts an entire industry. Brokers, factors and carriers alike all benefit from improvements in efficiencies, transparency, security, and accuracy.

Our Payments segment's operating loss decreased $0.2 million, or 1.9%.

The number of invoices processed by our Payments segment increased 46.9% from 5,694,792 for the six months ended June 30, 2021 to 8,366,885 for the six months ended June 30, 2022, and the amount of payments processed increased 104.9% from $5.728 billion for the six months ended June 30, 2021 to $11.735 billion for the six months ended June 30, 2022.

We began processing conforming 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 “conforming transaction.” All conforming 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. In recognition of these benefits, we will charge a network fee tied to conforming transactions. During the six months ended June 30, 2022, we processed 170,762 conforming invoices representing a conforming payment volume of $382.9 million.

Net interest income increased due to increased factoring activity at our Payments segment and increased yields period over period. Noninterest income increased due to a $5.4 million increase in payment fees earned by TriumphPay during the six months ended June 30, 2022 compared to the same period a year ago. The fees were primarily a result of the acquired operations of HubTran during June of the prior year. Additionally, we recognized a net gain of $7.0 million on the aforementioned termination of WSI warrants and additional investment in WSI common stock.

Noninterest expense increased primarily due to an increase in salaries and employee benefits expense driven by increased headcount, merit increases for existing employees, higher health insurance benefit costs, incentive compensation, stock based compensation and 401(k) expense. Additionally at our Payments segment, IT expense increased $2.3 million and amortization of the intangible assets acquired in the HubTran acquisition increased $2.5 million. Further, travel and entertainment expenses increased $0.5 million reflecting our emphasis of client growth and business development. These increases were partially offset by a decrease in professional fees of $1.3 million resulting from the acquisition of HubTran in the prior period. We continue to invest heavily in the operations of TriumphPay.

The acquisition of HubTran during the six months ended June 30, 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 shippers, 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 will lead to meaningful amounts of amortization going forward.

Corporate

(Dollars in thousands)	Six Months Ended June 30,			
Corporate	2022	2021	$ Change	% Change
Total interest income	$ 88	$ 8	$ 80	1,000.0 %
Intersegment interest allocations	—	—	—	—
Total interest expense	3,612	3,587	25	0.7 %
Net interest income (expense)	(3,524)	(3,579)	55	1.5 %
Credit loss expense (benefit)	969	(300)	1,269	423.0 %
Net interest income (expense) after credit loss expense	(4,493)	(3,279)	(1,214)	(37.0 %)
Noninterest income	31	110	(79)	(71.8 %)
Noninterest expense	1,570	2,072	(502)	(24.2 %)
Net income (loss) before income tax expense	$ (6,032)	$ (5,241)	$ (791)	(15.1 %)

The Corporate segment reported an operating loss of $6.0 million for the six months ended June 30, 2022 compared to an operating loss of $5.2 million for the six months ended June 30, 2021. This was primarily due to increased credit loss expense on our HTM CLOs previously discussed in the Credit Loss Expense section. Additionally, during the six months ended June 30, 2022, management charged off a $0.7 million community reinvestment act loan that carried no reserve from a prior period. There were no other significant fluctuations in accounts in our Corporate segment period over period.

Financial Condition

Assets

Total assets were $5.956 billion at June 30, 2022, compared to $5.956 billion at December 31, 2021, a decrease of $0.7 million, the components of which are discussed below.

Loan Portfolio

Loans held for investment were $4.435 billion at June 30, 2022, compared with $4.868 billion at December 31, 2021.

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

(Dollars in thousands)	June 30, 2022	% of Total	December 31, 2021	% of Total	$ Change	% Change
Commercial real estate	$ 649,280	15 %	$ 632,775	13 %	$ 16,505	2.6 %
Construction, land development, land	103,377	2 %	123,464	3 %	(20,087)	(16.3 %)
1-4 family residential	126,362	3 %	123,115	3 %	3,247	2.6 %
Farmland	70,272	2 %	77,394	2 %	(7,122)	(9.2 %)
Commercial	1,225,479	28 %	1,430,429	29 %	(204,950)	(14.3 %)
Factored receivables	1,596,282	35 %	1,699,537	34 %	(103,255)	(6.1 %)
Consumer	9,709	— %	10,885	— %	(1,176)	(10.8 %)
Mortgage warehouse	654,605	15 %	769,973	16 %	(115,368)	(15.0 %)
Total Loans	$ 4,435,366	100 %	$ 4,867,572	100 %	$ (432,206)	(8.9 %)

Commercial Real Estate Loans. Our commercial real estate loans increased $16.5 million, or 2.6%, due to new origination activity that outpaced paydowns.

Construction and Development Loans. Our construction and development loans decreased $20.1 million, or 16.3%, due to paydowns and conversions to term loans that were offset by modest origination and draw activity.

Residential Real Estate Loans. Our one-to-four family residential loans increased $3.2 million, or 2.6%, due to new origination activity that outpaced paydowns.

Farmland Loans. Our farmland loans decreased $7.1 million, or 9.2%, due to paydowns that outpaced modest origination activity.

Commercial Loans. Our commercial loans held for investment decreased $205.0 million, or 14.3%, due to the sale of $191.2 million of equipment loans during the period. Our other commercial lending products, comprised primarily of general commercial loans originated in our community banking markets, increased $24.0 million, or 8.1%.

The following table shows our commercial loans:

(Dollars in thousands)	June 30, 2022	December 31, 2021	$ Change	% Change
Commercial				
Equipment	$ 431,366	$ 621,437	$ (190,071)	(30.6 %)
Asset-based lending	239,505	281,659	(42,154)	(15.0 %)
Liquid credit	170,260	134,347	35,913	26.7 %
Paycheck Protection Program loans	4,538	27,197	(22,659)	(83.3 %)
Agriculture	60,150	70,127	(9,977)	(14.2 %)
Other commercial lending	319,660	295,662	23,998	8.1 %
Total commercial loans	$ 1,225,479	$ 1,430,429	$ (204,950)	(14.3 %)

Factored Receivables. Our factored receivables decreased $103.3 million, or 6.1% due to the sale of $67.9 million of factored receivables during the period. At June 30, 2022, the balance of the Over-Formula Advance Portfolio included in factored receivables was $9.2 million. At June 30, 2022, 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 $1.2 million, or 10.8%, due to paydowns that outpaced modest origination activity.

Mortgage Warehouse. Our mortgage warehouse facilities decreased $115.4 million, or 15.0%, due to decreased utilization in a rising interest rate environment. 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 $651.4 million for the three months ended June 30, 2022 compared to $789.0 million for the three months ended June 30, 2021 and $644.1 million for the six months ended June 30, 2022 compared to $855.0 million for the six months ended June 30, 2021.

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, 2022				
(Dollars in thousands)	One Year or Less	After One but within Five Years	After Five but within Fifteen Years	After Fifteen Years	Total
Commercial real estate	$ 89,049	$ 475,448	$ 79,260	$ 5,523	$ 649,280
Construction, land development, land	46,161	48,154	8,073	989	103,377
1-4 family residential	8,761	30,783	17,070	69,748	126,362
Farmland	14,546	20,194	30,905	4,627	70,272
Commercial	391,459	733,609	100,101	310	1,225,479
Factored receivables	1,596,282	—	—	—	1,596,282
Consumer	1,187	7,044	1,469	9	9,709
Mortgage warehouse	654,605	—	—	—	654,605
	$ 2,802,050	$ 1,315,232	$ 236,878	$ 81,206	$ 4,435,366

Sensitivity of loans to changes in interest rates:			
Predetermined (fixed) interest rates	$ 838,393	$ 32,619	$ 6,568
Floating interest rates	476,839	204,259	74,638
Total	$ 1,315,232	$ 236,878	$ 81,206

As of June 30, 2022, most of the Company's non-factoring business activity is with customers located within certain states. The states of Texas (23%), Illinois (11%), Colorado (14%), and Iowa (6%) make up 54% 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, 2021, the states of Texas (21%), Illinois (15%), Colorado (15%), and Iowa (6%) made up 57% of the Company's gross loans, excluding factored receivables.

Further, a majority (95%) of our factored receivables, including factored receivables held for sale, representing approximately 34% of our total loan portfolio as of June 30, 2022, 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, 2021, 91% of our factored receivables, representing approximately 32% 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, loans modified under restructurings as a result of the borrower experiencing financial difficulties ("TDR"), factored receivables greater than 90 days past due, OREO, and other repossessed assets. Additionally, we consider the portion of the Over-Formula Advance Portfolio that is not covered by Covenant's indemnification to be nonperforming (reflected in nonperforming loans - factored receivables). The balances of nonperforming loans reflect the recorded investment in these assets, including deductions for purchase discounts.

(Dollars in thousands)	June 30, 2022	December 31, 2021
Nonperforming loans:		
Commercial real estate	$ 1,906	$ 2,025
Construction, land development, land	152	964
1-4 family residential	1,494	1,684
Farmland	1,215	2,044
Commercial	6,524	8,842
Factored receivables	30,460	30,485
Consumer	183	240
Mortgage warehouse	—	—
Total nonperforming loans	41,934	46,284
Held to maturity securities	5,258	5,612
Assets held for sale	164	—
Other real estate owned, net	168	524
Other repossessed assets	1,874	2,368
Total nonperforming assets	$ 49,398	$ 54,788
Nonperforming assets to total assets	0.83 %	0.92 %
Nonperforming loans to total loans held for investment	0.95 %	0.95 %
Total past due loans to total loans held for investment	2.47 %	2.86 %

Nonperforming loans decreased $4.4 million, or 9.4%, due to decreases in nonperforming loans across all loan types. The portion of the factoring Over-Formula Advances not covered by Covenant's indemnification and thus, considered nonperforming, is $1.0 million at June 30, 2022. The entire $19.4 million of Misdirected Payments is included in nonperforming loans (specifically, factored receivables) in accordance with our policy.

OREO decreased $0.4 million, or 67.9%, due to the removal of individually insignificant OREO properties as well as insignificant valuation adjustments made throughout the period.

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 was flat at 0.95% at June 30, 2022 from 0.95% December 31, 2021.

Our ratio of nonperforming assets to total assets decreased to 0.83% at June 30, 2022 from 0.92% December 31, 2021. This is due to the aforementioned loan activity and changes in our period end total assets. Additionally, the amortized cost basis of our HTM CLO securities considered to be nonaccrual decreased $0.4 million during the year.

Past due loans to total loans held for investment decreased to 2.47% at June 30, 2022 from 2.86% at December 31, 2021, as a result of the aforementioned loan activity and a decrease in past due factored receivables. Both the $9.2 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, 2022.

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 2021 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, 2022			December 31, 2021		
(Dollars in thousands)	Allocated Allowance	% of Loan Portfolio	ACL to Loans	Allocated Allowance	% of Loan Portfolio	ACL to Loans
Commercial real estate	$ 5,167	15 %	0.80 %	$ 3,961	13 %	0.63 %
Construction, land development, land	1,192	2 %	1.15 %	827	3 %	0.67 %
1-4 family residential	757	3 %	0.60 %	468	3 %	0.38 %
Farmland	490	2 %	0.70 %	562	2 %	0.73 %
Commercial	12,738	28 %	1.04 %	14,485	29 %	1.01 %
Factored receivables	22,212	35 %	1.39 %	20,915	34 %	1.23 %
Consumer	197	— %	2.03 %	226	— %	2.08 %
Mortgage warehouse	654	15 %	0.10 %	769	16 %	0.10 %
Total Loans	$ 43,407	100 %	0.98 %	$ 42,213	100 %	0.87 %

The ACL increased $1.2 million, or 2.8%. This increase reflects net charge-offs of $1.7 million and credit loss expense of $2.9 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 $10.1 million at December 31, 2021 to $9.2 million at June 30, 2022 and the entire balance at June 30, 2022 was fully reserved. At June 30, 2022, 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, 2022.

A driver of the change in ACL is projected deterioration of the loss drivers that the Company forecasted to calculate expected losses at June 30, 2022 as compared to December 31, 2021. It 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 $1.5 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 current interest rate environment. Generally, the impact of these assumed prepayment speeds is lesser in magnitude than the aforementioned loss driver assumptions.

For all DCF models at June 30, 2022, 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, 2022 as compared to December 31, 2021, the Company forecasted an increase in national unemployment, a directionally consistent trend in one-year percentage change in national retail sales, a decrease in one-year percentage change in the national home price index, and a decrease in one-year percentage change in national gross domestic product. At June 30, 2022 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 sustained levels in the first two projected quarters followed by a decline over the last two projected quarters to a level below recent actual periods. For percentage changes in national home price index and national gross domestic product, the Company projected declines over the last three projected quarters to levels below recent actual periods. At June 30, 2022, the Company slowed its historical prepayment speeds in response to the rising interest rate environment in the macro economy.

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.

With the passage of the PPP, administered by the Small Business Administration ("SBA"), the Company has actively participated in assisting its customers with applications for resources through the program. At June 30, 2022, the Company carried $4.5 million of PPP loans classified as Commercial loans for reporting purposes. Loans funded through the PPP program are fully guaranteed by the U.S. government. This guarantee exists at the inception of the loans and throughout the lives of the loans and was not entered into separately and apart from the loans. Credit enhancements that mitigate credit losses, such as the U.S. government guarantee on PPP loans, are required to be considered in estimating credit losses. The guarantee is considered "embedded" and, therefore, is considered when estimating credit loss on the PPP loans. Given that the loans are fully guaranteed by the U.S. government and absent any specific loss information about any of our PPP loans, the Company does not carry an ACL on its PPP loans at June 30, 2022.

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

(Dollars in thousands)	June 30, 2022	December 31, 2021
Allowance for credit losses on loans	$ 43,407	$ 42,213
Total loans held for investment	$ 4,435,366	$ 4,867,572
Allowance to total loans held for investment	0.98 %	0.87 %
Nonaccrual loans	$ 10,831	$ 15,034
Total loans held for investment	$ 4,435,366	$ 4,867,572
Nonaccrual loans to total loans held for investment	0.24 %	0.31 %
Allowance for credit losses on loans	$ 43,407	$ 42,213
Nonaccrual loans	$ 10,831	$ 15,034
Allowance for credit losses to nonaccrual loans	400.77 %	280.78 %

	Three Months Ended June 30,					
	2022			2021		
(Dollars in thousands)	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio
Commercial real estate	$ (46)	$ 645,321	(0.01)%	$ (3)	$ 753,355	— %
Construction, land development, land	(1)	120,633	— %	(1)	204,688	— %
1-4 family residential	(2)	128,222	— %	24	137,108	0.02 %
Farmland	—	71,971	— %	—	96,174	— %
Commercial	70	1,381,328	0.01 %	(194)	1,507,435	(0.01)%
Factored receivables	139	1,739,320	0.01 %	536	1,297,303	0.04 %
Consumer	55	10,077	0.55 %	1	13,698	0.01 %
Mortgage warehouse	—	651,369	— %	—	788,982	— %
Total Loans	$ 215	$ 4,748,241	— %	$ 363	$ 4,798,743	0.01 %

Quarter to date net loans charged off decreased $0.1 million with no individually significant charge-offs in either period.

	Six Months Ended June 30,					
	2022			2021		
(Dollars in thousands)	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio	Net Charge-Offs	Average Loans HFI	Net Charge-Off Ratio
Commercial real estate	$ 48	$ 639,379	0.01 %	$ (8)	$ 760,289	— %
Construction, land development, land	(2)	122,481	— %	10	212,960	— %
1-4 family residential	(5)	126,827	— %	(60)	143,943	(0.04)%
Farmland	—	73,562	— %	—	98,754	— %
Commercial	733	1,399,872	0.05 %	(383)	1,519,230	(0.03)%
Factored receivables	818	1,760,101	0.05 %	42,001	1,211,816	3.47 %
Consumer	147	10,388	1.42 %	54	14,405	0.37 %
Mortgage warehouse	—	644,080	— %	—	855,017	— %
Total Loans	$ 1,739	$ 4,776,690	0.04 %	$ 41,614	$ 4,816,414	0.86 %

Year to date net loans charged off decreased $39.9 million due to the aforementioned charge-off of $41.3 million of PCD Over-Formula Advances classified as factored receivables. Remaining charge-off and recovery activity during the periods was insignificant individually and in the aggregate.

Securities

As of June 30, 2022 and December 31, 2021, we held equity securities with readily determinable fair values of $5.1 million and $5.5 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, 2022, we held debt securities classified as available for sale with a fair value of $215.9 million, an increase of $33.5 million from $182.4 million at December 31, 2021. The following table illustrates the changes in our available for sale debt securities:

	Available For Sale Debt Securities:			
(Dollars in thousands)	June 30, 2022	December 31, 2021	$ Change	% Change
Mortgage-backed securities, residential	$ 48,638	$ 37,449	$ 11,189	29.9 %
Asset-backed securities	6,551	6,764	(213)	(3.1)%
State and municipal	15,023	26,825	(11,802)	(44.0)%
CLO Securities	142,251	106,634	35,617	33.4 %
Corporate bonds	1,268	2,056	(788)	(38.3)%
SBA pooled securities	2,178	2,698	(520)	(19.3)%
	$ 215,909	$ 182,426	$ 33,483	18.4 %

Our available for sale CLO portfolio consists of investment grade positions in high ranking tranches within their respective securitization structures. As of June 30, 2022, 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, 2022. 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, 2022, we held investments classified as held to maturity with an amortized cost, net of ACL, of $4.3 million, a decrease of $0.6 million from $4.9 million at December 31, 2021. 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, 2022.

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

	Maturity as of June 30, 2022									
	One Year or Less		After One but within Five Years		After Five but within Ten Years		After Ten Years		Total	
(Dollars in thousands)	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield
Mortgage-backed securities	$ 1,921	1.97 %	$ 9,057	3.96 %	$ 2,590	2.41 %	$ 38,174	2.50 %	$ 51,742	2.75 %
Asset-backed securities	—	— %	—	— %	5,000	1.32 %	1,590	2.50 %	6,590	1.61 %
State and municipal	1,372	2.71 %	1,578	3.20 %	2,319	2.70 %	9,726	2.48 %	14,995	2.61 %
CLO securities	—	— %	—	— %	47,580	3.93 %	98,051	2.25 %	145,631	2.80 %
Corporate bonds	500	2.47 %	501	2.74 %	—	— %	269	5.14 %	1,270	3.11 %
SBA pooled securities	—	— %	3	3.62 %	20	5.48 %	2,168	4.01 %	2,191	4.02 %
Total available for sale securities	$ 3,793	2.30 %	$ 11,139	3.80 %	$ 57,509	3.59 %	$ 149,978	2.36 %	$ 222,419	2.75 %
Held to maturity securities:	$ —	— %	$ —	— %	$ 6,690	2.44 %	$ —	— %	$ 6,690	2.44 %

Liabilities

Total liabilities were $5.081 billion as of June 30, 2022, compared to $5.097 billion at December 31, 2021, a decrease of $16.2 million, the components of which are discussed below.

Deposits

The following table summarizes our deposits:

(Dollars in thousands)	June 30, 2022	December 31, 2021	$ Change	% Change
Noninterest bearing demand	$ 2,085,249	$ 1,925,370	$ 159,879	8.3 %
Interest bearing demand	879,072	830,019	49,053	5.9 %
Individual retirement accounts	80,187	83,410	(3,223)	(3.9 %)
Money market	538,966	520,358	18,608	3.6 %
Savings	543,969	504,146	39,823	7.9 %
Certificates of deposit	437,766	533,206	(95,440)	(17.9 %)
Brokered time deposits	215,715	40,125	175,590	437.6 %
Other brokered deposits	—	210,045	(210,045)	(100.0 %)
Total Deposits	$ 4,780,924	$ 4,646,679	$ 134,245	2.9 %

Our total deposits increased $134.2 million, or 2.9%, primarily due to increases in noninterest bearing demand and brokered time deposits. Other brokered deposits are non-maturity deposits obtained from wholesale sources and these deposits were terminated in connection with the terminated interest rate swap during the six months ended June 30, 2022. As of June 30, 2022, interest bearing demand deposits, noninterest bearing deposits, money market deposits, other brokered deposits, and savings deposits accounted for 85% of our total deposits, while individual retirement accounts, certificates of deposit, and brokered time deposits made up 15% of total deposits.

At June 30, 2022 we held $89.7 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, 2022:

(Dollars in thousands)	Over $250,000
Maturity	
3 months or less	$ 25,840
Over 3 through 6 months	22,017
Over 6 through 12 months	23,511
Over 12 months	5,331
	$ 76,699

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

	Three Months Ended June 30, 2022			Three Months Ended June 30, 2021		
(Dollars in thousands)	Average Balance	Weighted Avg Rates	% of Total	Average Balance	Weighted Avg Rates	% of Total
Interest bearing demand	$ 874,503	0.25 %	19 %	$ 757,529	0.25 %	15 %
Individual retirement accounts	81,678	0.52 %	2 %	88,142	0.65 %	2 %
Money market	545,508	0.21 %	12 %	398,290	0.22 %	8 %
Savings	516,924	0.16 %	11 %	468,517	0.15 %	9 %
Certificates of deposit	461,280	0.48 %	10 %	664,478	0.70 %	13 %
Brokered time deposits	101,270	1.20 %	2 %	138,102	0.15 %	3 %
Other brokered deposits	89,714	3.27 %	2 %	685,397	0.15 %	14 %
Total interest bearing deposits	2,670,877	0.41 %	58 %	3,200,455	0.31 %	64 %
Noninterest bearing demand	1,951,725	—	42 %	1,749,858	—	36 %
Total deposits	$ 4,622,602	0.23 %	100 %	$ 4,950,313	0.20 %	100 %

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
(Dollars in thousands)	Average Balance	Weighted Avg Yields	% of Total	Average Balance	Weighted Avg Yields	% of Total
Interest bearing demand	$ 852,554	0.23 %	18 %	$ 729,798	0.24 %	15 %
Individual retirement accounts	82,182	0.52 %	2 %	89,600	0.74 %	2 %
Money market	542,050	0.21 %	12 %	398,153	0.23 %	8 %
Savings	513,346	0.15 %	11 %	457,481	0.15 %	9 %
Certificates of deposit	489,682	0.47 %	11 %	714,583	0.88 %	15 %
Brokered time deposits	60,065	1.02 %	1 %	152,910	0.30 %	3 %
Other brokered deposits	151,835	0.91 %	3 %	743,878	0.14 %	15 %
Total interest bearing deposits	2,691,714	0.32 %	58 %	3,286,403	0.36 %	67 %
Noninterest bearing demand	1,944,606	—	42 %	1,622,528	—	33 %
Total deposits	$ 4,636,320	0.19 %	100 %	$ 4,908,931	0.24 %	100 %

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, 2022 and the year ended December 31, 2021:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Amount outstanding at end of period	$ 11,746	$ 2,103
Weighted average interest rate at end of period	0.03 %	0.03 %
Average daily balance during the period	$ 4,117	$ 5,985
Weighted average interest rate during the period	0.03 %	0.03 %
Maximum month-end balance during the period	$ 11,746	$ 12,405

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, 2022 and the year ended December 31, 2021:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Amount outstanding at end of period	$ 30,000	$ 180,000
Weighted average interest rate at end of period	1.15 %	0.15 %
Average amount outstanding during the period	109,972	37,671
Weighted average interest rate during the period	0.65 %	0.24 %
Highest month end balance during the period	230,000	180,000

Our FHLB advances are collateralized by assets, including a blanket pledge of certain loans. At June 30, 2022 and December 31, 2021, we had $730.4 million and $798.8 million, respectively, in unused and available advances from the FHLB.

Paycheck Protection Program Liquidity Facility ("PPPLF")

The PPPLF is a lending facility offered by the Federal Reserve Banks to facilitate lending to small businesses under the PPP. Borrowings under the PPPLF are secured by PPP loans guaranteed by the Small Business Administration ("SBA") and mature at the same time as the PPP loan pledged to secure the extension of credit. The maturity dates of the borrowings will be accelerated if the underlying PPP loan goes into default and Company sells the PPP loan to the SBA to realize on the SBA guarantee or if the Company receives any loan forgiveness reimbursement from the SBA for the underlying PPP loan.

Information concerning borrowings under the PPPLF is summarized as follows for the six months ended June 30, 2022 and the year ended December 31, 2021:

(Dollars in thousands)	June 30, 2022	December 31, 2021
Amount outstanding at end of period	$ —	$ 27,144
Weighted average interest rate at end of period	0.35 %	0.35 %
Average amount outstanding during the period	1,352	118,880
Weighted average interest rate during the period	0.32 %	0.35 %
Highest month end balance during the period	—	181,635

We did not have any PPPLF borrowings outstanding at June 30, 2022. At December 31, 2021, the PPPLF borrowings were secured by PPP Loans totaling $27.1 million and incurred interest at a fixed rate of 0.35% annually.

Subordinated Notes

The following provides a summary of our subordinated notes as of June 30, 2022:

(Dollars in thousands)	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	$ 38,702	2029	4.875%	11/27/2024	Three Month LIBOR plus 3.330%	$ 1,218
Subordinated Notes issued August 26, 2021	70,000	68,675	2031	3.500%	9/01/2026	Three Month SOFR[1] plus 2.860%	$ 1,776
	$ 109,500	$ 107,377					

[1] Secured Overnight Financing Rate

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, 2022:

(Dollars in thousands)	Face Value	Carrying Value	Maturity Date	Interest Rate
National Bancshares Capital Trust II	$ 15,464	$ 13,418	September 2033	LIBOR + 3.00%
National Bancshares Capital Trust III	17,526	13,297	July 2036	LIBOR + 1.64%
ColoEast Capital Trust I	5,155	3,720	September 2035	LIBOR + 1.60%
ColoEast Capital Trust II	6,700	4,826	March 2037	LIBOR + 1.79%
Valley Bancorp Statutory Trust I	3,093	2,899	September 2032	LIBOR + 3.40%
Valley Bancorp Statutory Trust II	3,093	2,716	July 2034	LIBOR + 2.75%
	$ 51,031	$ 40,876		

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 LIBOR plus a weighted average spread of 2.24%. 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 $40.9 million was allowed in the calculation of Tier I capital as of June 30, 2022.

Capital Resources and Liquidity Management

Capital Resources

Our stockholders' equity totaled $874.3 million as of June 30, 2022, compared to $858.9 million as of December 31, 2021, an increase of $15.4 million. Stockholders' equity increased during this period primarily due to our net income of $68.5 million, offset in part by shares purchased into treasury stock under our share repurchase program of $50.0 million.

Liquidity Management

We define liquidity as our ability to generate sufficient cash to fund current loan demand, deposit withdrawals, or 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.

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, 2022, TBK Bank had $615.2 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.

Contractual Obligations

The following table summarizes our contractual obligations and other commitments to make future payments as of June 30, 2022. 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, 2022				
(Dollars in thousands)	Total	One Year or Less	After One but within Three Years	After Three but within Five Years	After Five Years
Customer repurchase agreements	$ 11,746	$ 11,746	$ —	$ —	$ —
Federal Home Loan Bank advances	30,000	—	—	15,000	15,000
Subordinated notes	109,500	—	—	—	109,500
Junior subordinated debentures	51,031	—	—	—	51,031
Operating lease agreements	43,745	5,937	11,289	10,476	16,043
Time deposits with stated maturity dates	733,668	665,543	59,358	8,767	—
Total contractual obligations	$ 979,690	$ 683,226	$ 70,647	$ 34,243	$ 191,574

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 12 – 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 10 – 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, 2021, 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 2021 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;
- the impact of COVID-19 on our business, including the impact of the actions taken by governmental authorities to try and contain the virus or address the impact of the virus on the United States economy (including, without limitation, the CARES Act), and the resulting effect of all of such items on our operations, liquidity and capital position, and on the financial condition of our borrowers and other customers;
- 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, including our acquisition of HubTran Inc. and developments related to our acquisition of Transport Financial Solutions and the related over-formula advances, 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, 2022 and December 31, 2021:

	June 30, 2022		December 31, 2021	
	Following 12 Months	Months 13-24	Following 12 Months	Months 13-24
+400 basis points	20.0 %	21.5 %	17.5 %	23.6 %
+300 basis points	15.0 %	15.9 %	13.1 %	18.1 %
+200 basis points	9.9 %	10.5 %	8.7 %	12.8 %
+100 basis points	4.9 %	5.2 %	4.4 %	7.5 %
Flat rates	0.0 %	0.0 %	0.0 %	0.0 %
-100 basis points	(5.0 %)	(5.3 %)	(2.7 %)	(1.4 %)

The following table presents the change in our economic value of equity as of June 30, 2022 and December 31, 2021, assuming immediate parallel shifts in interest rates:

	Economic Value of Equity at Risk (%)	
	June 30, 2022	December 31, 2021
+400 basis points	24.1 %	31.1 %
+300 basis points	18.9 %	24.3 %
+200 basis points	13.1 %	16.9 %
+100 basis points	6.9 %	8.8 %
Flat rates	0.0 %	0.0 %
-100 basis points	(7.7 %)	(9.5 %)

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, 2022, 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 hauls 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 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.

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, 2021.

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

On February 7, 2022, the Company announced that its board of directors had authorized the repurchase of up to $50.0 million of its outstanding common stock in open market transactions or through privately negotiated transactions for a period of one year. On May 23, 2022, the Company announced that it had completed the $50.0 million stock repurchase program and that its Board of Directors had authorized an additional share repurchase program of up to $75.0 million. The following repurchases were made under this program during the three months ended June 30, 2022:

Period	(a) Total number of shares (or units) purchased		(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
April 1, 2022 — April 30, 2022	240,601	$	70.20	240,601	31,787,000
May 1, 2022 — May 31, 2022	454,384	$	69.93	454,384	—
June 1, 2022 — June 30, 2022	—	$	—	—	75,000,000
Total	694,985	$	70.02	694,985	

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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	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.
3.4	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.
10.1	Employment Agreement between Triumph Bancorp, Inc. and Edward J. Schreyer, dated July 1, 2022.
10.2	Employment Agreement between Advance Business Capital LLC and Geoffrey P. Brenner, dated July 1, 2022.
10.3	Employment Agreement between TBK Bank, SSB and Melissa Forman-Barenblit, dated July 1, 2022.
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 BANCORP, INC.
(Registrant)

Date: July 20, 2022	/s/ Aaron P. Graft Aaron P. Graft President and Chief Executive Officer
Date: July 20, 2022	/s/ W. Bradley Voss W. Bradley Voss Chief Financial Officer

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into on July 1, 2022 (the "Effective Date"), by and between TRIUMPH BANCORP, INC., (the "Company"), and Edward J. Schreyer ("Executive"). For purposes of this Agreement, the Company and Executive are each, individually, a "Party" and collectively, the "Parties."

RECITALS

WHEREAS, Executive has been appointed, and has agreed to serve, as the Executive Vice President and Chief Operating Officer of the Company and as Executive Vice President and Chief Operating Officer of the Company's wholly-owned bank subsidiary, TBK Bank, SSB (the "Bank"); and

WHEREAS, Executive is willing to enter into this Agreement in consideration of his employment by the Company and the benefits that Executive will receive under the terms hereof.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. **EMPLOYMENT OF EXECUTIVE.**

1.1 **Duties and Status.** The Company hereby engages Executive as Executive Vice President and Chief Operating Officer of the Company for the Term (as defined in Section 3.1 hereof), and Executive accepts such employment, on the terms and subject to the conditions set forth in this Agreement. During the Term, Executive will faithfully exercise such authority and perform such duties on behalf of the Company as are normally associated with his title and position as Executive Vice President and Chief Operating Officer and such other duties or positions as Executive and the Company will mutually determine from time to time, including service as the Executive Vice President and Chief Operating Officer of the Bank and for such other affiliates of the Company as shall be mutually determined. In the capacity defined in this Section 1.1, Executive will report to the Chief Executive Officer of the Company.

1.2 **Time and Effort.** During the Term, Executive will devote his full business time, energy, skill and commercially reasonable best efforts to the performance of his duties hereunder in a manner which will faithfully and diligently further the business and interests of the Company and its subsidiaries. Notwithstanding the foregoing, Executive may participate fully in social, charitable, civic activities and such other personal affairs of Executive as do not interfere with performance of his duties hereunder. The Parties have also agreed that Executive may continue to serve as a director for other entities, and may from time to time provide consulting or other services for remuneration unrelated to his services to the Company and its subsidiaries; however, as an express condition thereto, Executive will be required to fully disclose for consent all such directorships and consulting or services engagements to the Board of Directors of the Company in advance, and acknowledges and agrees that such consent may be withheld in the sole discretion of the Company.

2. COMPENSATION AND BENEFITS.

2.1 **Annual Base Salary.** For all of the employment rendered by Executive to the Company and its subsidiaries, the Company will pay Executive an annual base salary of not less than $500,000 (the "Annual Base Salary"). Executive's Annual Base Salary will be payable in equal installments in accordance with the practice of the Company and its subsidiaries in effect from time to time for the payment of salaries to officers of the Company and its subsidiaries, but in no event less than bi-monthly, and may be increased during the Term. Any increase in the amount will henceforth be the Annual Base Salary.

2.2 **Annual Incentive Program.** Executive shall participate in the annual incentive program maintained by the Company and shall receive an annual incentive award thereunder, as determined by the Board of Directors of the Company (as applicable, the "Board") or a committee of the Board that will be payable in a lump sum on or around March 15 in the year after the year to which the incentive award relates (the "Annual Bonus"). Such awards shall generally be for a target percentage of the Executive's base salary and may ultimately result in payments above or below such target for "threshold" or "stretch" performance under applicable performance goals. The annual incentive amount shall be determined on a year to year basis by the Board (and may be zero if threshold performance targets are not achieved).

2.3 **Long-Term Incentive Program**. Executive shall be eligible to participate in any long-term incentive program ("LTIP") maintained by the Company and its subsidiaries to the same extent as other executives of the Company and its subsidiaries and shall be eligible to receive equity and long-term cash incentive awards ("LTI Awards") thereunder, as determined by the Board or a committee of the Board.

2.4 **Expenses.** The Company or its subsidiaries will timely pay or reimburse Executive for all reasonable travel, entertainment and other business expenses actually paid or incurred by Executive during the Term in the performance of Executive's duties under this Agreement in accordance with the employee business expense reimbursement policies of the Company and its subsidiaries in effect from time to time, but in no event less than monthly.

2.5 **Perquisites and Other Benefits.** To the extent the Company or its subsidiaries offer employee benefits plans including, without limitation, any pension, disability, group life, sickness, accident and health and dental insurance plans or programs, Executive will be entitled to participate in such employee benefit plans on such terms as determined by the Company. For the avoidance of doubt, Executive will not be reimbursed by the Company for any health-related expenses, unless otherwise agreed to by the Company. Executive shall also be entitled to such perquisites and other benefits as shall be reasonably related to Executives duties and approved by the Company from time to time.

2.6 **Paid Time Off.** During the Term, Executive will be entitled to paid time off of at least four weeks per calendar year and leave of absence and leave for illness or temporary disability in accordance with the policies of the Company and its subsidiaries in effect from time to time.

2.7 **Indemnification.** During the Term, the Company agrees to maintain one or more directors and officers liability insurance policies covering Executive pursuant to the terms of such policies.

3. TERM AND TERMINATION.

3.1 **Term.** The term of employment hereunder will commence on the Effective Date and will terminate on the earlier of (a) December 31, 2022 (the "Original Term") or (b) any termination of employment pursuant to Section 3.2 hereof; provided, however, if a Change in Control should occur at any time during the Term of the Agreement, then such Term shall end no earlier than the second anniversary of the date of such Change in Control (or if earlier, a termination of employment pursuant to Section 3.2 hereof). Thereafter, unless written notification is given by either the Company or Executive at least sixty (60) days before the expiration of the Original Term or any subsequent renewal term, the Term will automatically renew for successive one year periods (each, a "Renewal Term"). For purposes of this Agreement, when the word "Term" is used alone, it collectively refers to the Original

Term and all Renewal Term(s). The Company's decision not to extend the Term will not be considered termination of Executive's employment, whether with or without Cause, as defined below. Notwithstanding any provision of this Agreement to the contrary, the nonrenewal of this Agreement in accordance with this Section 3.1 shall not discharge the Company's obligation to pay any benefits that Executive became entitled to under this Agreement prior to such nonrenewal.

3.2 **Termination of Employment.** Each Party will have the right to terminate Executive's employment hereunder before the Term expires to the extent, and only to the extent, permitted by this Section.

(a) **By the Company for Cause.** The Company will have the right to terminate Executive's employment at any time upon delivery of written notice of termination for Cause to Executive (which notice will specify in reasonable detail the basis upon which such termination is made), such employment to terminate immediately upon delivery of such notice unless otherwise specified by the Company or this Agreement. In the event that Executive's employment is terminated for Cause, Executive will be entitled to receive the payments referred to in Section 3.3(a) hereof.

(b) **By the Company Upon Total Disability.** The Company will have the right to terminate Executive's employment on thirty (30) days' prior written notice to Executive if the Company determines in good faith that Executive is unable to perform his duties by reason of Total Disability, but any termination of employment pursuant to this subsection (b) will obligate the Company to make the payments referred to in Section 3.3(b) hereof.

(c) **Due to Death of Executive.** Executive's employment hereunder will terminate upon the death of Executive. In such an event, Executive's estate will be entitled to receive the payments referred to in Section 3.3(c) hereof.

(d) **By Executive Without Good Reason.** If Executive terminates his employment without Good Reason Executive shall be entitled to receive the payments referred to in Section 3.3(d) hereof.

(e) **By the Company Without Cause, Because of Executive's Death or Total Disability or By Executive For Good Reason.** The Company will have the right to terminate Executive's employment, without Cause, on sixty (60) days' prior written notice to Executive in the Company's sole discretion and Executive may terminate his employment for Good Reason pursuant to the notice requirements set forth in Section 6.5(c). This Agreement shall also terminate upon Executive's death or Total Disability. In any of such events, Executive shall be entitled to receive the payments referred to in Section 3.3(e) or in Section 3.3(f), as applicable.

3.3 **Compensation and Severance Benefits Following Termination.** Except as specifically provided in this Section, any and all obligations of the Company to make payments to Executive under this Agreement will cease as of the date the Term expires pursuant to Section 3.1 or as of the date Executive's employment is terminated pursuant to Section 3.2, as the case may be. Executive will be entitled to receive only the following compensation and benefits following the termination of his employment hereunder:

(a) **Benefits Payable upon Termination For Cause.** In the event that the Company terminates the employment of Executive pursuant to Section 3.2(a), Executive will be entitled to receive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment.

(b) **Benefits Payable Upon Termination for Total Disability.** In the event that the Company elects to terminate the employment of Executive pursuant to Section 3.2(b), (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment and (ii) Executive will be entitled to such disability and other employee benefits as may be provided under the terms of the employee benefit plans of the Company and its subsidiaries.

(c) **Benefits Payable Upon Death.** In the event that the Term terminates pursuant to Section 3.2(c), (i) the Company will pay to Executive's surviving spouse or, if none, his estate, a lump-sum amount equal to Executive's Standard Termination Payments within sixty (60) days of such termination of employment and (ii) death benefits, if any, under the employee benefit plans of the Company and its subsidiaries will be paid to Executive's beneficiaries as properly designated in writing by Executive.

(d) **Benefits Payable Upon Executive's Voluntary Termination other than for Good Reason.** In the event Executive elects to terminate his employment pursuant to Section 3.2(d), (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the employee benefit plans of the Company and its subsidiaries for the time period and in such amounts and forms as provided for in such plans.

(e) **Benefits Payable Upon a Qualifying Termination Outside of a Change in Control.**

(i) In the event of a Qualifying Termination prior to or more than 24 months following a Change in Control, (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such Qualifying Termination and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the employee benefit plans of the Company and its subsidiaries for the time period and in such amounts and forms as provided for in such plans.

(ii) In the event of a Qualifying Termination prior to or more than twenty-four (24) months following a Change in Control, and subject to Executive's execution of a full release of claims in the form attached hereto as Exhibit A ("Release") within 45 days following Executive's Qualifying Termination, and provided there has been no revocation or attempted revocation of the Release of Claims during the statutory revocation period (the date after the lapse of such revocation period without a revocation or attempted revocation, the "Release Effective Date") and subject to the terms of this Agreement, Executive will be eligible for the following benefits:

A. **Cash Severance.** A lump sum cash amount equal to the product of (x) and (y) where (x) is Executive's Annual Base Salary as then in effect in accordance with Section 2.1 and (y) is 1.00.

B. **Continuation of Health Care Coverage.** The Executive (and his eligible dependents) shall be entitled to continued participation in the medical, dental and vision plans of the Company and its subsidiaries as in effect from time to time, at then-existing participation and coverage levels, for twelve (12) months immediately following Executive's Qualifying Termination. For the avoidance of doubt, the Participant (and his eligible dependents) shall be responsible for paying all deductibles and other cost sharing items under such plans but shall not be responsible for the payment of premiums. If and to the extent that any benefit described in this paragraph (B) is not or cannot be paid or provided under a plan or arrangement of the Company or its subsidiaries, then the Company will pay or provide for the payments to Executive of such employee benefits. Nothing in this paragraph (B) shall be construed to impair or reduce Executive's rights under Consolidated Omnibus Reconciliation Act "COBRA" or other applicable law.

(a) **Benefits Payable Upon a Qualifying Termination in the event of a Change in Control.**

(i) **Standard Termination Benefits** In the event of Executive's Qualifying Termination within twenty-four (24) months after a Change in Control, (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such Qualifying Termination and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the employee benefit plans of the Company and its subsidiaries for the time period and in such amounts and forms as provided for in such plans.

(ii) In the event of a Qualifying Termination within 24 months after a Change in Control, and subject to Executive's execution of a Release within forty-five (45) days following such Qualifying Termination, and provided there occurs a Release Effective Date, and subject to the terms of this Agreement, Executive will be eligible for the following benefits:

A. **Cash Severance.** A lump sum cash amount equal to the product of (x) and (y) where (x) is the sum of Executive's Annual Base Salary as then in effect in accordance with Section 2.1 and Executive's Average Bonus and (y) is 2.0.

B. **Continuation of Health Care Coverage.** The Executive (and his eligible dependents) shall be entitled to continued participation in the medical, dental and vision plans of the Company and its subsidiaries as in effect from time to time, at then-existing participation and coverage levels, for twenty four (24) months immediately following Executive's Qualifying Termination. For the avoidance of doubt, the Participant (and his eligible dependents) shall be responsible for paying all deductibles and other cost sharing items under such plans but shall not be responsible for the payment of premiums. If and to the extent that any benefit described in this paragraph (B) is not or cannot be paid or provided under a plan or arrangement of the Company or its subsidiaries, then the Company will pay or provide for the payments to Executive of such employee benefits. Nothing in this paragraph (B) shall be construed to impair or reduce an Executive's rights under COBRA or other applicable law.

3.4 **Form and Time of Payment of Benefits Payable in the Event of a Qualifying Termination Outside of a Change in Control**. Subject to the timely execution of the required Release, and the occurrence of the Release Effective Date, benefits provided under Section 3.3(e)(ii) shall be paid in accordance with the following provisions:

(b) Cash severance benefits under Section 3.3(e)(ii)(A) shall be paid to Executive in a lump sum no later than the 75th day following Executive's Qualifying Termination.

(c) Any obligation of the Company to provide or to continue to provide Benefit Continuation under Section 3.3(e)(ii)(B), shall cease in the event that the Release Effective Date does not occur.

(d) All payments and benefits under this Section 3.4 are subject to Executive's continuing compliance with restrictive covenants set forth in Section 4 of this Agreement and the Company's policies on recoupment, as in effect from time to time.

(e) For avoidance of doubt, if Executive is entitled to receive payment pursuant to this Section 3.4, then Executive will not also be entitled to receive any payments pursuant to any other section of this Agreement.

3.5 **Form and Time of Payment of Benefits in the Event of a Change in Control**. Subject to the timely execution of the required Release, and the occurrence of the Release Effective Date, benefits provided under Section 3.3(f)(ii) shall be paid in accordance with the following provisions:

(f) Cash severance benefits under Section 3.3(f)(ii)(A) shall be paid to Executive in a lump sum no later than the 75th day following the Qualifying Termination.

(g) Any obligation of the Company to provide or to continue to provide Benefit Continuation under Section 3.3(e)(iii), shall cease in the event that the Release Effective Date does not occur.

(h) All payments and benefits under this Section 3.5 are subject to Executive's continuing compliance with restrictive covenants set forth in Section 4 of the Agreement and the Company's policies on recoupment, as in effect from time to time.

(i) For avoidance of doubt, if Executive is entitled to receive payment pursuant to this Section 3.5, then Executive will not also be entitled to receive any payments pursuant to any other section of this Agreement.

3.6 **Best Net.**

(j) It is the object of this paragraph to provide for the maximum after-tax income to Executive with respect to any payment, benefit or distribution to or for the benefit of Executive, whether paid or payable or distributed or distributable or provided pursuant to this Agreement or any other plan, arrangement or agreement, that would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code ("Code") or any similar federal, state or local tax that may hereafter be imposed (a "Payment") (Section 4999 of the Code or any similar federal, state or local tax are collectively referred to as the "Excise Tax"). Accordingly, before any Payments are made, a determination will be made as to which of two alternatives will maximize such Executive's after-tax proceeds, and the Company must notify Executive in writing of such determination. The first alternative is the payment in full of all Payments potentially subject to the Excise Tax. The second alternative is the payment of only a part of Executive's Payments so that Executive receives the largest payment and benefits possible without causing the Excise Tax to be payable by Executive. This second alternative is referred to in this paragraph as "Limited Payment". The Executive's Payments shall be paid only to the extent permitted under the alternative determined to maximize Executive's after-tax proceeds, and Executive shall have no rights to any greater payments on his or her Payments. If Limited Payment applies, Payments shall be reduced in a manner that would not result in Executive incurring an additional tax under Section 409A.

(k) Accordingly, Payments not constituting nonqualified deferred compensation under Section 409A shall be reduced first, in this order but only to the extent that doing so avoids the Excise Tax (e.g., accelerated vesting or payment provisions in any LTIP Award will be ignored to the extent that such provisions would not trigger the Excise Tax):

(i) Payment of the severance amounts under Section 3.3(f) hereof to the extent such payments do not constitute deferred compensation under Section 409A.

(ii) LTIP Awards the vesting of which is subject to the satisfaction of one or more performance conditions ("Performance-Based Awards"), but excluding such LTI Awards subject to Section 409A.

(iii) LTIP Awards the vesting of which is subject to the satisfaction of a service condition ("Service-Based Awards"), but excluding such LTIP Awards subject to Section 409A.

(iv) Awards of stock options and stock appreciation rights under any LTIP.

(l) Then, if the foregoing reductions are insufficient, Payments constituting deferred compensation under Section 409A shall be reduced, in this order:

(i) Payment of the severance amounts under Section 3.3(f) hereof to the extent such payments constitute deferred compensation under Section 409A.

(ii) Performance-Based Awards subject to Section 409A.

(iii) Service-Based Awards subject to Section 409A.

(m) In the event of conflict between the order of reduction under this Agreement and the order provided by any other Company document governing a Payment, then the order under this Agreement shall control.

(n) All determinations required to be made under this Section 3.6 shall be made by Company's external auditor (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within ten (10) business days of the termination of employment giving rise to benefits under the Plan, or such earlier time as is requested by the Company. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. In the event the Accounting Firm determines that the Payments shall be reduced, it shall furnish Executive with a written opinion to such effect. The determination by the Accounting Firm shall be binding upon the Company and Executive.

3.7 **All Payments.** All payments made to Executive upon the termination of Executive's employment will be made in U.S dollars and are in lieu of all other termination or severance payments available at law or otherwise.

4. **RESTRICTIVE COVENANTS.**

4.1 **Access to Confidential Information.** Executive 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 and its affiliates. Executive 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, its subsidiaries, and its and their customers and investors, and information that Executive may create or prepare certain information related to his duties. Executive 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 Executive), 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 and its affiliates. Executive 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 Executive's possession at the conclusion of Executive's use of such information and at the conclusion of Executive'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 Executive 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. For purposes of this Section 4, all references to the Company shall, unless the context clearly indicates otherwise, include the Company and its affiliates, including the Bank.

4.2 **Non-Competition.** Executive acknowledges that, as a result of Executive's service with the Company, a special relationship of trust and confidence will develop between Executive, 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. Executive 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. Executive further acknowledges that throughout his service with the Company, Executive 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 Executive 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, Executive agrees that, during Executive's employment with the Company, and for a period of twelve (12) months following the date of the termination of Executive's employment with the Company (whether by the Company or by Executive) for any reason, Executive will not, either for himself or in conjunction with others:

(a) compete or engage anywhere in the geographic area comprised of any Metropolitan Statistical Area, as defined by the US Office of Management & Budget, in which Executive has performed duties on behalf of the Company during the preceding twelve (12) months, whether such duties were performed in person, telephonically, electronically or otherwise ("Market Area"), in any business that is the same or similar, or offers competing products and services as those offered by the Company;

(b) take any action to invest in, own, manage, operate, control, participate in, be employed or engaged by, or be connected in any manner with any partnership, corporation or other business or entity engaging in a business the same or similar, or which offers competing products and services as those offered by the Company anywhere within the Market Area; notwithstanding the foregoing, Executive is permitted hereunder to own, directly or indirectly, up to five percent (5%) of the issued and outstanding securities of any publicly traded financial institution conducting business within the Market Area;

(c) 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 Executive has Proprietary Information, or with whom Executive has done business or attempted to do business on behalf of the Company;

(d) (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) procure or facilitate the making of any such offer or attempt described in the preceding clause (i) by any other person, (iii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, 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. This restriction in Section 4.2(d)(iv) shall not apply to any investor with which Executive had a preexisting relationship prior to becoming employed by the Company.

(e) (i) enter into employment, consultancy, association or affiliation with any entity that provides Conflicting Services (as defined below) if any former employee of the Company with whom Executive had contact as part of his or her duties with the Company (a "Covered Person") has become employed by, associated or affiliated with, or a consultant of such entity during the twelve (12) month period preceding Executive's termination of employment with the Company; or (ii) continue employment, consultancy, association or affiliation with any entity that provides Conflicting Services if any Covered Person becomes employed by, associated or affiliated with, or a consultant to such entity during the twelve (12) month period subsequent to Executive's termination of employment with the Company. It is the intention of the parties to prevent the irreparable harm to the Company that would occur from the pooling of information that two or more former Covered Persons can provide to a competing entity or the misuse of Confidential Information. As used herein, "Conflicting Services" is defined as services that are the same or substantially similar to those services of Company or its affiliates and subsidiaries (x) which were provided by Executive (directly or indirectly) during the twelve (12) months preceding Executive's termination from employment by Company or (y) about which Executive acquired Confidential Information during Executive's employment by Company.

4.3 **Non-Competition Period.** The restrictions on Executive's activities identified in Section 4.2 hereof will apply for twelve (12) months after the termination of Executive's employment with the Company, regardless of reason for the termination of such employment.

4.4 **Representations of Executive.** EXECUTIVE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIS, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF SECTION 4 HEREOF, FOR EXAMPLE, BY USING SUCH KNOWLEDGE, SKILLS AND ABILITIES, OR SOME OF THEM, IN THE SERVICE OF A NON COMPETITOR.

4.5 **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.

4.6 **Intellectual Property.** Executive agrees to disclose and assign 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 Executive may conceive, invent, author or discover, either solely or jointly with another or other during Executive'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. Executive will, upon request of the Company, either during or at any time after Executive's employment ends, regardless of how or why Executive'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.

4.7 **Remedy.** Executive understands and acknowledges that the Company has a legitimate business interest in preventing Executive from taking any actions in violation of this Section 4 and that this Section 4 is intended to protect the business and goodwill of the Company. Executive further acknowledges that a breach of this Section 4 will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Executive therefore agrees that in the event Executive violates any of the terms of this Section 4, 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 Section 4 without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Section 4, 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 Section 4.

4.8 **Waiver.** Executive understands and agrees that in the event the Company waives or allows any breach of this Section 4, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.

5. **MISCELLANEOUS.**

5.1 **Governing Law; Dispute Resolution.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas excluding that body of law known as conflicts of law. The Parties will endeavor to settle amicably by mutual discussions any disputes or claims related to this Agreement ("Dispute"). Failing such settlement, and excepting such claims as may be brought pursuant to Section 4 hereof in a state or federal court having jurisdiction, any other Dispute will finally be settled by arbitration in accordance with the rules of the American Arbitration Association ("AAA") then applicable to employment-related disputes. The Parties will agree upon a single arbitrator. The Arbitrator will not have authority to award punitive damages to either Party. Each Party will bear its own expenses, but the Company will bear the fees and expenses of the arbitrator. This Agreement will be enforceable, and any arbitration award will be final. In any such arbitration, the decision in any prior arbitration under this Agreement will not be deemed conclusive of the rights as among themselves of the Parties hereunder. The arbitration will be held in Dallas, Texas. Any notices, including a demand for arbitration will be deemed served when delivered to the address indicated in Section 5.6. The Parties agree the arbitration hearing shall start and commence within ninety (90) days following appointment of the arbitrator by the AAA. Any award rendered by the arbitrator may be entered for enforcement by any court of competent jurisdiction. This Agreement is subject to the Federal Arbitration Act.

5.2 **Tax Withholding**. All payments and benefits under this Agreement shall be subject to, and made net of, applicable deductions and withholdings.

5.3 **Non-Payment of Benefits Due to Prohibition under 12 C.F.R. Part 359**. Notwithstanding anything in this Agreement to the contrary, the Company will not be required to pay any benefit under this Agreement if the Company reasonably determines that the payment of such benefit would be prohibited by 12 C.F.R. Part 359 or any successor regulations regarding employee compensation promulgated by any regulatory agency having jurisdiction over the Company or its affiliates.

5.4 **Code Section 409A.**

(a) It is the intent of the Parties that this Agreement be interpreted and administered in compliance with the requirements of Code section 409A to the extent applicable. In this connection, the Company will have authority to take any action, or refrain from taking any action, with respect to this Agreement that is reasonably necessary to ensure compliance with Code section 409A (provided that the Company will choose the action that best preserves the value of the payments and benefits provided to Executive under this Agreement), and the Parties agree that this Agreement will be interpreted in a manner that is consistent with Code section 409A.

(b) In furtherance, but not in limitation of the foregoing paragraph (a): (i) in the event that Executive is a "specified employee" within the meaning of Code section 409A, payments which constitute a "deferral of compensation" under Code section 409A and which would otherwise become due during the first six (6) months following Executive's termination of employment will be delayed and all such delayed payments will be paid in full in the seventh (7th) month after Executive's termination of employment, and all subsequent payments will be paid in accordance with their original payment schedule, provided that the above delay will not apply to any payments that are excepted from coverage by Code section 409A, such as those payments covered by the short-term deferral exception described in Treasury Regulations section 1.409A-1(b)(4); (ii) notwithstanding any other provision of this Agreement, a termination of Executive's employment hereunder will mean, and be interpreted consistent with, a "separation from service" within the meaning of Code section 409A; and (iii) with respect to the reimbursement of fees and expenses provided for herein, the following will apply: (A) unless a specific time period during which such expense reimbursements may be incurred is provided for herein, such time period will be deemed to be Executive's lifetime; (B) the amount of expenses eligible for reimbursement hereunder in any particular year will not affect the expenses eligible for reimbursement in any other year; (C) the right to reimbursement of expenses will not be subject to liquidation or exchange for any other benefit; and (D) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the calendar year in which the expense was incurred or the tax was remitted, as the case may be.

(c) If the maximum period within which Executive must sign and not revoke the Release could begin in one calendar year and expire in the following calendar year, then any payments contingent on the occurrence of the Release Effective Date shall be made in such following calendar year (regardless of the year of execution of such release) if payment in such following calendar year is required in order to comply with Section 409A. If the Release Effective Date has not occurred by the 60th day following Executive's termination of employment, Executive will not be entitled to any amounts that are subject to the timely execution of the Release and the occurrence of the Release Effective Date.

5.5 **Headings.** The headings and captions set forth herein are for convenience of reference only and will not affect the construction or interpretation hereof.

5.6 **Notices.** Any notice or other communication required, permitted, or desirable hereunder will be hand delivered (including delivery by a commercial courier service) or sent by United States registered or certified mail, postage prepaid, or by electronic mail addressed to the then applicable email address of Chief Executive Officer or Executive, as applicable, in place at the time of the notice, as follows:

If to the Company: Triumph Bancorp, Inc.
Physical address: 12700 Park Central Drive, Suite 1700 Dallas, Texas 75251
Attn: Chief Executive Officer

If to Executive: Edward J. Schreyer
Physical address:

or such other addresses as will be furnished in writing by the Parties. Any such notice or communication will be deemed to have been given as of the date so delivered in person or three business days after so mailed.

5.7 **Successors and Assigns.** The Company may assign its rights under this Agreement to any successor to its business (by merger, acquisition of substantially all of the Company's assets or otherwise), provided that such successor entity expressly assumes, in a writing reasonably acceptable to Executive, this Agreement and all obligations and undertakings of the Company hereunder. Executive may not assign his rights or delegate his duties under this Agreement without the prior written consent of the Company. Executive understands and agrees that this Agreement will be binding upon and inure to the benefit of the Company and its legal representatives, successors and assigns. Executive also understands and agrees that this Agreement will be binding upon and inure to the benefit of Executive's heirs and executors or administrators.

5.8 **Entire Agreement; Amendments.** This Agreement sets forth the entire agreement and understanding of the Parties with respect to the subject matter hereof, and there are no other contemporaneous written or oral agreements, undertakings, promises, warranties or covenants not specifically referred to or contained herein. This Agreement specifically supersedes any and all prior agreements and understandings of the Parties with respect to the subject matter hereof, all of which prior agreements and understandings (if any) are hereby terminated and of no further force and effect. This Agreement may be amended, modified or terminated only by a written instrument signed by the Parties hereto.

5.9 **Execution of Counterparts.** This Agreement may be executed in one or more counterparts (including by facsimile or portable document format (.pdf)) for the convenience of the Parties hereto, each of which will be deemed an original, but all of which together will constitute one and the same instrument. No signature page to this Agreement evidencing a Party's execution hereof will be deemed to be delivered by such Party to any other Party hereto until such delivering party has received signature pages from all Parties signatory to this Agreement.

5.10 **Severability.** If any provision, clause or part of this Agreement, or the applications thereof under certain circumstances, is held invalid or unenforceable for any reason, the remainder of this Agreement, or the application of such provision, clause or part under other circumstances, will not be affected thereby.

5.11 **Incorporation of Recitals.** The Recitals to this Agreement are an integral part of, and by this reference are hereby incorporated into, this Agreement.

6. **DEFINITIONS.**

6.1 **Average Bonus**. "Average Bonus" shall mean the average of the annual cash bonuses earned (regardless of when paid) by Executive during the three fiscal years immediately preceding the fiscal year in which Executive terminated employment; provided, however, if (a) such annual cash bonuses related to a fiscal year prior to the fiscal year in which Effective Date occurred or (b) Executive was not eligible to participate in the annual cash bonus program of the Company and its subsidiaries (either due to the fact Executive was not an employee of the Company or its subsidiaries during such fiscal year or any other reason) during each such fiscal year, then Average Bonus shall mean the average of the annual cash bonuses earned (regardless of when paid) by Executive (x) for fiscal year from and after the fiscal year in which Effective Date occured and (b) during the fiscal years that Executive was a participant in the annual cash bonus program of the Company and its subsidiaries.

6.2 **Cause**. "Cause" shall mean the Company's determination in good faith that Executive: (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 convicted of a felony, (iii) has willfully refused to perform his material job duties hereunder, (iv) has willfully violated a material provision of Section 4 hereof, (v) has willfully violated or breached any material provision of this Agreement in any material respect or violated any material law or regulation or (vi) any other misconduct by Executive that is materially injurious to the financial condition or business reputation of the Company or any of its subsidiaries or affiliates.

6.3 **Change in Control**. A "Change in Control" shall mean the first to occur:

(a) A direct or indirect acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (a "Person") of beneficial ownership of shares of Company common stock which, together with other direct or indirect acquisitions or beneficial ownership by such Person, results in aggregate beneficial ownership by such Person of more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities"); excluding, however, the following:

(i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Company,

(ii) any acquisition by the Company or a wholly owned subsidiary,

(iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company any entity controlled by the Company, or

(iv) any acquisition by any entity pursuant to a transaction which complies with Section 6 .3(c)(i), (ii) or (iii); or

(b) A change in the composition of the Board of the Company over a 12-month period such that the individuals who, as of the date of the beginning of the period (the "Effective Incumbency Date"), constitute the Board of the Company (the "Incumbent Board") cease for any reason to constitute a majority of the Board of the Company; provided, however, that any individual who becomes a member of the Board of the Company subsequent to the Effective Incumbency Date, whose election, or nomination for election by the Company's stockholders, was approved by a vote of a majority of those individuals then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Company shall not be so considered as a member of the Incumbent Board; or

(c) The consummation of a Corporate Transaction; excluding, however, such a Corporate Transaction pursuant to which:

(i) all or substantially all of the individuals and entities who are the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such Corporate Transaction or a direct or indirect parent entity of the surviving or acquiring entity (including, without limitation, an entity which as a result of such transaction owns all or substantially all of Company's assets either directly or through one or more subsidiaries) in substantially the same proportions (as compared to each other) as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Voting Securities,

(ii) no Person (other than the Company, any wholly owned subsidiary, any employee benefit plan (or related trust) sponsored or maintained by the Company, any entity controlled by the Company, such surviving or acquiring entity resulting from such Corporate Transaction or any entity controlled by such surviving or acquiring entity or a direct or indirect parent entity of the surviving or acquiring entity that, after giving effect to the Corporate Transaction, beneficially owns, directly or indirectly, 100% of the outstanding voting securities of the surviving or acquiring entity) will beneficially own, directly or indirectly, thirty percent (30%) or more of the outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Corporate Transaction; or

(iii) individuals who were members of the Incumbent Board will constitute a majority of the members of the board of directors (or similar governing body) of the surviving or acquiring entity resulting from such Corporate Transaction or a direct or indirect parent entity of the surviving or acquiring entity.

6.4 **Corporate Transaction**. "Corporate Transaction" shall mean a

(a) dissolution or liquidation of the Company,

(b) sale of all or substantially all of the assets of the Company,

(c) merger or consolidation of the Company with or into any other corporation, regardless of whether Company is the surviving corporation or

(d) statutory share exchange involving capital stock of the Company.

6.5 **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 reduction in Executive's base salary as in effect immediately prior to Executive's "Good Reason Notice of Termination" as defined below unless such reduction is made in accordance with a uniform reduction in base salaries of all the Company's executive officers;

(ii) a reduction in Executive's target annual bonus opportunity or annual LTIP opportunity as in effect immediately prior to Executive's Good Reason Notice of Termination unless such reduction is made in accordance with a uniform reduction in target annual bonus opportunity of all the Company's executive officers;

(iii) any action or inaction of the Company that constitutes a material breach of the terms of this Agreement by the Company that is not cured within 30 days after receipt of written notice of breach from Executive;

(iv) the date the current Chief Executive Officer of the Company is no longer serving in such capacity.

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

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

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

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

(viii) the date the current Chief Executive Officer of the Company is no longer serving in such capacity;

(ix) any requirement that Executive relocate or maintain an office more than 30 miles from Dallas, Texas;

(x) a material reduction in Executive's position, authority, duties or responsibilities relative to such position, authority, duties or responsibilities immediately prior to the Change in control;

(xi) any requirement that Executive report to someone other than the Chief Executive Officer of the Company; or

(xii) the failure at any time of a successor to the Company explicitly to assume and agree to be bound by this Agreement.

(a) 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:

(xiii) Executive provides the Company thirty (30) day advance written notice of his 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");

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

(xv) 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

(xvi) Executive'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.

6.6 **Qualifying Termination**. A "Qualifying Termination" shall mean (i) Executive's involuntary termination of employment without Cause or (ii) Executive's voluntary termination for Good Reason.

6.7 **Standard Termination Payments**. "Standard Termination Payments" shall mean earned and unpaid salary through the date of Executive's termination of employment, any bonus definitively earned by Executive but not yet paid to Executive, additional salary in lieu of Executive's accrued and unused vacation (to the extent such is paid in accordance with the Company's policies for its executives generally), any unreimbursed business and entertainment expenses, each in accordance with the policies of the Company and its subsidiaries, and any unreimbursed employee benefit expenses that are reimbursable in accordance with the employee benefit plans of the Company and its subsidiaries through the date of Executive's termination of employment. For the avoidance of doubt, the Standard Termination Payments do not include any unvested portion of any annual or long-term incentive compensation or bonus; provided however, that with respect to the payments set forth in Section 3.3(b), (c) and (e), the Standard Termination Payments shall also include (i) any earned Annual Bonus not yet paid to Executive for the prior calendar year and (ii) a pro-rata Annual Bonus for the current calendar year, which shall determined, at the Company's discretion, by application of the current bonus accrual at the time of termination of employment to determine such pro-rated bonus amount or by deferring the portion of such prorated Annual Bonus until calculation of the actual Annual Bonus payable following the end of such year in accordance with the Company's standard practices.

6.8 **Total Disability**. "Total Disability" shall mean the inability of Executive, due to a physical or a mental condition, to perform the essential functions of Executive's job, with or without accommodation, for any period of 180 consecutive days; *provided* that the return of Executive to his duties for periods of 15 days or less will not interrupt such 180-day period.

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IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

TRIUMPH BANCORP, INC.

By: /s/ Aaron P. Graft

Name: Aaron P. Graft

Title: Chief Executive Officer

EXECUTIVE: EDWARD J. SCHREYER

/s/ Edward J. Schreyer

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into on July 1, 2022 (the "Effective Date"), by and between ADVANCE BUSINESS CAPITAL LLC a Delaware limited liability company (the "Company"), and Geoffrey P. Brenner ("Executive").

RECITALS

WHEREAS, the Company is the wholly-owned subsidiary of TBK Bank, SSB, a Texas state savings bank ("TBK BANK"), and the indirect wholly-owned subsidiary of Triumph Bancorp, Inc., a Texas corporation ("Parent"); and

WHEREAS, Executive has agreed to serve as the Chief Executive Officer of the Company; and

WHEREAS, Executive is willing to enter into this Agreement in consideration of his employment by the Company and the benefits that Executive will receive under the terms hereof.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. **EMPLOYMENT OF EXECUTIVE.**

1.1 **Duties and Status.** The Company hereby engages Executive as the Chief Executive Officer of the Company for the Term (as defined in Section 3.1 hereof), and Executive accepts such employment, on the terms and subject to the conditions set forth in this Agreement. During the Term, Executive will faithfully exercise such authority and perform such duties on behalf of the Company as are normally associated with his title and position as Chief Executive Officer and such other duties or positions as Executive and the Company will mutually determine from time to time, including service for such other affiliates of the Company as shall be mutually determined. In the capacity defined in this Section 1.1, Executive will report to the Chief Executive Officer of TBK Bank and the Board of Directors of the Company.

1.2 **Time and Effort.** During the Term, Executive will devote his full working time, energy, skill and commercially reasonable best efforts to the performance of his duties hereunder in a manner which will faithfully and diligently further the business and interests of the Company and its affiliates. Notwithstanding the foregoing, Executive may participate fully in social, charitable, civic activities and such other personal affairs of Executive as do not interfere with performance of his duties hereunder. The Parties have also agreed that Executive may continue to serve as a director for other entities, and may from time to time provide consulting or other services for remuneration unrelated to his services to the Company and its affiliates; however, as an express condition thereto, Executive will be required to fully disclose for consent all such directorships and consulting or services engagements to the Chief Executive Officer of the Bank and the Board of Directors of the Company in advance, and acknowledges and agrees that such consent may be withheld in the sole discretion of the Company.

2. **COMPENSATION AND BENEFITS.**

2.1 **Annual Base Salary.** For all of the employment rendered by Executive to the Company and to the Company, the Company will pay Executive an annual base salary of $450,000 (the "Annual Base Salary").

Executive's Annual Base Salary will be payable in equal installments in accordance with the practice of the Company in effect from time to time for the payment of salaries to officers of the Company, but in no event less than bi-monthly, and may be increased or decreased during the Term. Any increase or decrease in the amount will henceforth be the Annual Base Salary.

2.2 **Annual Incentive Program.** Executive shall be eligible to participate in any annual incentive program maintained by the Company or Parent to the same extent as other executives of the Company or Parent and shall be eligible to receive cash incentive awards thereunder, as determined by the Board of Directors of the Parent (as applicable, the "Board") or a committee of the Board.

2.3 **Long-Term Incentive Program**. Executive shall be eligible to participate in any long-term incentive program ("LTIP") maintained by the Company or Parent to the same extent as other executives of the Company or Parent and shall be eligible to receive equity and long-term cash incentive awards ("LTI Awards") thereunder, as determined by the Board or a committee of the Board.

2.4 **Expenses.** The Company will timely pay or reimburse Executive for all reasonable travel, entertainment and other business expenses actually paid or incurred by Executive during the Term in the performance of Executive's duties under this Agreement in accordance with the Company's employee business expense reimbursement policies in effect from time to time, but in no event less than monthly.

2.5 **Benefits.** To the extent the Company or the Parent provides employee benefits plans including, without limitation, any pension, disability, group life, sickness, accident and health and dental insurance plans or programs, Executive will be entitled to participate in such employee benefit plans on such terms as determined by the Company or the Parent. For the avoidance of doubt, Executive will not be reimbursed by the Company or the Parent for any health-related expenses, unless otherwise agreed to by the Company or the Parent.

2.6 **Paid Time Off.** During the Term, Executive will be entitled to paid time off of at least four weeks per calendar year and leave of absence and leave for illness or temporary disability in accordance with the policies of the Company in effect from time to time.

2.7 **Indemnification.** During the Term, the Company or the Parent agrees to maintain one or more directors and officers liability insurance policies covering Executive pursuant to the terms of such policies.

3. **TERM AND TERMINATION.**

3.1 **Term.** The term of employment hereunder will commence on the Effective Date and will terminate on the earlier of (a) the close of business December 31, 2022 (the "Original Term") or (b) any termination of employment pursuant to Section 3.2 hereof; provided, however, if a Change in Control should occur at any time during the Term of the Agreement, then such Term shall end no earlier than the second anniversary of the date of such Change in Control (or if earlier, a termination of employment pursuant to Section 3.2 hereof). Thereafter, unless written notification is given by either the Company or Executive at least sixty (60) days before the expiration of the Original Term or any subsequent renewal term, the Term will automatically renew for successive one year periods (each, a "Renewal Term"). For purposes of this Agreement, when the word "Term" is used alone, it collectively refers to the Original Term and all Renewal Term(s). The Company's decision not to extend the Term will not be considered termination of Executive's employment, whether with or without Cause, as defined below. Notwithstanding any provision of this Agreement to the contrary, the nonrenewal of this Agreement in accordance with this Section 3.1 shall not discharge the Company's obligation to pay any benefits that Executive became entitled to under this Agreement prior to such nonrenewal.

3.2 **Termination of Employment.** Each party will have the right to terminate Executive's employment hereunder before the Term expires to the extent, and only to the extent, permitted by this Section.

(a) **By the Company for Cause.** The Company will have the right to terminate Executive's employment at any time upon delivery of written notice of termination for Cause to Executive (which notice will specify in reasonable detail the basis upon which such termination is made), such employment to terminate immediately upon delivery of such notice unless otherwise specified by the Company. In the event that Executive's employment is terminated for Cause, Executive will be entitled to receive the payments referred to in Section 3.3(a) hereof. Notwithstanding the foregoing, if termination is pursuant to Section 6.2(iii), Company shall provide Executive a written notice describing in detail the alleged neglected duties and Executive will be provided thirty (30) business days to defend and/or cure such alleged breach.

(b) **By the Company Upon Total Disability.** The Company will have the right to terminate Executive's employment on thirty (30) days' prior written notice to Executive if the Company determines in good faith that Executive is unable to perform his duties by reason of Total Disability, but any termination of employment pursuant to this subsection (b) will obligate the Company to make the payments referred to in Section 3.3(b) hereof.

(c) **Due to Death of Executive.** Executive's employment hereunder will terminate upon the death of Executive. In such an event, Executive's estate will be entitled to receive the payments referred to in Section 3.3(c) hereof.

(d) **By Executive other than for Good Reason.** If Executive terminates his employment other than for Good Reason Executive shall be entitled to receive the payments referred to in Section 3.3(d) hereof.

(e) **By the Company Other Than for Cause, Death or Total Disability or By Executive For Good Reason.** The Company will have the right to terminate Executive's employment, other than for Cause, death or Total Disability, on sixty (60) days' prior written notice to Executive in the Company's sole discretion and Executive may terminate his employment for Good Reason pursuant to the notice requirements set forth in Section 6.5(c). In either event, Executive shall be entitled to receive the payments referred to in Section 3.3(e) or in Section 3.3(f), as applicable.

3.3 **Compensation and Severance Benefits Following Termination.** Except as specifically provided in this Section, any and all obligations of the Company to make payments to Executive under this Agreement will cease as of the date the Term expires pursuant to Section 3.1 or as of the date Executive's employment is terminated pursuant to Section 3.2, as the case may be. Executive will be entitled to receive only the following compensation and benefits following the termination of his employment hereunder:

(a) **Benefits Payable upon Termination For Cause.** In the event that the Company terminates the employment of Executive pursuant to Section 3.2(a), Executive will be entitled to receive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment.

(b) **Benefits Payable Upon Termination for Total Disability.** In the event that the Company elects to terminate the employment of Executive pursuant to Section 3.2(b), (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment and (ii) Executive will be entitled to such disability and other employee benefits as may be provided under the terms of the Company's employee benefit plans.

(c) **Benefits Payable Upon Death.** In the event that the Term terminates pursuant to Section 3.2(c), (i) the Company will pay to Executive's surviving spouse or, if none, his estate, a lump-sum amount equal to Executive's Standard Termination Payments within sixty (60) days of such termination of employment and (ii) death benefits, if any, under the Company's employee benefit plans will be paid to Executive's beneficiaries as properly designated in writing by Executive.

(d) **Benefits Payable Upon Executive's Voluntary Termination other than for Good Reason.** In the event Executive elects to terminate his employment pursuant to Section 3.2(d), (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the Company's employee benefit plans for the time period and in such amounts and forms as provided for in such plans.

(e) **Benefits Payable Upon a Qualifying Termination Outside of a Change in Control.**

(i) In the event of a Qualifying Termination prior to or more than 24 months following a Change in Control, (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such Qualifying Termination and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the Company's employee benefit plans for the time period and in such amounts and forms as provided for in such plans.

(ii) In the event of a Qualifying Termination prior to or more than twenty-four (24) months following a Change in Control, and subject to Executive's execution of a full release of claims in a form satisfactory to the Company ("Release") within 45 days following Executive's Qualifying Termination, and provided there has been no revocation or attempted revocation of the Release of Claims during the statutory revocation period (the date after the lapse of such revocation period without a revocation or attempted revocation, the "Release Effective Date") and subject to the terms of this Agreement, Executive will be eligible for the following benefits:

A. **Cash Severance.** A lump sum cash amount equal to the product of (x) and (y) where (x) is Executive's Annual Base Salary as then in effect in accordance with Section 2.1 and (y) is 1.0.

B. **Continuation of Health Care Coverage.** The Executive (and his eligible dependents) shall be entitled to continued participation in the Company's or the Company's medical, dental and vision plans, as in effect from time to time, at then-existing participation and coverage levels, for twelve (12) months immediately following Executive's Qualifying Termination. For the avoidance of doubt, the Participant (and his eligible dependents) shall be responsible for paying all deductibles and other cost sharing items under such plans but shall not be responsible for the payment of premiums. If and to the extent that any benefit described in this paragraph (B) is not or cannot be paid or provided under a Company or Company plan or arrangement, then the Company will pay or provide for the payments to Executive of such employee benefits. Nothing in this paragraph (B) shall be construed to impair or reduce Executive's rights under Consolidated Omnibus Reconciliation Act "COBRA" or other applicable law.

(a) **Benefits Payable Upon a Qualifying Termination in the event of a Change in Control.**

(i) **Standard Termination Benefits** In the event of Executive's Qualifying Termination within twenty-four (24) months after a Change in Control, (i) the Company will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such Qualifying Termination and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the Company's employee benefit plans for the time period and in such amounts and forms as provided for in such plans.

(ii) In the event of a Qualifying Termination within 24 months after a Change in Control, and subject to Executive's execution of a Release within forty-five (45) days following such Qualifying Termination, and provided there occurs a Release Effective Date, and subject to the terms of this Agreement, Executive will be eligible for the following benefits:

A. **Cash Severance.** A lump sum cash amount equal to the product of (x) and (y) where (x) is the sum of Executive's Annual Base Salary as then in effect in accordance with Section 2.1 and Executive's Average Bonus and (y) is 2.0.

B. **Continuation of Health Care Coverage.** The Executive (and his eligible dependents) shall be entitled to continued participation in the Company's medical, dental and vision plans, as in effect from time to time, at then-existing participation and coverage levels, for twenty four (24) months immediately following Executive's Qualifying Termination. For the avoidance of doubt, the Participant (and his eligible dependents) shall be responsible for paying all deductibles and other cost sharing items under such plans but shall not be responsible for the payment of premiums. If and to the extent that any benefit described in this paragraph (B) is not or cannot be paid or provided under a Company or Company plan or arrangement, then the Company will pay or provide for the payments to Executive of such employee benefits. Nothing in this paragraph (B) shall be construed to impair or reduce an Executive's rights under COBRA or other applicable law.

3.4 **Form and Time of Payment of Benefits Payable in the Event of a Qualifying Termination Outside of a Change in Control**. Subject to the timely execution of the required Release, and the occurrence of the Release Effective Date, benefits provided under Section 3.3(e)(ii) shall be paid in accordance with the following provisions:

(b) Cash severance benefits under Section 3.3(e)(ii)(A) shall be paid to Executive in a lump sum no later than the 75th day following Executive's Qualifying Termination.

(c) Any obligation of the Company to provide or to continue to provide Benefit Continuation under Section 3.3(e)(ii)(B), shall cease in the event that the Release Effective Date does not occur.

(d) All payments and benefits under this Section 3.4 are subject to Executive's continuing compliance with restrictive covenants set forth in Section 4 of this Agreement and the Company's policies on recoupment, as in effect from time to time.

(e) For avoidance of doubt, if Executive is entitled to receive payment pursuant to this Section 3.4, then Executive will not also be entitled to receive any payments pursuant to any other section of this Agreement.

3.5 **Form and Time of Payment of Benefits in the Event of a Change in Control**. Subject to the timely execution of the required Release, and the occurrence of the Release Effective Date, benefits provided under Section 3.3(f)(ii) shall be paid in accordance with the following provisions:

(f) Cash severance benefits under Section 3.3(f)(ii)(A) shall be paid to Executive in a lump sum no later than the 75th day following the Qualifying Termination.

(g) Any obligation of the Company to provide or to continue to provide Benefit Continuation under Section 3.3(e)(iii), shall cease in the event that the Release Effective Date does not occur.

(h) All payments and benefits under this Section 3.5 are subject to Executive's continuing compliance with restrictive covenants set forth in Section 4 of the Agreement and the Company's policies on recoupment, as in effect from time to time.

(i) For avoidance of doubt, if Executive is entitled to receive payment pursuant to this Section 3.5, then Executive will not also be entitled to receive any payments pursuant to any other section of this Agreement.

3.6 **Best Net.**

(j) It is the object of this paragraph to provide for the maximum after-tax income to Executive with respect to any payment, benefit or distribution to or for the benefit of Executive, whether paid or payable or distributed or distributable or provided pursuant to this Agreement or any other plan, arrangement or agreement, that would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code ("Code") or any similar federal, state or local tax that may hereafter be imposed (a "Payment") (Section 4999 of the Code or any similar federal, state or local tax are collectively referred to as the "Excise Tax"). Accordingly, before any Payments are made, a determination will be made as to which of two alternatives will maximize such Executive's after-tax proceeds, and the Company must notify Executive in writing of such determination. The first alternative is the payment in full of all Payments potentially subject to the Excise Tax. The second alternative is the payment of only a part of Executive's Payments so that Executive receives the largest payment and benefits possible without causing the Excise Tax to be payable by Executive. This second alternative is referred to in this paragraph as "Limited Payment". The Executive's Payments shall be paid only to the extent permitted under the alternative determined to maximize Executive's after-tax proceeds, and Executive shall have no rights to any greater payments on his or her Payments. If

Limited Payment applies, Payments shall be reduced in a manner that would not result in Executive incurring an additional tax under Section 409A.

(k) Accordingly, Payments not constituting nonqualified deferred compensation under Section 409A shall be reduced first, in this order but only to the extent that doing so avoids the Excise Tax (e.g., accelerated vesting or payment provisions in any Equity Award will be ignored to the extent that such provisions would not trigger the Excise Tax):

(i) Payment of the severance amounts under Section 3.3(f) hereof to the extent such payments do not constitute deferred compensation under Section 409A.

(ii) Equity Awards the vesting of which is subject to the satisfaction of one or more performance conditions ("Performance-Based Awards"), but excluding such Equity Awards subject to Section 409A.

(iii) Equity Awards the vesting of which is subject to the satisfaction of a service condition ("Service-Based Awards"), but excluding such Equity Awards subject to Section 409A.

(iv) Awards of stock options and stock appreciation rights.

(l) Then, if the foregoing reductions are insufficient, Payments constituting deferred compensation under Section 409A shall be reduced, in this order:

(i) Payment of the severance amounts under Section 3.3(f) hereof to the extent such payments constitute deferred compensation under Section 409A.

(ii) Performance-Based Awards subject to Section 409A.

(iii) Service-Based Awards subject to Section 409A.

(m) In the event of conflict between the order of reduction under this Agreement and the order provided by any other Company document governing a Payment, then the order under this Agreement shall control.

(n) All determinations required to be made under this Section 3.6 shall be made by Company's external auditor (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within ten (10) business days of the termination of employment giving rise to benefits under the Plan, or such earlier time as is requested by the Company. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. In the event the Accounting Firm determines that the Payments shall be reduced, it shall furnish Executive with a written opinion to such effect. The determination by the Accounting Firm shall be binding upon the Company and Executive.

3.7 **All Payments.** All payments made to Executive upon the termination of Executive's employment will be made in U.S dollars and are in lieu of all other termination or severance payments available at law or otherwise.

4. **RESTRICTIVE COVENANTS.**

4.1 **Access to Confidential Information.** Executive 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 and its affiliates. Executive 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 Companying and financial information of both the Company, the Company and its customers and investors, and information that Executive may create or prepare certain information related to his duties. Executive 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 Executive), 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 and its affiliates. Executive 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 Executive's possession at the conclusion of Executive's use of such information and at the conclusion of Executive'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 Executive 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. For purposes of this Section 4, all references to the Company shall, unless the context clearly indicates otherwise, include the Company and its affiliates, including TBK Bank and Parent.

4.2 **Non-Competition.** Executive acknowledges that, as a result of Executive's service with the Company, a special relationship of trust and confidence will develop between Executive, 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. Executive 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. Executive further acknowledges that throughout his service with the Company, Executive 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 Executive 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, Executive agrees that, during Executive's employment with the Company, and for a period of twelve (12) months following the date of the termination of Executive's employment with the Company (whether by the Company or by Executive) for any reason, Executive will not, either for himself or in conjunction with others:

(a) compete or engage anywhere in the geographic area comprised of any Metropolitan Statistical Area, as defined by the US Office of Management & Budget, in which Executive has performed duties on behalf of the Company during the preceding twelve (12) months, whether such duties were performed in person, telephonically, electronically or otherwise ("Market Area"), in any business that is the same or similar, or offers competing products and services as those offered by the Company;

(b) take any action to invest in, own, manage, operate, control, participate in, be employed or engaged by, or be connected in any manner with any partnership, corporation or other business or entity engaging in a business the same or similar, or which offers competing products and services as those offered by the Company anywhere within the Market Area; notwithstanding the foregoing, Executive is permitted hereunder to own, directly or indirectly, up to five percent (5%) of the issued and outstanding securities of any publicly traded financial institution conducting business within the Market Area;

(c) 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 Executive has Proprietary Information, or with whom Executive has done business or attempted to do business on behalf of the Company;

(d) (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) procure or facilitate the making of any such offer or attempt described in the preceding clause (i) by any other person, (iii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, 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. This restriction in Section 4.2(d)(iv) shall not apply to any investor with which Executive had a preexisting relationship prior to becoming employed by the Company.

(e) (i) enter into employment, consultancy, association or affiliation with any entity that provides Conflicting Services (as defined below) if any former employee of the Company with whom Executive had contact as part of his or her duties with the Company (a "Covered Person") has become employed by, associated or affiliated with, or a consultant of such entity during the twelve (12) month period preceding Executive's termination of employment with the Company; or (ii) continue employment, consultancy, association or affiliation with any entity that provides Conflicting Services if any Covered Person becomes employed by, associated or affiliated with, or a consultant to such entity during the twelve (12) month period subsequent to Executive's termination of employment with the Company. It is the intention of the parties to prevent the irreparable harm to the Company that would occur from the pooling of information that two or more former Covered Persons can provide to a competing entity or the misuse of Confidential Information. As used herein, "Conflicting Services" is defined as services that are the same or substantially similar to those services of Company or its affiliates and subsidiaries (x) which were provided by Executive (directly or indirectly) during the twelve (12) months preceding Executive's termination from employment by Company or (y) about which Executive acquired Confidential Information during Executive's employment by Company.

4.3 **Non-Competition Period.** The restrictions on Executive's activities identified in Section 4.2 hereof will apply for twelve (12) months after the termination of Executive's employment with the Company, regardless of reason for the termination of such employment.

4.4 **Representations of Executive.** EXECUTIVE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIS, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF SECTION 4 HEREOF, FOR EXAMPLE, BY USING SUCH KNOWLEDGE, SKILLS AND ABILITIES, OR SOME OF THEM, IN THE SERVICE OF A NON COMPETITOR.

4.5 **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.

4.6 **Intellectual Property.** Executive agrees to disclose and assign 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 Executive may conceive, invent, author or discover, either solely or jointly with another or other during Executive'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. Executive will, upon request of the Company, either during or at any time after Executive's employment ends, regardless of how or why Executive'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.

4.7 **Remedy.** Executive understands and acknowledges that the Company has a legitimate business interest in preventing Executive from taking any actions in violation of this Section 4 and that this Section 4 is intended to protect the business and goodwill of the Company. Executive further acknowledges that a breach of this Section 4 will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Executive therefore agrees that in the event Executive violates any of the terms of this Section 4, 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 Section 4 without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. If Executive does take actions in violation of Section 4 of this Agreement, Executive understands that the time periods set forth in those paragraphs will run from the date on which Executive's violations of those sections, whether by injunction or otherwise, ends and not from the date that Executive's employment ends. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Section 4, 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 Section 4.

4.8 **Waiver.** Executive understands and agrees that in the event the Company or the Parent waives or allows any breach of this Section 4, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.

4.9 **Tolling.** If the Company or the Parent files a lawsuit in any court of competent jurisdiction alleging a breach of the non-disclosure or non-solicitation provisions of this Agreement by Executive, then any time period set forth in this Agreement relating to the post-termination restrictions on the activities of Executive 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.

5. **MISCELLANEOUS.**

5.1 **Governing Law; Dispute Resolution.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas excluding that body of law known as conflicts of law. The Parties will endeavor to settle amicably by mutual discussions any disputes or claims related to this Agreement ("Dispute"). Failing such settlement, and excepting such claims as may be brought pursuant to Section 4 hereof in a state or federal court having jurisdiction, any other Dispute will finally be settled by arbitration in accordance with the rules of the American Arbitration Association then applicable to employment-related disputes. The Parties will agree upon a single arbitrator. The Arbitrator will not have authority to award punitive damages to either Party. Each Party will bear its own expenses, but the Company will bear the fees and expenses of the arbitrator. This Agreement will be enforceable, and any arbitration award will be final. In any such arbitration, the decision in any prior arbitration under this Agreement will not be deemed conclusive of the rights as among themselves of the Parties hereunder. The arbitration will be held in Dallas, Texas. Any notices, including a demand for arbitration will be deemed served when delivered to the address indicated in Section 5.6.

5.2 **Tax Withholding**. All payments and benefits under this Agreement shall be subject to, and made net of, applicable deductions and withholdings.

5.3 **Non-Payment of Benefits Due to Prohibition under 12 C.F.R. Part 359**. Notwithstanding anything in this Agreement to the contrary, the Company will not be required to pay any benefit under this Agreement if the Company reasonably determines that the payment of such benefit would be prohibited by 12 C.F.R. Part 359 or any successor regulations regarding employee compensation promulgated by any regulatory agency having jurisdiction over the Company or its affiliates.

5.4 **Code Section 409A.**

(a) It is the intent of the parties that this Agreement be interpreted and administered in compliance with the requirements of Code section 409A to the extent applicable. In this connection, the Company will have authority to take any action, or refrain from taking any action, with respect to this Agreement that is reasonably necessary to ensure compliance with Code section 409A (provided that the Company will choose the action that best preserves the value of the payments and benefits provided to Executive under this Agreement), and the parties agree that this Agreement will be interpreted in a manner that is consistent with Code section 409A.

(b) In furtherance, but not in limitation of the foregoing paragraph (a): (i) in the event that Executive is a "specified employee" within the meaning of Code section 409A, payments which constitute a "deferral of compensation" under Code section 409A and which would otherwise become due during the first six (6) months following Executive's termination of employment will be delayed and all such delayed payments will be paid in full in the seventh (7th) month after Executive's termination of employment, and all subsequent payments will be paid in accordance with their original payment schedule, provided that the above delay will not apply to any payments that are excepted from coverage by Code section 409A, such as those payments covered by the short-term deferral exception described in Treasury Regulations section 1.409A-1(b)(4); (ii) notwithstanding any other provision of this Agreement, a termination of Executive's employment hereunder will mean, and be interpreted consistent with, a "separation from service" within the meaning of Code section 409A; and (iii) with respect to the reimbursement of fees and expenses provided for herein, the following will apply: (A) unless a specific time period during which such expense reimbursements may be incurred is provided for herein, such time period will be deemed to be Executive's lifetime; (B) the amount of expenses eligible for reimbursement hereunder in any particular year will not affect the expenses eligible for reimbursement in any other year; (C) the right to reimbursement of expenses will not be subject to liquidation or exchange for any other benefit; and (D) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the calendar year in which the expense was incurred or the tax was remitted, as the case may be.

(c) If the maximum period within which Executive must sign and not revoke the Release could begin in one calendar year and expire in the following calendar year, then any payments contingent on the occurrence of the Release Effective Date shall be made in such following calendar year (regardless of the year of execution of such release) if payment in such following calendar year is required in order to comply with Section 409A. If the Release Effective Date has not occurred by the 60th day following Executive's termination of employment, Executive will not be entitled to any amounts that are subject to the timely execution of the Release and the occurrence of the Release Effective Date.

5.5 **Headings.** The headings and captions set forth herein are for convenience of reference only and will not affect the construction or interpretation hereof.

5.6 **Notices.** Any notice or other communication required, permitted, or desirable hereunder will be hand delivered (including delivery by a commercial courier service) or sent by United States registered or certified mail, postage prepaid, by facsimile or by electronic mail addressed as follows:

If to the Company: Advance Business Capital LLC
Physical address: 651 Canyon Drive, Suite 105
Coppell, Texas 75019
Attn: Chairman of the Board

and

Triumph Bancorp, Inc.
Physical address: 12700 Park Central Drive, Suite 1700
Dallas, Texas 75251
Attn: Chief Executive Officer

If to Executive: Geoffrey P. Brenner
5712 Thackery Drive
Plano, TX 75093

or such other addresses as will be furnished in writing by the parties. Any such notice or communication will be deemed to have been given as of the date so delivered in person or three business days after so mailed.

5.7 **Successors and Assigns.** The Company may assign its rights under this Agreement to any successor to its business (by merger, acquisition of substantially all of the Company's assets or otherwise), provided that such successor entity expressly assumes, in a writing reasonably acceptable to Executive, this Agreement and all obligations and undertakings of the Company hereunder. Executive may not assign his rights or delegate his duties under this Agreement without the prior written consent of the Company. Executive understands and agrees that this Agreement will be binding upon and inure to the benefit of the Company and its legal representatives, successors and assigns. Executive also understands and agrees that this Agreement will be binding upon and inure to the benefit of Executive's heirs and executors or administrators.

5.8 **Entire Agreement; Amendments.** This Agreement sets forth the entire agreement and understanding of the parties with respect to the subject matter hereof, and there are no other contemporaneous written or oral agreements, undertakings, promises, warranties or covenants not specifically referred to or contained herein. This Agreement specifically supersedes any and all prior agreements and understandings of the parties with respect to the subject matter hereof, all of which prior agreements and understandings (if any) are hereby terminated and of no further force and effect. This Agreement may be amended, modified or terminated only by a written instrument signed by the parties hereto.

5.9 **Execution of Counterparts.** This Agreement may be executed in one or more counterparts (including by facsimile or portable document format (.pdf)) for the convenience of the parties hereto, each of which will be deemed an original, but all of which together will constitute one and the same instrument. No signature page to this Agreement evidencing a party's execution hereof will be deemed to be delivered by such party to any other party hereto until such delivering party has received signature pages from all parties signatory to this Agreement.

5.10 **Severability.** If any provision, clause or part of this Agreement, or the applications thereof under certain circumstances, is held invalid or unenforceable for any reason, the remainder of this Agreement, or the application of such provision, clause or part under other circumstances, will not be affected thereby.

5.11 **Action by the Company.** Any action, consent, approval or waiver to be taken, made or given by the Company or the Board of Directors of the Company hereunder may be taken, made or given by the Compensation Committee or such similar committee of the Company or the Parent as may be granted authority to act for the Company with respect to such matters.

5.12 **Third Party Beneficiary.** The Company is an intended third-party beneficiary of the terms of this Agreement, including the provisions of Section 4 hereof

5.13 **Incorporation of Recitals.** The Recitals to this Agreement are an integral part of, and by this reference are hereby incorporated into, this Agreement.

6. DEFINITIONS.

6.1 **Average Bonus**. "Average Bonus" shall mean the average of the annual cash bonuses earned (regardless of when paid) by Executive during the three fiscal years immediately preceding the fiscal year in which Executive terminated employment; provided, however, if Executive was not eligible to participate in the Company's or the Company's annual cash bonus program (either due to the fact Executive was not an employee of the Company or the Parent during such fiscal year or any other reason) during each such fiscal year, then Average Bonus shall mean the average of the annual cash bonuses earned (regardless of when paid) by Executive during the fiscal years that Executive was a participant in the Company's or the Company's annual cash bonus program; provided further, however, that to the extent Executive receives a pro-rated bonus for any partial year of service during a fiscal year, such pro-rated bonus shall be calculated on an annualized basis in determining the Average Bonus.

6.2 **Cause**. "Cause" shall mean the Company's determination in good faith that Executive: (i) has misappropriated, stolen or embezzled funds or property from the Company, or the Company, or any of their respective affiliates, or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Company, or the Company or any of their respective affiliates, (ii) has been indicted or arrested on a felony, (iii) has neglected his duties hereunder, (iv) has materially violated a provision of Section 4 hereof, (v) has willfully violated or breached any material provision of this Agreement in any material respect or violated any material law or regulation or (vi) any other misconduct by Executive that is injurious to the financial condition or business reputation of the Company, or the Company, or any of their respective affiliates.

6.3 **Change in Control**. A "Change in Control" shall mean the first to occur:

(a) A direct or indirect acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (a "Person") of beneficial ownership of shares of Parent common stock or ownership interests in the Company, as applicable, which, together with other direct or indirect acquisitions or beneficial ownership by such Person, results in aggregate beneficial ownership by such Person of more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of Parent or the Company, as applicable (the "Outstanding Voting Securities"); excluding, however, the following:

(i) any acquisition directly from the Parent or the Company, as applicable,, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Parent,

(ii) any acquisition by the Parent or the Company, as applicable, or a wholly owned subsidiary,

(iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Parent any entity controlled by Parent, or

(iv) any acquisition by any entity pursuant to a transaction which complies with Section 6 .3(c)(i), (ii) or (iii); or

(b) A change in the composition of the Board of Parent or the Company, as applicable, over a 12-month period such that the individuals who, as of the date of the beginning of the period (the "Effective Incumbency Date"), constitute the Board of Parent or the Company, as applicable (the "Incumbent Board") cease for any reason to constitute a majority of the Board of Parent or the Company, as applicable,; provided, however, that any individual who becomes a member of the Board of Parent or the Company, as applicable, subsequent to the Effective Incumbency Date, whose election, or nomination for election by the Parent's stockholders or the Company's members, was approved by a vote of a majority of those individuals then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Parent or the Company, as applicable, shall not be so considered as a member of the Incumbent Board; or

(c) The consummation of a Corporate Transaction; excluding, however, such a Corporate Transaction pursuant to which:

(i) all or substantially all of the individuals and entities who are the beneficial owners of the applicable Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such Corporate Transaction or a direct or indirect parent entity of the surviving or acquiring entity (including, without limitation, an entity which as a result of such transaction owns all or substantially all of Parent's or the Company's assets, as applicable, either directly or through one or more subsidiaries) in substantially the same proportions (as compared to each other) as their ownership, immediately prior to such Corporate Transaction, of the applicable Outstanding Voting Securities,

(ii) no Person (other than Parent, any wholly owned subsidiary, any employee benefit plan (or related trust) sponsored or maintained by Parent, any entity controlled by Parent, such surviving or acquiring entity resulting from such Corporate Transaction or any entity controlled by such surviving or acquiring entity or a direct or indirect parent entity of the surviving or acquiring entity that, after giving effect to the Corporate Transaction, beneficially owns, directly or indirectly, 100% of the outstanding voting securities of the surviving or acquiring entity) will beneficially own, directly or indirectly, thirty percent (30%) or more of the outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Corporate Transaction or

(iii) individuals who were members of the Incumbent Board will constitute a majority of the members of the board of directors (or similar governing body) of the surviving or acquiring entity resulting from such Corporate Transaction or a direct or indirect parent entity of the surviving or acquiring entity.

6.4 **Corporate Transaction**. "Corporate Transaction" shall mean a

(a) dissolution or liquidation of Parent or the Company, as applicable,

(b) sale of all or substantially all of the assets of Parent or the Company, as applicable,

(c) merger or consolidation of Parent or the Company, as applicable, with or into any other corporation, regardless of whether Parent or the Company, as applicable, is the surviving corporation or

(d) statutory share exchange involving capital stock of Parent or the Company, as applicable.

6.5 **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 Executive's base salary as in effect immediately prior to Executive'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 executive officers; or

(ii) a material reduction in Executive's target annual bonus opportunity as in effect immediately prior to Executive'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 executive officers.

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

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

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

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

(vi) receipt of notice by Executive with regard to the mandatory relocation of the office at which Executive 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 Executive performed such duties prior to the Change in Control; provided that such new location is farther from Executive's residence than the prior location; or

(vii) the failure at any time of a successor to the Company explicitly to assume and agree to be bound by this Agreement.

(a) 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:

(viii) Executive provides the Company thirty (30) day advance written notice of his 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");

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

(x) 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

(xi) Executive'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.

6.6 **Qualifying Termination**. A "Qualifying Termination" shall mean (i) Executive's involuntary termination of employment without Cause or (ii) Executive's voluntary termination for Good Reason.

6.7 **Standard Termination Payments**. "Standard Termination Payments" shall mean earned and unpaid salary through the date of Executive's termination of employment, any bonus definitively earned by Executive but not yet paid to Executive, additional salary in lieu of Executive's accrued and unused vacation (to the extent such is paid in accordance with the Company's policies for its executives generally), any unreimbursed business and entertainment expenses, each in accordance with the Company's or the Company's policies, and any unreimbursed employee benefit expenses that are reimbursable in accordance with the Company's or the Company's employee benefit plans through the date of Executive's termination of employment. For the avoidance of doubt, the Standard Termination Payments do not include any unvested portion of any annual or long-term incentive compensation or bonus.

6.8 **Total Disability**. "Total Disability" shall mean the inability of Executive, due to a physical or a mental condition, to perform the essential functions of Executive's job, with or without accommodation, for any period of 180 consecutive days; *provided* that the return of Executive to his duties for periods of 15 days or less will not interrupt such 180-day period.

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IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

ADVANCE BUSINESS CAPITAL LLC

By: /s/ Aaron P. Graft

Name: Aaron P. Graft

Title: Chairman

EXECUTIVE: GEOFFREY P. BRENNER

/s/ Geoffrey P. Brenner

Exhibit 10.3

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into on July 1, 2022 (the "Effective Date"), by and between TBK BANK, SSB (the "Bank"), and Melissa Forman-Barenblit ("Executive").

RECITALS

WHEREAS, the Bank is the wholly-owned subsidiary of Triumph Bancorp, Inc. (the "Company"); and

WHEREAS, Executive has agreed to serve as the Executive Vice President, President-TriumphPay of the Bank; and

WHEREAS, Executive is willing to enter into this Agreement in consideration of his employment by the Bank and the benefits that Executive will receive under the terms hereof.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. EMPLOYMENT OF EXECUTIVE.

1.1 **Duties and Status.** The Bank hereby engages Executive as the Executive Vice President, President-TriumphPay of the Bank for the Term (as defined in Section 3.1 hereof), and Executive accepts such employment, on the terms and subject to the conditions set forth in this Agreement. During the Term, Executive will faithfully exercise such authority and perform such duties on behalf of the Bank as are normally associated with his title and position as Executive Vice President, President-TriumphPay and such other duties or positions as Executive and the Bank will mutually determine from time to time, including service for such other affiliates of the Company as shall be mutually determined. In the capacity defined in this Section 1.1, Executive will report to the Chief Executive Officer of the Bank and the Company.

1.2 **Time and Effort.** During the Term, Executive will devote his full working time, energy, skill and commercially reasonable best efforts to the performance of his duties hereunder in a manner which will faithfully and diligently further the business and interests of the Bank and the Company. Notwithstanding the foregoing, Executive may participate fully in social, charitable, civic activities and such other personal affairs of Executive as do not interfere with performance of his duties hereunder. The Parties have also agreed that Executive may continue to serve as a director for other entities, and may from time to time provide consulting or other services for remuneration unrelated to his services to the Bank and the Company; however, as an express condition thereto, Executive will be required to fully disclose for consent all such directorships and consulting or services engagements to the Board of Directors of the Bank and/or the Company in advance, and acknowledges and agrees that such consent may be withheld in the sole discretion of the Bank and/or the Company.

2. COMPENSATION AND BENEFITS.

2.1 **Annual Base Salary.** For all of the employment rendered by Executive to the Bank and to the Company, the Bank will pay Executive an annual base salary of $375,000 (the "Annual Base Salary"). Executive's Annual Base Salary will be payable in equal installments in accordance with the practice of the Bank in effect from time to time for the payment of salaries to officers of the Bank, but in no event less than bi-monthly, and may be increased or decreased during the Term. Any increase or decrease in the amount will henceforth be the Annual Base Salary.

2.2 **Annual Incentive Program.** Executive shall be eligible to participate in any annual incentive program maintained by the Bank or the Company to the same extent as other executives of the Bank or the Company and shall be eligible to receive cash incentive awards thereunder, as determined by the Board of Directors of the Bank or the Company (as applicable, the "Board") or a committee of the Board.

2.3 **Long-Term Incentive Program**. Executive shall be eligible to participate in any long-term incentive program ("LTIP") maintained by the Bank or the Company to the same extent as other executives of the Bank or the Company and shall be eligible to receive equity and long-term cash incentive awards ("LTI Awards") thereunder, as determined by the Board or a committee of the Board.

2.4 **Expenses.** The Bank will timely pay or reimburse Executive for all reasonable travel, entertainment and other business expenses actually paid or incurred by Executive during the Term in the performance of Executive's duties under this Agreement in accordance with the Bank's employee business expense reimbursement policies in effect from time to time, but in no event less than monthly.

2.5 **Benefits.** To the extent the Bank or the Company provides employee benefits plans including, without limitation, any pension, disability, group life, sickness, accident and health and dental insurance plans or programs, Executive will be entitled to participate in such employee benefit plans on such terms as determined by the Bank or the Company. For the avoidance of doubt, Executive will not be reimbursed by the Bank or the Company for any health-related expenses, unless otherwise agreed to by the Bank or the Company.

2.6 **Paid Time Off.** During the Term, Executive will be entitled to paid time off of at least four weeks per calendar year and leave of absence and leave for illness or temporary disability in accordance with the policies of the Bank in effect from time to time.

2.7 **Indemnification.** During the Term, the Bank or the Company agrees to maintain one or more directors and officers liability insurance policies covering Executive pursuant to the terms of such policies.

3. **TERM AND TERMINATION.**

3.1 **Term.** The term of employment hereunder will commence on the Effective Date and will terminate on the earlier of (a) the close of business December 31, 2022 (the "Original Term") or (b) any termination of employment pursuant to Section 3.2 hereof; provided, however, if a Change in Control should occur at any time during the Term of the Agreement, then such Term shall end no earlier than the second anniversary of the date of such Change in Control (or if earlier, a termination of employment pursuant to Section 3.2 hereof). Thereafter, unless written notification is given by either the Bank or Executive at least sixty (60) days before the expiration of the Original Term or any subsequent renewal term, the Term will automatically renew for successive one year periods (each, a "Renewal Term"). For purposes of this Agreement, when the word "Term" is used alone, it collectively refers to the Original Term and all Renewal Term(s). The Bank's decision not to extend the Term will not be considered termination of Executive's employment, whether with or without Cause, as defined below. Notwithstanding any provision of this Agreement to the contrary, the nonrenewal of this Agreement in accordance with this Section 3.1 shall not discharge the Bank's obligation to pay any benefits that Executive became entitled to under this Agreement prior to such nonrenewal.

3.2 **Termination of Employment.** Each party will have the right to terminate Executive's employment hereunder before the Term expires to the extent, and only to the extent, permitted by this Section.

(a) **By the Bank for Cause.** The Bank will have the right to terminate Executive's employment at any time upon delivery of written notice of termination for Cause to Executive (which notice will specify in reasonable detail the basis upon which such termination is made), such employment to terminate immediately upon delivery of such notice unless otherwise specified by the Bank. In the event that Executive's employment is terminated for Cause, Executive will be entitled to receive the payments referred to in Section 3.3(a) hereof. Notwithstanding the foregoing, if termination is pursuant to Section 6.2(iii), Bank shall provide Executive a written notice describing in detail the alleged neglected duties and Executive will be provided thirty (30) business days to defend and/or cure such alleged breach.

(b) **By the Bank Upon Total Disability.** The Bank will have the right to terminate Executive's employment on thirty (30) days' prior written notice to Executive if the Bank determines in good faith that Executive is unable to perform his duties by reason of Total Disability, but any termination of employment pursuant to this subsection (b) will obligate the Bank to make the payments referred to in Section 3.3(b) hereof.

(c) **Due to Death of Executive.** Executive's employment hereunder will terminate upon the death of Executive. In such an event, Executive's estate will be entitled to receive the payments referred to in Section 3.3(c) hereof.

(d) **By Executive other than for Good Reason.** If Executive terminates his employment other than for Good Reason Executive shall be entitled to receive the payments referred to in Section 3.3(d) hereof.

(e) **By the Bank Other Than for Cause, Death or Total Disability or By Executive For Good Reason.** The Bank will have the right to terminate Executive's employment, other than for Cause, death or Total Disability, on sixty (60) days' prior written notice to Executive in the Bank's sole discretion and Executive may terminate his employment for Good Reason pursuant to the notice requirements set forth in Section 6.5(c). In either event, Executive shall be entitled to receive the payments referred to in Section 3.3(e) or in Section 3.3(f), as applicable.

3.3 **Compensation and Severance Benefits Following Termination.** Except as specifically provided in this Section, any and all obligations of the Bank to make payments to Executive under this Agreement will cease as of the date the Term expires pursuant to Section 3.1 or as of the date Executive's employment is terminated pursuant to Section 3.2, as the case may be. Executive will be entitled to receive only the following compensation and benefits following the termination of his employment hereunder:

(a) **Benefits Payable upon Termination For Cause.** In the event that the Bank terminates the employment of Executive pursuant to Section 3.2(a), Executive will be entitled to receive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment.

(b) **Benefits Payable Upon Termination for Total Disability.** In the event that the Bank elects to terminate the employment of Executive pursuant to Section 3.2(b), (i) the Bank will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment and (ii) Executive will be entitled to such disability and other employee benefits as may be provided under the terms of the Bank's employee benefit plans.

(c) **Benefits Payable Upon Death.** In the event that the Term terminates pursuant to Section 3.2(c), (i) the Bank will pay to Executive's surviving spouse or, if none, his estate, a lump-sum amount equal to Executive's Standard Termination Payments within sixty (60) days of such termination of employment and (ii) death benefits, if any, under the Bank's employee benefit plans will be paid to Executive's beneficiaries as properly designated in writing by Executive.

(d) **Benefits Payable Upon Executive's Voluntary Termination other than for Good Reason.** In the event Executive elects to terminate his employment pursuant to Section 3.2(d), (i) the Bank will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such termination of employment and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the Bank's employee benefit plans for the time period and in such amounts and forms as provided for in such plans.

(e) **Benefits Payable Upon a Qualifying Termination Outside of a Change in Control.**

(i) In the event of a Qualifying Termination prior to or more than 24 months following a Change in Control, (i) the Bank will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such Qualifying Termination and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the Bank's employee benefit plans for the time period and in such amounts and forms as provided for in such plans.

(ii) In the event of a Qualifying Termination prior to or more than twenty-four (24) months following a Change in Control, and subject to Executive's execution of a full release of claims in a form satisfactory to the Bank ("Release") within 45 days following Executive's Qualifying Termination, and provided there has been no revocation or attempted revocation of the Release of Claims during the statutory revocation period (the date after the lapse of such revocation period without a revocation or attempted revocation, the "Release Effective Date") and subject to the terms of this Agreement, Executive will be eligible for the following benefits:

A. **Cash Severance.** A lump sum cash amount equal to the product of (x) and (y) where (x) is Executive's Annual Base Salary as then in effect in accordance with Section 2.1 and (y) is 1.0.

B. **Continuation of Health Care Coverage.** The Executive (and his eligible dependents) shall be entitled to continued participation in the Bank's or the Company's medical, dental and vision plans, as in effect from time to time, at then-existing participation and coverage levels, for twelve (12) months immediately following Executive's Qualifying Termination. For the avoidance of doubt, the Participant (and his eligible dependents) shall be responsible for paying all deductibles and other cost sharing items under such plans but shall not be responsible for the payment of premiums. If and to the extent that any benefit described in this paragraph (B) is not or cannot be paid or provided under a Bank or Company plan or arrangement, then the Bank will pay or provide for the payments to Executive of such employee benefits. Nothing in this paragraph (B) shall be construed to impair or reduce Executive's rights under Consolidated Omnibus Reconciliation Act "COBRA" or other applicable law.

(a) **Benefits Payable Upon a Qualifying Termination in the event of a Change in Control.**

(i) **Standard Termination Benefits** In the event of Executive's Qualifying Termination within twenty-four (24) months after a Change in Control, (i) the Bank will pay to Executive a lump-sum amount equal to the Standard Termination Payments within sixty (60) days of such Qualifying Termination and (ii) Executive will be entitled to such other employee benefits as may be provided under the terms of the Bank's employee benefit plans for the time period and in such amounts and forms as provided for in such plans.

(ii) In the event of a Qualifying Termination within 24 months after a Change in Control, and subject to Executive's execution of a Release within forty-five (45) days following such Qualifying Termination, and provided there occurs a Release Effective Date, and subject to the terms of this Agreement, Executive will be eligible for the following benefits:

A. **Cash Severance.** A lump sum cash amount equal to the product of (x) and (y) where (x) is the sum of Executive's Annual Base Salary as then in effect in accordance with Section 2.1 and Executive's Average Bonus and (y) is 2.0.

B. **Continuation of Health Care Coverage.** The Executive (and his eligible dependents) shall be entitled to continued participation in the Bank's medical, dental and vision plans, as in effect from time to time, at then-existing participation and coverage levels, for twenty four (24) months immediately following Executive's Qualifying Termination. For the avoidance of doubt, the Participant (and his eligible dependents) shall be responsible for paying all deductibles and other cost sharing items under such plans but shall not be responsible for the payment of premiums. If and to the extent that any benefit described in this paragraph (B) is not or cannot be paid or provided under a Bank or Company plan or arrangement, then the Bank will pay or provide for the payments to Executive of such employee benefits. Nothing in this paragraph (B) shall be construed to impair or reduce an Executive's rights under COBRA or other applicable law.

3.4 **Form and Time of Payment of Benefits Payable in the Event of a Qualifying Termination Outside of a Change in Control**. Subject to the timely execution of the required Release, and the occurrence of the Release Effective Date, benefits provided under Section 3.3(e)(ii) shall be paid in accordance with the following provisions:

(b) Cash severance benefits under Section 3.3(e)(ii)(A) shall be paid to Executive in a lump sum no later than the 75th day following Executive's Qualifying Termination.

(c) Any obligation of the Bank to provide or to continue to provide Benefit Continuation under Section 3.3(e)(ii)(B), shall cease in the event that the Release Effective Date does not occur.

(d) All payments and benefits under this Section 3.4 are subject to Executive's continuing compliance with restrictive covenants set forth in Section 4 of this Agreement and the Bank's policies on recoupment, as in effect from time to time.

(e) For avoidance of doubt, if Executive is entitled to receive payment pursuant to this Section 3.4, then Executive will not also be entitled to receive any payments pursuant to any other section of this Agreement.

3.5 **Form and Time of Payment of Benefits in the Event of a Change in Control**. Subject to the timely execution of the required Release, and the occurrence of the Release Effective Date, benefits provided under Section 3.3(f)(ii) shall be paid in accordance with the following provisions:

(f) Cash severance benefits under Section 3.3(f)(ii)(A) shall be paid to Executive in a lump sum no later than the 75th day following the Qualifying Termination.

(g) Any obligation of the Bank to provide or to continue to provide Benefit Continuation under Section 3.3(e)(iii), shall cease in the event that the Release Effective Date does not occur.

(h) All payments and benefits under this Section 3.5 are subject to Executive's continuing compliance with restrictive covenants set forth in Section 4 of the Agreement and the Bank's policies on recoupment, as in effect from time to time.

(i) For avoidance of doubt, if Executive is entitled to receive payment pursuant to this Section 3.5, then Executive will not also be entitled to receive any payments pursuant to any other section of this Agreement.

3.6 **Best Net.**

(j) It is the object of this paragraph to provide for the maximum after-tax income to Executive with respect to any payment, benefit or distribution to or for the benefit of Executive, whether paid or payable or distributed or distributable or provided pursuant to this Agreement or any other plan, arrangement or agreement, that would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code ("Code") or any similar federal, state or local tax that may hereafter be imposed (a "Payment") (Section 4999 of the Code or any similar federal, state or local tax are collectively referred to as the "Excise Tax"). Accordingly, before any Payments are made, a determination will be made as to which of two alternatives will maximize such Executive's after-tax proceeds, and the Bank must notify Executive in writing of such determination. The first alternative is the payment in full of all Payments potentially subject to the Excise Tax. The second alternative is the payment of only a part of Executive's Payments so that Executive receives the largest payment and benefits possible without causing the Excise Tax to be payable by Executive. This second alternative is referred to in this paragraph as "Limited Payment". The Executive's Payments shall be paid only to the extent permitted under the alternative determined to maximize Executive's after-tax proceeds, and Executive shall have no rights to any greater payments on his or her Payments. If Limited Payment applies, Payments shall be reduced in a manner that would not result in Executive incurring an additional tax under Section 409A.

(k) Accordingly, Payments not constituting nonqualified deferred compensation under Section 409A shall be reduced first, in this order but only to the extent that doing so avoids the Excise Tax (e.g., accelerated vesting or payment provisions in any LTIP Award will be ignored to the extent that such provisions would not trigger the Excise Tax):

(i) Payment of the severance amounts under Section 3.3(f) hereof to the extent such payments do not constitute deferred compensation under Section 409A.

(ii) LTIP Awards the vesting of which is subject to the satisfaction of one or more performance conditions ("Performance-Based Awards"), but excluding such LTI Awards subject to Section 409A.

(iii) LTIP Awards the vesting of which is subject to the satisfaction of a service condition ("Service-Based Awards"), but excluding such LTIP Awards subject to Section 409A.

(iv) Awards of stock options and stock appreciation rights under any LTIP.

(l) Then, if the foregoing reductions are insufficient, Payments constituting deferred compensation under Section 409A shall be reduced, in this order:

(i) Payment of the severance amounts under Section 3.3(f) hereof to the extent such payments constitute deferred compensation under Section 409A.

(ii) Performance-Based Awards subject to Section 409A.

(iii) Service-Based Awards subject to Section 409A.

(m) In the event of conflict between the order of reduction under this Agreement and the order provided by any other Bank document governing a Payment, then the order under this Agreement shall control.

(n) All determinations required to be made under this Section 3.6 shall be made by Bank's external auditor (the "Accounting Firm") which shall provide detailed supporting calculations both to the Bank and Executive within ten (10) business days of the termination of employment giving rise to benefits under the Plan, or such earlier time as is requested by the Bank. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Bank. In the event the Accounting Firm determines that the Payments shall be reduced, it shall furnish Executive with a written opinion to such effect. The determination by the Accounting Firm shall be binding upon the Bank and Executive.

3.7 **All Payments.** All payments made to Executive upon the termination of Executive's employment will be made in U.S dollars and are in lieu of all other termination or severance payments available at law or otherwise.

4. **RESTRICTIVE COVENANTS.**

4.1 **Access to Confidential Information.** Executive 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 and its affiliates. Executive 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, the Bank and its customers and investors, and information that Executive may create or prepare certain information related to his duties. Executive 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 Executive), 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 and its affiliates. Executive 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 Executive's possession at the conclusion of Executive's use of such information and at the conclusion of Executive's employment with the Bank.

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 Executive 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. For purposes of this Section 4, all references to the Company shall, unless the context clearly indicates otherwise, include the Company and its affiliates, including the Bank.

4.2 **Non-Competition.** Executive acknowledges that, as a result of Executive's service with the Company, a special relationship of trust and confidence will develop between Executive, 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. Executive 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. Executive further acknowledges that throughout his service with the Company, Executive 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 Executive 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, Executive agrees that, during Executive's employment with the Company, and for a period of twelve (12) months following the date of the termination of Executive's employment with the Company (whether by the Company or by Executive) for any reason, Executive will not, either for himself or in conjunction with others:

(a) compete or engage anywhere in the geographic area comprised of any Metropolitan Statistical Area, as defined by the US Office of Management & Budget, in which Executive has performed duties on behalf of the Company during the preceding twelve (12) months, whether such duties were performed in person, telephonically, electronically or otherwise ("Market Area"), in any business that is the same or similar, or offers competing products and services as those offered by the Company;

(b) take any action to invest in, own, manage, operate, control, participate in, be employed or engaged by, or be connected in any manner with any partnership, corporation or other business or entity engaging in a business the same or similar, or which offers competing products and services as those offered by the Company anywhere within the Market Area; notwithstanding the foregoing, Executive is permitted hereunder to own, directly or indirectly, up to five percent (5%) of the issued and outstanding securities of any publicly traded financial institution conducting business within the Market Area;

(c) 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 Executive has Proprietary Information, or with whom Executive has done business or attempted to do business on behalf of the Company;

(d) (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) procure or facilitate the making of any such offer or attempt described in the preceding clause (i) by any other person, (iii) interfere with the material business relationships of the Company, or entice away any material suppliers or contractors, 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. This restriction in Section 4.2(d)(iv) shall not apply to any investor with which Executive had a preexisting relationship prior to becoming employed by the Company.

(e) (i) enter into employment, consultancy, association or affiliation with any entity that provides Conflicting Services (as defined below) if any former employee of the Company with whom Executive had contact as part of his or her duties with the Company (a "Covered Person") has become employed by, associated or affiliated with, or a consultant of such entity during the twelve (12) month period preceding Executive's termination of employment with the Company; or (ii) continue employment, consultancy, association or affiliation with any entity that provides Conflicting Services if any Covered Person becomes employed by, associated or affiliated with, or a consultant to such entity during the twelve (12) month period subsequent to Executive's termination of employment with the Company. It is the intention of the parties to prevent the irreparable harm to the Company that would occur from the pooling of information that two or more former Covered Persons can provide to a competing entity or the misuse of Confidential Information. As used herein, "Conflicting Services" is defined as services that are the same or substantially similar to those services of Company or its affiliates and subsidiaries (x) which were provided by Executive (directly or indirectly) during the twelve (12) months preceding Executive's termination from employment by Company or (y) about which Executive acquired Confidential Information during Executive's employment by Company.

4.3 **Non-Competition Period.** The restrictions on Executive's activities identified in Section 4.2 hereof will apply for twelve (12) months after the termination of Executive's employment with the Company, regardless of reason for the termination of such employment.

4.4 **Representations of Executive.** EXECUTIVE REPRESENTS AND WARRANTS THAT THE KNOWLEDGE, SKILLS AND ABILITIES HE POSSESSES AT THE TIME OF COMMENCEMENT OF EMPLOYMENT HEREUNDER ARE SUFFICIENT TO PERMIT HIS, IN THE EVENT OF TERMINATION OF HIS EMPLOYMENT HEREUNDER, TO EARN A LIVELIHOOD SATISFACTORY TO HIMSELF WITHOUT VIOLATING ANY PROVISION OF SECTION 4 HEREOF, FOR EXAMPLE, BY USING SUCH KNOWLEDGE, SKILLS AND ABILITIES, OR SOME OF THEM, IN THE SERVICE OF A NON COMPETITOR.

4.5 **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.

4.6 **Intellectual Property.** Executive agrees to disclose and assign 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 Executive may conceive, invent, author or discover, either solely or jointly with another or other during Executive'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. Executive will, upon request of the Company, either during or at any time after Executive's employment ends, regardless of how or why Executive'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.

4.7 **Remedy.** Executive understands and acknowledges that the Company has a legitimate business interest in preventing Executive from taking any actions in violation of this Section 4 and that this Section 4 is intended to protect the business and goodwill of the Company. Executive further acknowledges that a breach of this Section 4 will irreparably and continually damage the Company and that monetary damages alone will be inadequate to compensate the Company for such breach. Executive therefore agrees that in the event Executive violates any of the terms of this Section 4, 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 Section 4 without the necessity of proving inadequacy of legal remedies or irreparable harm or posting bond. If Executive does take actions in violation of Section 4 of this Agreement, Executive understands that the time periods set forth in those paragraphs will run from the date on which Executive's violations of those sections, whether by injunction or otherwise, ends and not from the date that Executive's employment ends. In the event any lawsuit, claim or other proceeding is brought to enforce the terms of this Section 4, 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 Section 4.

4.8 **Waiver.** Executive understands and agrees that in the event the Company or the Bank waives or allows any breach of this Section 4, such waiver or allowance will not constitute a waiver or allowance of any future breach, whether of a similar or dissimilar nature.

4.9 **Tolling.** If the Company or the Bank files a lawsuit in any court of competent jurisdiction alleging a breach of the non-disclosure or non-solicitation provisions of this Agreement by Executive, then any time period set forth in this Agreement relating to the post-termination restrictions on the activities of Executive 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.

5. **MISCELLANEOUS.**

5.1 **Governing Law; Dispute Resolution.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas excluding that body of law known as conflicts of law. The Parties will endeavor to settle amicably by mutual discussions any disputes or claims related to this Agreement ("Dispute"). Failing such settlement, and excepting such claims as may be brought pursuant to Section 4 hereof in a state or federal court having jurisdiction, any other Dispute will finally be settled by arbitration in accordance with the rules of the American Arbitration Association then applicable to employment-related disputes. The Parties will agree upon a single arbitrator. The Arbitrator will not have authority to award punitive damages to either Party. Each Party will bear its own expenses, but the Bank will bear the fees and expenses of the arbitrator. This Agreement will be enforceable, and any arbitration award will be final. In any such arbitration, the decision in any prior arbitration under this Agreement will not be deemed conclusive of the rights as among themselves of the Parties hereunder. The arbitration will be held in Dallas, Texas. Any notices, including a demand for arbitration will be deemed served when delivered to the address indicated in Section 5.6.

5.2 **Tax Withholding**. All payments and benefits under this Agreement shall be subject to, and made net of, applicable deductions and withholdings.

5.3 **Non-Payment of Benefits Due to Prohibition under 12 C.F.R. Part 359**. Notwithstanding anything in this Agreement to the contrary, the Bank will not be required to pay any benefit under this Agreement if the Bank reasonably determines that the payment of such benefit would be prohibited by 12 C.F.R. Part 359 or any successor regulations regarding employee compensation promulgated by any regulatory agency having jurisdiction over the Bank or its affiliates.

5.4 **Code Section 409A.**

(a) It is the intent of the parties that this Agreement be interpreted and administered in compliance with the requirements of Code section 409A to the extent applicable. In this connection, the Bank will have authority to take any action, or refrain from taking any action, with respect to this Agreement that is reasonably necessary to ensure compliance with Code section 409A (provided that the Bank will choose the action that best preserves the value of the payments and benefits provided to Executive under this Agreement), and the parties agree that this Agreement will be interpreted in a manner that is consistent with Code section 409A.

(b) In furtherance, but not in limitation of the foregoing paragraph (a): (i) in the event that Executive is a "specified employee" within the meaning of Code section 409A, payments which constitute a "deferral of compensation" under Code section 409A and which would otherwise become due during the first six (6) months following Executive's termination of employment will be delayed and all such delayed payments will be paid in full in the seventh (7^{th}) month after Executive's termination of employment, and all subsequent payments will be paid in accordance with their original payment schedule, provided that the above delay will not apply to any payments that are excepted from coverage by Code section 409A, such as those payments covered by the short-term deferral exception described in Treasury Regulations section 1.409A-1(b)(4); (ii) notwithstanding any other provision of this Agreement, a termination of Executive's employment hereunder will mean, and be interpreted consistent with, a "separation from service" within the meaning of Code section 409A; and (iii) with respect to the reimbursement of fees and expenses provided for herein, the following will apply: (A) unless a specific time period during which such expense reimbursements may be incurred is provided for herein, such time period will be deemed to be Executive's lifetime; (B) the amount of expenses eligible for reimbursement hereunder in any particular year will not affect the expenses eligible for reimbursement in any other year; (C) the right to reimbursement of expenses will not be subject to liquidation or exchange for any other benefit; and (D) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the calendar year in which the expense was incurred or the tax was remitted, as the case may be.

(c) If the maximum period within which Executive must sign and not revoke the Release could begin in one calendar year and expire in the following calendar year, then any payments contingent on the occurrence of the Release Effective Date shall be made in such following calendar year (regardless of the year of execution of such release) if payment in such following calendar year is required in order to comply with Section 409A. If the Release Effective Date has not occurred by the 60^{th} day following Executive's termination of employment, Executive will not be entitled to any amounts that are subject to the timely execution of the Release and the occurrence of the Release Effective Date.

5.5 **Headings.** The headings and captions set forth herein are for convenience of reference only and will not affect the construction or interpretation hereof.

5.6 **Notices.** Any notice or other communication required, permitted, or desirable hereunder will be hand delivered (including delivery by a commercial courier service) or sent by United States registered or certified mail, postage prepaid, by facsimile or by electronic mail addressed as follows:

If to the Bank: TBK Bank, SSB
Physical address: 12700 Park Central Drive, Suite 1700 Dallas, Texas 75251
Attn: Chief Executive Officer

If to Executive: Melissa Forman-Barenblit
____
____

or such other addresses as will be furnished in writing by the parties. Any such notice or communication will be deemed to have been given as of the date so delivered in person or three business days after so mailed.

5.7 **Successors and Assigns.** The Bank may assign its rights under this Agreement to any successor to its business (by merger, acquisition of substantially all of the Bank's assets or otherwise), provided that such successor entity expressly assumes, in a writing reasonably acceptable to Executive, this Agreement and all obligations and undertakings of the Bank hereunder. Executive may not assign his rights or delegate his duties under this Agreement without the prior written consent of the Bank. Executive understands and agrees that this Agreement will be binding upon and inure to the benefit of the Bank and its legal representatives, successors and assigns. Executive also understands and agrees that this Agreement will be binding upon and inure to the benefit of Executive's heirs and executors or administrators.

5.8 **Entire Agreement; Amendments.** This Agreement sets forth the entire agreement and understanding of the parties with respect to the subject matter hereof, and there are no other contemporaneous written or oral agreements, undertakings, promises, warranties or covenants not specifically referred to or contained herein.

This Agreement specifically supersedes any and all prior agreements and understandings of the parties with respect to the subject matter hereof, all of which prior agreements and understandings (if any) are hereby terminated and of no further force and effect. This Agreement may be amended, modified or terminated only by a written instrument signed by the parties hereto.

5.9 **Execution of Counterparts.** This Agreement may be executed in one or more counterparts (including by facsimile or portable document format (.pdf)) for the convenience of the parties hereto, each of which will be deemed an original, but all of which together will constitute one and the same instrument. No signature page to this Agreement evidencing a party's execution hereof will be deemed to be delivered by such party to any other party hereto until such delivering party has received signature pages from all parties signatory to this Agreement.

5.10 **Severability.** If any provision, clause or part of this Agreement, or the applications thereof under certain circumstances, is held invalid or unenforceable for any reason, the remainder of this Agreement, or the application of such provision, clause or part under other circumstances, will not be affected thereby.

5.11 **Action by the Bank.** Any action, consent, approval or waiver to be taken, made or given by the Bank or the Board of Directors of the Bank hereunder may be taken, made or given by the Compensation Committee or such similar committee of the Bank or the Company as may be granted authority to act for the Bank with respect to such matters.

5.12 **Third Party Beneficiary.** The Company is an intended third-party beneficiary of the terms of this Agreement, including the provisions of Section 4 hereof

5.13 **Incorporation of Recitals.** The Recitals to this Agreement are an integral part of, and by this reference are hereby incorporated into, this Agreement.

6. DEFINITIONS.

6.1 **Average Bonus**. "Average Bonus" shall mean the average of the annual cash bonuses earned (regardless of when paid) by Executive during the three fiscal years immediately preceding the fiscal year in which Executive terminated employment; provided, however, if Executive was not eligible to participate in the Bank's or the Company's annual cash bonus program (either due to the fact Executive was not an employee of the Bank or the Company during such fiscal year or any other reason) during each such fiscal year, then Average Bonus shall mean the average of the annual cash bonuses earned (regardless of when paid) by Executive during the fiscal years that Executive was a participant in the Bank's or the Company's annual cash bonus program; provided further, however, that to the extent Executive receives a pro-rated bonus for any partial year of service during a fiscal year, such pro-rated bonus shall be calculated on an annualized basis in determining the Average Bonus.

6.2 **Cause**. "Cause" shall mean the Bank's determination in good faith that Executive: (i) has misappropriated, stolen or embezzled funds or property from the Bank, or the Company, or any of their respective affiliates, or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Bank, or the Company or any of their respective affiliates, (ii) has been indicted or arrested on a felony, (iii) has neglected his duties hereunder, (iv) has materially violated a provision of Section 4 hereof, (v) has willfully violated or breached any material provision of this Agreement in any material respect or violated any material law or regulation or (vi) any other misconduct by Executive that is injurious to the financial condition or business reputation of the Bank, or the Company, or any of their respective affiliates.

6.3 **Change in Control**. A "Change in Control" shall mean the first to occur:

(a) A direct or indirect acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (a "Person") of beneficial ownership of shares of Company common stock which, together with other direct or indirect acquisitions or beneficial ownership by such Person, results in aggregate beneficial ownership by such Person of more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities"); excluding, however, the following:

(i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Company,

(ii) any acquisition by the Company or a wholly owned subsidiary,

(iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company any entity controlled by the Company, or

(iv) any acquisition by any entity pursuant to a transaction which complies with Section 6 .3(c)(i), (ii) or (iii); or

(b) A change in the composition of the Board of the Company over a 12-month period such that the individuals who, as of the date of the beginning of the period (the "Effective Incumbency Date"), constitute the Board of the Company (the "Incumbent Board") cease for any reason to constitute a majority of the Board of the Company; provided, however, that any individual who becomes a member of the Board of the Company subsequent to the Effective Incumbency Date, whose election, or nomination for election by the Company's stockholders, was approved by a vote of a majority of those individuals then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Company shall not be so considered as a member of the Incumbent Board; or

(c) The consummation of a Corporate Transaction; excluding, however, such a Corporate Transaction pursuant to which:

(i) all or substantially all of the individuals and entities who are the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such Corporate Transaction or a direct or indirect parent entity of the surviving or acquiring entity (including, without limitation, an entity which as a result of such transaction owns all or substantially all of Company's assets either directly or through one or more subsidiaries) in substantially the same proportions (as compared to each other) as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Voting Securities,

(ii) no Person (other than the Company, any wholly owned subsidiary, any employee benefit plan (or related trust) sponsored or maintained by the Company, any entity controlled by the Company, such surviving or acquiring entity resulting from such Corporate Transaction or any entity controlled by such surviving or acquiring entity or a direct or indirect parent entity of the surviving or acquiring entity that, after giving effect to the Corporate Transaction, beneficially owns, directly or indirectly, 100% of the outstanding voting securities of the surviving or acquiring entity) will beneficially own, directly or indirectly, thirty percent (30%) or more of the outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Corporate Transaction or

(iii) individuals who were members of the Incumbent Board will constitute a majority of the members of the board of directors (or similar governing body) of the surviving or acquiring entity resulting from such Corporate Transaction or a direct or indirect parent entity of the surviving or acquiring entity.

6.4 **Corporate Transaction**. "Corporate Transaction" shall mean a

(a) dissolution or liquidation of the Company,

(b) sale of all or substantially all of the assets of the Company,

(c) merger or consolidation of the Company with or into any other corporation, regardless of whether Company is the surviving corporation or

(d) statutory share exchange involving capital stock of the Company.

6.5 **<u>Good Reason.</u>**

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

(i) a material reduction in Executive's base salary as in effect immediately prior to Executive'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 Bank's executive officers; or

(ii) a material reduction in Executive's target annual bonus opportunity as in effect immediately prior to Executive's Good Reason Notice of Termination unless such reduction is made in accordance with a uniform reduction in target annual bonus opportunity of the Bank's executive officers.

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

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

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

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

(vi) receipt of notice by Executive with regard to the mandatory relocation of the office at which Executive 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 Executive performed such duties prior to the Change in Control; provided that such new location is farther from Executive's residence than the prior location, or any change in the amount of time Executive is required to be present in such office compared to any requirements in place prior to the Change in Control; or

(vii) the failure at any time of a successor to the Bank explicitly to assume and agree to be bound by this Agreement.

(a) 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:

(viii) Executive provides the Bank thirty (30) day advance written notice of his intent to termination employment for Good Reason which notice must describe the claimed act, omission or event giving rise to Good Reason ("<u>Good Reason Notice of Termination</u>");

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

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

(xi) Executive'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.

6.6 **Qualifying Termination**. A "Qualifying Termination" shall mean (i) Executive's involuntary termination of employment without Cause or (ii) Executive's voluntary termination for Good Reason.

6.7 **Standard Termination Payments**. "Standard Termination Payments" shall mean earned and unpaid salary through the date of Executive's termination of employment, any bonus definitively earned by Executive but not yet paid to Executive, additional salary in lieu of Executive's accrued and unused vacation (to the extent such is paid in accordance with the Company's policies for its executives generally), any unreimbursed business and entertainment expenses, each in accordance with the Bank's or the Company's policies, and any unreimbursed employee benefit expenses that are reimbursable in accordance with the Bank's or the Company's employee benefit plans through the date of Executive's termination of employment. For the avoidance of doubt, the Standard Termination Payments do not include any unvested portion of any annual or long-term incentive compensation or bonus.

6.8 **Total Disability**. "Total Disability" shall mean the inability of Executive, due to a physical or a mental condition, to perform the essential functions of Executive's job, with or without accommodation, for any period of 180 consecutive days; *provided* that the return of Executive to his duties for periods of 15 days or less will not interrupt such 180-day period.

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IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

TBK BANK, SSB

By: /s/ Aaron P. Graft

Name: Aaron P. Graft

Title: Chief Executive Officer

EXECUTIVE: MELISSA FORMAN-BARENBLIT

/s/ Melissa Forman-Barenblit

Exhibit 31.1

CERTIFICATION

I, Aaron P. Graft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triumph Bancorp, 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 accounted 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 20, 2022

By: /s/ Aaron P. Graft

Name: Aaron P. Graft

Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, W. Bradley Voss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triumph Bancorp, 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 accounted 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 20, 2022

By: /s/ W. Bradley Voss

Name: W. Bradley Voss

Title: Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 Bancorp, 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, 2022, as filed with the Securities and Exchange Commission on July 20, 2022, (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 20, 2022

By: /s/ W. Bradley Voss

Name: W. Bradley Voss
Title: Executive Vice President and Chief Financial Officer
Date: July 20, 2022

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.