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 March 31, 2024

OR

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

For the transition period from _______ to _______

Commission File Number 001-36722

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

Texas	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 ☒ No ☐

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

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

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

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

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

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

Common Stock — $0.01 par value, 23,334,719 shares, as of April 15, 2024.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	TFIN	NASDAQ Global Select Market
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	TFINP	NASDAQ Global Select Market

TRIUMPH FINANCIAL, INC.

FORM 10-Q

March 31, 2024

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Cash and due from banks	$ 69,730	$ 93,072
Interest bearing deposits with other banks	347,303	193,563
Total cash and cash equivalents	417,033	286,635
Securities - equity investments with readily determinable fair values	4,441	4,488
Securities - available for sale	320,101	299,644
Securities - held to maturity, net of allowance for credit losses of $3,135 and $3,190, respectively, fair value of $3,750 and $4,015, respectively	3,010	2,977
Loans held for sale	3,712	1,236
Loans, net of allowance for credit losses of $38,232 and $35,219, respectively	4,156,888	4,127,881
Federal Home Loan Bank and other restricted stock	4,764	14,278
Premises and equipment, net	162,544	113,457
Capitalized software, net	26,435	22,365
Other real estate owned, net	37	37
Goodwill	233,709	233,709
Intangible assets, net	23,842	23,646
Bank-owned life insurance	42,077	41,946
Deferred tax asset, net	7,946	8,800
Other assets	168,954	166,235
Total assets	$ 5,575,493	$ 5,347,334
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 1,747,544	$ 1,632,022
Interest bearing	2,703,419	2,345,456
Total deposits	4,450,963	3,977,478
Federal Home Loan Bank advances	30,000	255,000
Subordinated notes	108,807	108,678
Junior subordinated debentures	41,889	41,740
Other liabilities	71,495	100,038
Total liabilities	4,703,154	4,482,934
Commitments and contingencies - See Note 6 and Note 7		
Stockholders' equity - See Note 10		
Preferred stock	45,000	45,000
Common stock, 23,334,997 and 23,302,414 shares outstanding, respectively	290	290
Additional paid-in-capital	555,613	550,743
Treasury stock, at cost	(265,119)	(265,038)
Retained earnings	539,688	536,331
Accumulated other comprehensive income (loss)	(3,133)	(2,926)
Total stockholders' equity	872,339	864,400
Total liabilities and stockholders' equity	$ 5,575,493	$ 5,347,334

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2024 and 2023
(Dollar amounts in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest and dividend income:		
Loans, including fees	$ 53,552	$ 52,538
Factored receivables, including fees	37,909	40,904
Securities	5,351	4,113
FHLB and other restricted stock	232	125
Cash deposits	4,903	2,994
Total interest income	101,947	100,674
Interest expense:		
Deposits	12,152	3,202
Subordinated notes	1,224	1,309
Junior subordinated debentures	1,184	1,034
Other borrowings	1,352	1,747
Total interest expense	15,912	7,292
Net interest income	86,035	93,382
Credit loss expense (benefit)	5,896	2,613
Net interest income after credit loss expense (benefit)	80,139	90,769
Noninterest income:		
Service charges on deposits	1,727	1,713
Card income	1,868	1,968
Net gains (losses) on sale of loans	(192)	(84)
Fee income	8,683	6,150
Insurance commissions	1,568	1,593
Other	1,345	(318)
Total noninterest income	14,999	11,022
Noninterest expense:		
Salaries and employee benefits	54,185	54,686
Occupancy, furniture and equipment	7,636	6,703
FDIC insurance and other regulatory assessments	653	418
Professional fees	3,541	3,085
Amortization of intangible assets	2,724	2,850
Advertising and promotion	1,214	1,371
Communications and technology	11,894	11,346
Software amortization	1,174	987
Other	7,350	7,835
Total noninterest expense	90,371	89,281
Net income before income tax expense	4,767	12,510
Income tax expense	609	1,500
Net income	$ 4,158	$ 11,010
Dividends on preferred stock	(801)	(801)
Net income available to common stockholders	$ 3,357	$ 10,209
Earnings per common share		
Basic	$ 0.14	$ 0.44
Diluted	$ 0.14	$ 0.43

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Net income	$ 4,158	$ 11,010
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	(210)	1,748
Tax effect	3	(372)
Unrealized holding gains (losses) arising during the period, net of taxes	(207)	1,376
Reclassification of amount realized through sale or call of securities	—	—
Tax effect	—	—
Reclassification of amount realized through sale or call of securities, net of taxes	—	—
Change in unrealized gains (losses) on securities, net of tax	(207)	1,376
Total other comprehensive income (loss)	(207)	1,376
Comprehensive income	$ 3,951	$ 12,386

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2024 and 2023
(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, 2024	$ 45,000	23,302,414	$ 290	$ 550,743	5,683,841	$ (265,038)	$ 536,331	$ (2,926)	$ 864,400
Vesting of restricted stock and performance stock units	—	9,877	—	—	—	—	—	—	—
Stock option exercises, net	—	5,401	—	144	—	—	—	—	144
Issuance of common stock pursuant to the Employee Stock Purchase Plan	—	18,328	—	1,099	—	—	—	—	1,099
Stock based compensation	—	—	—	3,627	—	—	—	—	3,627
Forfeiture of restricted stock awards	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, net	—	(1,023)	—	—	1,023	(81)	—	—	(81)
Dividends on preferred stock	—	—	—	—	—	—	(801)	—	(801)
Net income	—	—	—	—	—	—	4,158	—	4,158
Other comprehensive income (loss)	—	—	—	—	—	—	—	(207)	(207)
Balance, March 31, 2024	$ 45,000	23,334,997	$ 290	$ 555,613	5,684,864	$ (265,119)	$ 539,688	$ (3,133)	$ 872,339

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

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities:		
Net income	$ 4,158	$ 11,010
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,612	3,084
Net accretion on loans	(471)	(1,810)
Amortization of subordinated notes issuance costs	129	216
Amortization of junior subordinated debentures	149	141
Net (accretion) amortization on securities	(343)	(202)
Amortization of intangible assets	2,724	2,850
Software amortization	1,174	987
Deferred taxes, net	857	4,540
Credit loss expense (benefit)	5,896	2,613
Stock based compensation	3,627	2,881
Net (gains) losses on equity securities	47	(90)
Origination of loans held for sale	(165)	(1,101)
Proceeds from sale of loans originated or purchased for sale	123	1,110
Net (gains) losses on sale of loans	192	84
Net change in operating leases	(539)	(3)
(Increase) decrease in other assets	(8,269)	(10,395)
Increase (decrease) in other liabilities	(28,871)	(14,888)
Net cash provided by (used in) operating activities	(15,970)	1,027
Cash flows from investing activities:		
Proceeds from sales of equity securities	—	783
Purchases of securities available for sale	(33,108)	(64,507)
Proceeds from maturities, calls, and pay downs of securities available for sale	12,739	3,820
Proceeds from maturities, calls, and pay downs of securities held to maturity	67	112
Purchases of loans held for investment	(995)	(9,208)
Proceeds from sale of loans	3,895	34,687
Net change in loans	(38,971)	(214,005)
Purchases of premises and equipment, net	(52,699)	(15,384)
(Purchases) redemptions of FHLB and other restricted stock, net	9,514	(18,254)
Acquired intangible assets	(2,920)	(3,042)
Net cash provided by (used in) investing activities	(102,478)	(284,998)
Cash flows from financing activities:		
Net increase (decrease) in deposits	473,485	(132,342)
Increase (decrease) in customer repurchase agreements	—	2,868
Increase (decrease) in Federal Home Loan Bank advances	(225,000)	500,000
Preferred stock dividends	(801)	(801)
Stock option exercises, net	144	(33)
Proceeds from employee stock purchase plan common stock issuance	1,099	997
Purchase of treasury stock, net	(81)	(77,185)
Net cash provided by (used in) financing activities	248,846	293,504
Net increase (decrease) in cash and cash equivalents	130,398	9,533
Cash and cash equivalents at beginning of period	286,635	408,182
Cash and cash equivalents at end of period	417,033	417,715

See accompanying condensed notes to consolidated financial statements.

TRIUMPH FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2024 and 2023
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Supplemental cash flow information:		
Interest paid	$ 16,190	$ 5,747
Income taxes paid, net	$ 133	$ 1,905
Cash paid for operating lease liabilities	$ 1,893	$ 1,293
Supplemental noncash disclosures:		
Loans held for investment transferred to loans held for sale	$ 6,521	$ 33,147
Lease liabilities arising from obtaining right-of-use assets	$ 1,182	$ 455

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Presentation

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

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

Operating Segments

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

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

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

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

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

For further discussion of management's operating segments and allocation methodology, see Note 14 – Business Segment Information.

Adoption of New Accounting Standards

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

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

Newly Issued, But Not Yet Effective Accounting Standards

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

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

NOTE 2 — SECURITIES

Equity Securities With Readily Determinable Fair Values

The Company held equity securities with readily determinable fair values of $4,441,000 and $4,488,000 at March 31, 2024 and December 31, 2023, respectively. The gross realized and unrealized gains and losses recognized on equity securities with readily determinable fair values in noninterest income in the Company’s consolidated statements of income were as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2024	2023
Unrealized gains (losses) on equity securities held at the reporting date	$ (47)	$ 72
Realized gains (losses) on equity securities sold during the period	—	18
	$ (47)	$ 90

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)	March 31, 2024	December 31, 2023
Equity Securities without readily determinable fair value, at cost	$ 56,655	$ 65,814
Upward adjustments based on observable price changes, cumulative	10,163	10,163
Equity Securities without readily determinable fair value, carrying value	$ 66,818	$ 75,977

Equity securities without readily determinable fair values include Federal Home Loan Bank and other restricted stock, which are reported separately in the Company's consolidated balance sheets. Equity securities without readily determinable fair values also include the Company's investments in the common stock of Trax Group, Inc. and Warehouse Solutions Inc., with carrying amounts of $9,700,000 and $38,088,000, respectively, at March 31, 2024. Both investments have been allocated to our Payments segment and are included in other assets in the Company's consolidated balance sheets.

There were no realized or unrealized gains or losses recognized on equity securities without readily determinable fair values during the three months ended March 31, 2024 and 2023. Management monitors its equity securities without readily determinable fair values for observable transactions in similar equity instruments as well as indicators of impairment either of which would require it to mark such equity securities to fair value. No such transactions or indicators of impairment were detected during the three months ended March 31, 2024.

Debt Securities

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

(Dollars in thousands) March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for sale securities:					
Mortgage-backed securities, residential	$ 72,856	$ 18	$ (5,240)	$ —	$ 67,634
Asset-backed securities	1,116	—	(2)	—	1,114
State and municipal	3,524	1	(77)	—	3,448
CLO securities	244,835	1,364	(81)	—	246,118
Corporate bonds	267	—	(3)	—	264
SBA pooled securities	1,622	6	(105)	—	1,523
Total available for sale securities	$ 324,220	$ 1,389	$ (5,508)	$ —	$ 320,101

(Dollars in thousands) March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 6,145	$ —	$ (2,395)	$ 3,750
Allowance for credit losses	(3,135)			
Total held to maturity securities, net of ACL	$ 3,010			

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

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

The amortized cost and estimated fair value of securities at March 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale Securities		Held to Maturity Securities	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 572	$ 571	$ —	$ —
Due from one year to five years	2,187	2,137	4,767	2,399
Due from five years to ten years	69,563	69,750	1,378	1,351
Due after ten years	176,304	177,372	—	—
	248,626	249,830	6,145	3,750
Mortgage-backed securities, residential	72,856	67,634	—	—
Asset-backed securities	1,116	1,114	—	—
SBA pooled securities	1,622	1,523	—	—
	$ 324,220	$ 320,101	$ 6,145	$ 3,750

There were no sales of debt securities during the three months ended March 31, 2024 and 2023.

Debt securities with a carrying amount of approximately $30,186,000 and $42,445,000 at March 31, 2024 and December 31, 2023, respectively, were pledged to secure public deposits, customer repurchase agreements, and for other purposes required or permitted by law.

Accrued interest on available for sale securities totaled $3,641,000 and $3,789,000 at March 31, 2024 and December 31, 2023, respectively, and was included in other assets on the Company's consolidated balance sheets. There was no accrued interest related to debt securities reversed against interest income for the three months ended March 31, 2024 and 2023.

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

(Dollars in thousands) March 31, 2024	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
Available for sale securities:						
Mortgage-backed securities, residential	$ 35,588	$ (349)	$ 28,260	$ (4,891)	$ 63,848	$ (5,240)
Asset-backed securities	1,114	(2)	—	—	1,114	(2)
State and municipal	512	(4)	2,366	(73)	2,878	(77)
CLO securities	9,994	(6)	24,925	(75)	34,919	(81)
Corporate bonds	265	(3)	—	—	265	(3)
SBA pooled securities	—	—	1,244	(105)	1,244	(105)
	$ 47,473	$ (364)	$ 56,795	$ (5,144)	$ 104,268	$ (5,508)

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

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 March 31, 2024, the Company had 98 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 March 31, 2024, management believes that the unrealized losses detailed in the previous table are due to noncredit-related factors, including changes in interest rates and other market conditions, and therefore the Company carried no allowance for credit losses on available for sale debt securities at March 31, 2024.

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

(Dollars in thousands) Held to Maturity CLO Securities	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Allowance for credit losses:		
Beginning balance	$ 3,190	$ 2,444
Credit loss expense	(55)	141
Allowance for credit losses ending balance	$ 3,135	$ 2,585

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 March 31, 2024 and December 31, 2023, the Company’s held to maturity securities consisted of three investments in the subordinated notes of collateralized loan obligation (“CLO”) funds. Expected credit losses for these securities are estimated using a discounted cash flow methodology which considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Ultimately, the realized cash flows on CLO securities such as these will be driven by a variety of factors, including credit performance of the underlying loan portfolio, adjustments to the portfolio by the asset manager, and the timing of a potential call. At March 31, 2024, $4,766,000 of the Company’s held to maturity securities were classified as nonaccrual.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans Held for Sale

The following table presents loans held for sale:

(Dollars in thousands)	March 31, 2024	December 31, 2023
1-4 family residential	$ 357	$ 1,230
Commercial	3,355	6
Total loans held for sale	$ 3,712	$ 1,236

Loans Held for Investment

Loans

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

	March 31, 2024			December 31, 2023		
(Dollars in thousands)	Amortized Cost	Unpaid Principal	Difference	Amortized Cost	Unpaid Principal	Difference
Commercial real estate	$ 819,721	$ 820,868	$ (1,147)	$ 812,704	$ 813,623	$ (919)
Construction, land development, land	222,859	223,406	(547)	136,720	137,209	(489)
1-4 family residential	130,200	130,351	(151)	125,916	126,096	(180)
Farmland	58,431	58,581	(150)	63,568	63,728	(160)
Commercial	1,160,870	1,165,936	(5,066)	1,170,365	1,176,243	(5,878)
Factored receivables	1,154,047	1,157,250	(3,203)	1,116,654	1,119,544	(2,890)
Consumer	7,176	7,177	(1)	8,326	8,328	(2)
Mortgage warehouse	641,816	641,816	—	728,847	728,847	—
Total loans held for investment	4,195,120	$ 4,205,385	$ (10,265)	4,163,100	$ 4,173,618	$ (10,518)
Allowance for credit losses	(38,232)			(35,219)		
	$ 4,156,888			$ 4,127,881		

The difference between the amortized cost and the unpaid principal is due to (1) premiums and discounts associated with acquired loans totaling $5,995,000 and $6,861,000 at March 31, 2024 and December 31, 2023, respectively, and (2) net deferred origination and factoring fees totaling $4,270,000 and $3,657,000 at March 31, 2024 and December 31, 2023, respectively.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled $30,378,000 and $30,686,000 at March 31, 2024 and December 31, 2023, respectively, and was included in other assets on the Company's consolidated balance sheets.

At March 31, 2024 and December 31, 2023, the Company had $211,198,000 and $253,492,000, respectively, of customer reserves associated with factored receivables. These amounts represent customer reserves held to settle any payment disputes or collection shortfalls, may be used to pay customers’ obligations to various third parties as directed by the customer, are periodically released to or withdrawn by customers, and are reported as deposits in the consolidated balance sheets.

At March 31, 2024 and December 31, 2023 the balance of the Over-Formula Advance Portfolio, acquired from Transport Financial Solutions during 2020, included in factored receivables was $2,720,000 and $3,151,000, respectively. These balances were fully reserved as of those respective dates.

At March 31, 2024 the Company carried a separate $19,361,000 receivable (the “Misdirected Payments”) payable by the United States Postal Service (“USPS”) arising from accounts factored to the largest Over-Formula Advance Portfolio carrier. This amount is separate from the acquired Over-Formula Advances. The amounts represented by this receivable were paid by the USPS directly to such customer in contravention of notices of assignment delivered to, and previously honored by, the USPS, which amount was then not remitted back to us by such customer as required. The USPS disputes their obligation to make such payment, citing purported deficiencies in the notices delivered to them. We are a party to litigation in the United States Court of Federal Claims against the USPS seeking a ruling that the USPS was obligated to make the payments represented by this receivable directly to us. Based on our legal analysis and discussions with our counsel advising us on this matter, we continue to believe it is probable that we will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, we have not reserved for such balance as of March 31, 2024.

Loans with carrying amounts of $1,412,353,000 and $1,588,532,000 at March 31, 2024 and December 31, 2023, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity 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. The activity in the allowance for credit losses (“ACL”) related to loans held for investment is as follows:

(Dollars in thousands) Three months ended March 31, 2024	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 6,030	$ (364)	$ —	$ —	$ 5,666
Construction, land development, land	965	1,701	(14)	—	2,652
1-4 family residential	927	50	—	2	979
Farmland	442	(35)	—	—	407
Commercial	14,060	3,051	(584)	33	16,560
Factored receivables	11,896	556	(1,558)	298	11,192
Consumer	171	37	(117)	44	135
Mortgage warehouse	728	(87)	—	—	641
	$ 35,219	$ 4,909	$ (2,273)	$ 377	$ 38,232

(Dollars in thousands) Three months ended March 31, 2023	Beginning Balance	Credit Loss Expense	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 4,459	$ (237)	$ —	$ 70	$ 4,292
Construction, land development, land	1,155	(17)	—	1	1,139
1-4 family residential	838	169	(5)	2	1,004
Farmland	483	(11)	—	—	472
Commercial	15,918	947	(222)	40	16,683
Factored receivables	19,121	550	(2,293)	203	17,581
Consumer	175	21	(138)	127	185
Mortgage warehouse	658	231	—	—	889
	$ 42,807	$ 1,653	$ (2,658)	$ 443	$ 42,245

The increase in required ACL during the three months ended March 31, 2024 is a function of net charge-offs of $1,896,000 and credit loss expense of $4,909,000.

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

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

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

For the three months ended March 31, 2024, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period increased the required ACL by $904,000. Changes in loan volume and mix increased the required ACL by $765,000. Increases in required specific reserves increased the required ACL by $1,345,000. Net charge-offs during the period were $1,896,000.

For the three months ended March 31, 2023, changes in projected loss drivers and prepayment assumptions over the reasonable and supportable forecast period increased the required ACL by $383,000. Decreases in required specific reserves decreased the required ACL at March 31, 2023 by $911,000. Changes in loan volume and mix during the three months ended March 31, 2023 did not have a material impact on the ACL during the period. Net charge-offs during the period were $2,215,000.

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) March 31, 2024	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
Commercial real estate	$ 2,403	$ —	$ —	$ 28	$ 2,431	$ 662
Construction, land development, land	390	—	—	—	390	—
1-4 family residential	1,166	—	—	—	1,166	112
Farmland	960	—	81	73	1,114	—
Commercial	143	—	32,127	22,378	54,648	5,597
Factored receivables	—	36,118	—	—	36,118	5,904
Consumer	—	—	—	174	174	—
Mortgage warehouse	—	—	—	—	—	—
Total	$ 5,062	$ 36,118	$ 32,208	$ 22,653	$ 96,041	$ 12,275

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

At March 31, 2024 the balance of the Over-Formula Advance Portfolio included in factored receivables was $2,720,000 and was fully reserved. At March 31, 2024 the balance of Misdirected Payments included in factored receivables was $19,361,000 and carried no ACL allocation.

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

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

Past Due and Nonaccrual Loans

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

(Dollars in thousands) March 31, 2024	Past Due 30-59 Days	Past Due 60-90 Days	Past Due 90 Days or More	Total Past Due	Current	Total	Past Due 90 Days or More and Accruing
Commercial real estate	$ 750	$ —	$ 1,385	$ 2,135	$ 817,586	$ 819,721	$ —
Construction, land development, land	—	—	390	390	222,469	222,859	—
1-4 family residential	1,750	—	381	2,131	128,069	130,200	—
Farmland	68	—	173	241	58,190	58,431	—
Commercial	18,558	3,359	8,163	30,080	1,130,790	1,160,870	—
Factored receivables	16,355	2,581	25,756	44,692	1,109,355	1,154,047	25,756
Consumer	40	—	41	81	7,095	7,176	—
Mortgage warehouse	—	—	—	—	641,816	641,816	—
Total	$ 37,521	$ 5,940	$ 36,289	$ 79,750	$ 4,115,370	$ 4,195,120	$ 25,756

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

At March 31, 2024 and December 31, 2023, total past due Over-Formula Advances recorded in factored receivables was $2,720,000 and $3,151,000, respectively, all of which was considered past due 90 days or more. At March 31, 2024 and December 31, 2023, the Misdirected Payments totaled $19,361,000, all of which was considered past due 90 days or more. Given the nature of factored receivables, these assets are disclosed as past due 90 days or more still accruing; however, the Company is not recognizing income on the assets. Historically, any income recognized on factored receivables that are past due 90 days or more has not been material.

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:

	March 31, 2024		December 31, 2023	
(Dollars in thousands)	Total Nonaccrual	Nonaccrual With No ACL	Total Nonaccrual	Nonaccrual With No ACL
Commercial real estate	$ 2,362	$ 141	$ 2,447	$ 190
Construction, land development, land	390	390	—	—
1-4 family residential	1,166	1,020	1,178	1,028
Farmland	1,114	1,114	968	968
Commercial	55,000	32,323	40,951	33,188
Factored receivables	—	—	—	—
Consumer	174	174	133	133
Mortgage warehouse	—	—	—	—
	$ 60,206	$ 35,162	$ 45,677	$ 35,507

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

	Three Months Ended March 31,	
(Dollars in thousands)	2024	2023
Commercial real estate	$ —	$ 16
Construction, land development, land	2	—
1-4 family residential	1	—
Farmland	—	22
Commercial	183	7
Factored receivables	—	—
Consumer	—	—
Mortgage warehouse	—	—
	$ 186	$ 45

There was no interest earned on nonaccrual loans during the three months ended March 31, 2024 and 2023.

The following table presents information regarding nonperforming loans:

(Dollars in thousands)	March 31, 2024	December 31, 2023
Nonaccrual loans	$ 60,206	$ 45,677
Factored receivables greater than 90 days past due	23,036	23,181
	$ 83,242	$ 68,858

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 March 31, 2024 and December 31, 2023, based on the most recent analysis performed, the risk category of loans is as follows:

(Dollars in thousands) March 31, 2024	Year of Origination 2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted To Term Loans	Total
Commercial real estate									
Pass	$ 92,539	$ 199,924	$ 83,837	$ 97,330	$ 113,473	$ 47,604	$ 89,347	$ 290	$ 724,344
Classified	—	91,421	652	1,576	1,691	37	—	—	95,377
Total commercial real estate	$ 92,539	$ 291,345	$ 84,489	$ 98,906	$ 115,164	$ 47,641	$ 89,347	$ 290	$ 819,721
YTD gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction, land development, land									
Pass	$ 133,598	$ 80,863	$ 1,010	$ 1,014	$ 282	$ 3,073	$ 2,629	$ —	$ 222,469
Classified	—	—	—	390	—	—	—	—	390
Total construction, land development, land	$ 133,598	$ 80,863	$ 1,010	$ 1,404	$ 282	$ 3,073	$ 2,629	$ —	$ 222,859
YTD gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 14	$ —	$ —	$ 14
1-4 family residential									
Pass	$ 8,604	$ 22,255	$ 16,166	$ 19,237	$ 6,823	$ 22,356	$ 33,178	$ 382	$ 129,001
Classified	291	4	1	95	—	534	274	—	1,199
Total 1-4 family residential	$ 8,895	$ 22,259	$ 16,167	$ 19,332	$ 6,823	$ 22,890	$ 33,452	$ 382	$ 130,200
YTD gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Farmland									
Pass	$ 5,005	$ 9,152	$ 13,306	$ 5,279	$ 7,658	$ 15,613	$ 1,206	$ 81	$ 57,300
Classified	604	73	—	—	16	438	—	—	1,131
Total farmland	$ 5,609	$ 9,225	$ 13,306	$ 5,279	$ 7,674	$ 16,051	$ 1,206	$ 81	$ 58,431
YTD gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial									
Pass	$ 76,575	$ 251,965	$ 147,139	$ 62,593	$ 37,932	$ 22,869	$ 481,738	$ 1,072	$ 1,081,883
Classified	—	48,679	16,781	11,342	2,029	126	30	—	78,987
Total commercial	$ 76,575	$ 300,644	$ 163,920	$ 73,935	$ 39,961	$ 22,995	$ 481,768	$ 1,072	$ 1,160,870
YTD gross charge-offs	$ —	$ 503	$ 1	$ 43	$ 37	$ —	$ —	$ —	$ 584
Factored receivables									
Pass	$ 1,114,159	$ —	$ —	$ —	$ 2,720	$ —	$ —	$ —	$ 1,116,879
Classified	17,807	—	—	—	19,361	—	—	—	37,168
Total factored receivables	$ 1,131,966	$ —	$ —	$ —	$ 22,081	$ —	$ —	$ —	$ 1,154,047
YTD gross charge-offs	$ —	$ 1,558	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,558
Consumer									
Pass	$ 1,212	$ 2,532	$ 1,182	$ 482	$ 326	$ 1,250	$ 17	$ 2	$ 7,003
Classified	—	18	—	77	—	59	19	—	173
Total consumer	$ 1,212	$ 2,550	$ 1,182	$ 559	$ 326	$ 1,309	$ 36	$ 2	$ 7,176
YTD gross charge-offs	$ —	$ 105	$ 12	$ —	$ —	$ —	$ —	$ —	$ 117
Mortgage warehouse									
Pass	$ 641,816	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 641,816
Classified	—	—	—	—	—	—	—	—	—
Total mortgage warehouse	$ 641,816	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 641,816
YTD gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total loans									
Pass	$ 2,073,508	$ 566,691	$ 262,640	$ 185,935	$ 169,214	$ 112,765	$ 608,115	$ 1,827	$ 3,980,695
Classified	18,702	140,195	17,434	13,480	23,097	1,194	323	—	214,425
Total loans	$ 2,092,210	$ 706,886	$ 280,074	$ 199,415	$ 192,311	$ 113,959	$ 608,438	$ 1,827	$ 4,195,120
YTD gross charge-offs	$ —	$ 2,166	$ 13	$ 43	$ 37	$ 14	$ —	$ —	$ 2,273

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

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

	Term Extension	
	Three Months Ended	
(Dollars in thousands)	Amortized Cost	% of Portfolio
March 31, 2024		
Commercial real estate	$ 195	— %
1-4 family residential	271	0.2 %
Farmland	604	1.0 %
Commercial	690	0.1 %
	$ 1,760	— %
March 31, 2023		
Commercial real estate	$ 119	— %
Commercial	895	0.1 %
	$ 1,014	— %

	Payment Delay	
	Three Months Ended	
(Dollars in thousands)	Amortized Cost	% of Portfolio
March 31, 2023		
Commercial real estate	$ 755	0.1 %

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

	Term Extension
	Three Months Ended
March 31, 2024	
Commercial real estate	Modification added a weighted average 0.3 years to the life of the modified loans.
1-4 family residential	Modification added a weighted average 0.3 years to the life of the modified loans.
Farmland	Modification added a weighted average 0.3 years to the life of the modified loans.
Commercial	Modification added a weighted average 0.3 years to the life of the modified loans.
March 31, 2023	
Commercial real estate	Modification added a weighted average 0.3 years to the life of the modified loans.
Commercial	Modification added a weighted average 0.3 years to the life of the modified loans.

	Payment Delay
	Three Months Ended
March 31, 2023	
Commercial real estate	Modification provided a weighted average payment delay of 0.5 years.

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

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

	March 31, 2024		
(Dollars in thousands)	Current	Past Due 30-89 Days	Past Due 90 Days or More
Commercial real estate	$ 106,960	$ —	$ —
1-4 family residential	271	—	—
Farmland	604	—	—
Commercial	22,779	—	—
	$ 130,614	$ —	$ —

At March 31, 2024, the Company had no commitments to lend additional funds to borrowers experiencing financial difficulty for which the Company modified the terms of the loans in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension during the current period.

There were no loans to borrowers experiencing financial difficulty that had a payment default during the three months ended March 31, 2024 and 2023 and were modified in the twelve months prior to that default. Default is determined at 90 or more days past due, upon charge-off, or upon foreclosure. Modified loans in default are individually evaluated for the allowance for credit losses or if the modified loan is deemed uncollectible, the loan, or a portion of the loan, is written off and the allowance for credit losses is adjusted accordingly.

Residential Real Estate Loans In Process of Foreclosure

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

NOTE 4 — GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(Dollars in thousands)	March 31, 2024	December 31, 2023
Goodwill	$ 233,709	$ 233,709

	March 31, 2024			December 31, 2023		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$ 43,578	$ (38,650)	$ 4,928	$ 43,578	$ (38,084)	$ 5,494
Customer relationship intangibles	29,954	(20,747)	9,207	29,954	(19,901)	10,053
Software intangible assets	16,932	(11,994)	4,938	16,932	(10,935)	5,997
Other intangible assets	6,419	(1,650)	4,769	3,498	(1,396)	2,102
	$ 96,883	$ (73,041)	$ 23,842	$ 93,962	$ (70,316)	$ 23,646

The changes in goodwill and intangible assets during the three months ended March 31, 2024 and 2023 are as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2024	2023
Beginning balance	$ 257,355	$ 265,767
Acquired intangible assets	2,920	3,042
Amortization of intangibles	(2,724)	(2,850)
Ending balance	$ 257,551	$ 265,959

NOTE 5 — VARIABLE INTEREST ENTITIES

Collateralized Loan Obligation Funds – Closed

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

(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 $3,010,000 and $2,977,000 at March 31, 2024 and December 31, 2023, respectively, and are classified as held to maturity securities within the Company's consolidated balance sheets.

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

NOTE 6 — LEGAL CONTINGENCIES

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

Additionally, other various legal claims have arisen from time to time in the normal course of business which, in the opinion of management as of March 31, 2024, will have no material effect on the Company's consolidated financial statements.

NOTE 7 — OFF-BALANCE SHEET LOAN COMMITMENTS

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

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

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

	March 31, 2024			December 31, 2023		
(Dollars in thousands)	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Unused lines of credit	$ 57,343	$ 501,035	$ 558,378	$ 53,822	$ 527,300	$ 581,122
Standby letters of credit	$ 15,086	$ 8,235	$ 23,321	$ 15,013	$ 9,356	$ 24,369
Commitments to purchase loans	$ —	$ 17,125	$ 17,125	$ —	$ 17,125	$ 17,125
Mortgage warehouse commitments	$ —	$ 951,772	$ 951,772	$ —	$ 895,896	$ 895,896

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

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 March 31, 2024 and December 31, 2023, the allowance for credit losses on off-balance sheet credit exposures totaled $3,880,000 and $2,838,000, respectively, and was included in other liabilities on the Company's consolidated balance sheets. The following table presents credit loss expense for off balance sheet credit exposures:

	Three Months Ended March 31,	
(Dollars in thousands)	2024	2023
Credit loss expense (benefit)	$ 1,042	$ 819

NOTE 8 — FAIR VALUE DISCLOSURES

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

> Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

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

(Dollars in thousands)	Fair Value Measurements Using			
March 31, 2024	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	$ —	$ 67,634	$ —	$ 67,634
Asset-backed securities	—	1,114	—	1,114
State and municipal	—	3,448	—	3,448
CLO securities	—	246,118	—	246,118
Corporate bonds	—	264	—	264
SBA pooled securities	—	1,523	—	1,523
	$ —	$ 320,101	$ —	$ 320,101
Equity securities with readily determinable fair values				
Mutual fund	$ 4,441	$ —	$ —	$ 4,441
Loans held for sale	$ —	$ 3,712	$ —	$ 3,712
Indemnification asset	$ —	$ —	$ 1,292	$ 1,292
Revenue share asset	$ —	$ —	$ 2,689	$ 2,689

(Dollars in thousands)	Fair Value Measurements Using			
December 31, 2023	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	$ —	$ 55,839	$ —	$ 55,839
Asset-backed securities	—	1,170	—	1,170
State and municipal	—	4,515	—	4,515
CLO Securities	—	236,291	—	236,291
Corporate bonds	—	275	—	275
SBA pooled securities	—	1,554	—	1,554
	$ —	$ 299,644	$ —	$ 299,644
Equity securities with readily determinable fair values				
Mutual fund	$ 4,488	$ —	$ —	$ 4,488
Loans held for sale	$ —	$ 1,236	$ —	$ 1,236
Indemnification asset	$ —	$ —	$ 1,497	$ 1,497
Revenue share asset	$ —	$ —	$ 2,516	$ 2,516

There were no transfers between levels during 2024 or 2023.

Indemnification Asset

The fair value of the indemnification asset is calculated as the present value of the estimated cash payments expected to be received from Covenant for probable losses on the covered Over-Formula Advance Portfolio acquired during 2020. The cash flows are discounted at a rate to reflect the uncertainty of the timing and receipt of the payments from Covenant. The indemnification asset is reviewed quarterly and changes to the asset are recorded as adjustments to other noninterest income or expense, as appropriate, within the Consolidated Statements of Income. The indemnification asset fair value is considered a Level 3 classification. At March 31, 2024 and December 31, 2023, the estimated cash payments expected to be received from Covenant for probable losses on the covered Over-Formula Advance Portfolio were approximately $1,360,000 and $1,575,000, respectively, and a discount rate of 5.0% and 5.0%, respectively, was applied to calculate the present value of the indemnification asset. A reconciliation of the opening balance to the closing balance of the fair value of the indemnification asset is as follows:

(Dollars in thousands)	Three Months Ended March 31, 2024	2023
Beginning balance	$ 1,497	$ 3,896
Indemnification asset recognized in business combination	—	—
Change in fair value of indemnification asset recognized in earnings	(205)	(205)
Indemnification reduction	—	—
Ending balance	$ 1,292	$ 3,691

Revenue Share Asset

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

At March 31, 2024 and December 31, 2023, the estimated cash payments expected to be received from the purchaser for the Company's share of future gross monthly revenue as $3,590,000 and $3,329,000, respectively, and a discount rate of 10.0% was applied to calculate the present value of the revenue share asset. A reconciliation of the opening balance to the closing balance of the fair value of the revenue share asset is as follows:

(Dollars in thousands)	Three Months Ended March 31, 2024	2023
Beginning balance	$ 2,516	$ 5,515
Revenue share asset recognized	—	—
Change in fair value of revenue share asset recognized in earnings	472	(620)
Revenue share payments received	(299)	(363)
Ending balance	$ 2,689	$ 4,532

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 March 31, 2024 and December 31, 2023.

(Dollars in thousands)	Fair Value Measurements Using			
March 31, 2024	Level 1	Level 2	Level 3	Total Fair Value
Collateral dependent loans				
Commercial real estate	$ —	$ —	$ 1,560	$ 1,560
1-4 family residential	—	—	35	35
Commercial	—	—	30,719	30,719
Factored receivables	—	—	30,214	30,214
	$ —	$ —	$ 62,528	$ 62,528

(Dollars in thousands)	Fair Value Measurements Using			
December 31, 2023	Level 1	Level 2	Level 3	Total Fair Value
Collateral dependent loans				
Commercial real estate	$ —	$ —	$ 1,480	$ 1,480
1-4 family residential	—	—	37	37
Commercial	—	—	20,870	20,870
Factored receivables	—	—	32,860	32,860
	$ —	$ —	$ 55,247	$ 55,247

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.

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

(Dollars in thousands) March 31, 2024	Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 417,033	$ 417,033	$ —	$ —	$ 417,033
Securities - held to maturity	3,010	—	—	3,750	3,750
Loans not previously presented, gross	4,132,592	100,616	—	3,979,319	4,079,935
FHLB and other restricted stock	4,764	N/A	N/A	N/A	N/A
Accrued interest receivable	34,633	34,633	—	—	34,633
Financial liabilities:					
Deposits	4,450,963	—	4,444,877	—	4,444,877
Federal Home Loan Bank advances	30,000	—	30,000	—	30,000
Subordinated notes	108,807	—	92,865	—	92,865
Junior subordinated debentures	41,889	—	43,436	—	43,436
Accrued interest payable	6,872	6,872	—	—	6,872

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

NOTE 9 — REGULATORY MATTERS

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

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

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

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

(Dollars in thousands)	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
March 31, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Financial, Inc.	$ 819,239	16.7%	$ 392,785	8.0%	N/A	N/A
TBK Bank, SSB	$ 772,392	15.9%	$ 389,792	8.0%	$ 487,240	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	$ 668,875	13.6%	$ 294,588	6.0%	N/A	N/A
TBK Bank, SSB	$ 733,817	15.1%	$ 292,344	6.0%	$ 389,792	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	$ 581,986	11.9%	$ 220,941	4.5%	N/A	N/A
TBK Bank, SSB	$ 733,817	15.1%	$ 219,258	4.5%	$ 316,706	6.5%
Tier 1 capital (to average assets)						
Triumph Financial, Inc.	$ 668,875	13.0%	$ 205,890	4.0%	N/A	N/A
TBK Bank, SSB	$ 733,817	14.3%	$ 205,767	4.0%	$ 257,208	5.0%
As of December 31, 2023						
Total capital (to risk weighted assets)						
Triumph Financial, Inc.	$ 806,667	16.7%	$ 385,370	8.0%	N/A	N/A
TBK Bank, SSB	$ 758,656	15.9%	$ 382,508	8.0%	$ 478,135	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	$ 661,833	13.7%	$ 289,027	6.0%	N/A	N/A
TBK Bank, SSB	$ 725,383	15.2%	$ 286,881	6.0%	$ 382,508	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Financial, Inc.	$ 575,093	11.9%	$ 216,770	4.5%	N/A	N/A
TBK Bank, SSB	$ 725,383	15.2%	$ 215,161	4.5%	$ 310,787	6.5%
Tier 1 capital (to average assets)						
Triumph Financial, Inc.	$ 661,833	12.6%	$ 209,518	4.0%	N/A	N/A
TBK Bank, SSB	$ 725,383	13.9%	$ 209,406	4.0%	$ 261,758	5.0%

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

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

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

NOTE 10 — STOCKHOLDERS' EQUITY

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

Preferred Stock Series C

(Dollars in thousands, except per share amounts)	March 31, 2024	December 31, 2023
Shares authorized	51,750	51,750
Shares issued	45,000	45,000
Shares outstanding	45,000	45,000
Par value per share	$ 0.01	$ 0.01
Liquidation preference per share	$ 1,000	$ 1,000
Liquidation preference amount	$ 45,000	$ 45,000
Dividend rate	7.125 %	7.125 %
Dividend payment dates	Quarterly	Quarterly

Common Stock

	March 31, 2024	December 31, 2023
Shares authorized	50,000,000	50,000,000
Shares issued	29,019,861	28,986,255
Treasury shares	(5,684,864)	(5,683,841)
Shares outstanding	23,334,997	23,302,414
Par value per share	$ 0.01	$ 0.01

Stock Repurchase Programs

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

In connection with the completion of the ASR, on May 4, 2023, the Company announced that its board of directors had authorized the Company to repurchase up to an additional $50,000,000 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. The Company has not repurchased any shares under the new share repurchase program.

NOTE 11 — STOCK BASED COMPENSATION

Stock based compensation expense that has been charged against income was $3,627,000 and $2,881,000 for the three months ended March 31, 2024 and 2023, respectively.

2014 Omnibus Incentive Plan

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

Restricted Stock Awards

A summary of changes in the Company's nonvested Restricted Stock Awards ("RSAs") under the Omnibus Incentive Plan for the three months ended March 31, 2024 were as follows:

Nonvested RSAs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	122,931	77.14
Granted	—	—
Vested	—	—
Forfeited	—	—
Nonvested at March 31, 2024	122,931	77.14

RSAs granted to employees under the Omnibus Incentive Plan typically vest immediately or over four years. Compensation expense for the RSAs will be recognized over the vesting period of the awards based on the fair value of the stock at the issue date. As of March 31, 2024, there was $1,235,000 of unrecognized compensation cost related to the nonvested RSAs. The cost is expected to be recognized over a remaining period of 1.16 years.

Restricted Stock Units

A summary of changes in the Company's nonvested Restricted Stock Units ("RSUs") under the Omnibus Incentive Plan for the three months ended March 31, 2024 were as follows:

Nonvested RSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	230,034	63.30
Granted	6,127	69.70
Vested	(9,877)	90.97
Forfeited	(3,578)	52.90
Nonvested at March 31, 2024	222,706	62.42

RSUs granted to employees under the Omnibus Incentive Plan typically vest over four years. Compensation expense for the RSUs will be recognized over the vesting period of the awards based on the fair value of the stock at the issue date. As of March 31, 2024, there was $6,096,000 of unrecognized compensation cost related to the nonvested RSUs. The cost is expected to be recognized over a remaining period of 2.60 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 three months ended March 31, 2024 were as follows:

Nonvested Market Based PSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	115,888	$ 81.72
Granted	—	—
Incremental shares earned	—	—
Vested	—	—
Forfeited	—	—
Nonvested at March 31, 2024	115,888	$ 81.74

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

As of March 31, 2024, there was $4,979,000 of unrecognized compensation cost related to the nonvested Market Based PSUs. The cost is expected to be recognized over a remaining period of 1.97 years.

Stock Options

A summary of the changes in the Company's stock options under the Omnibus Incentive Plan for the three months ended March 31, 2024 were as follows:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2024	232,994	$ 43.40		
Granted	—	—		
Exercised	(5,401)	26.71		
Forfeited or expired	—	—		
Outstanding at March 31, 2024	227,593	$ 43.79	6.04	$ 8,243
Fully vested shares and shares expected to vest at March 31, 2024	227,593	$ 43.79	6.04	$ 8,243
Shares exercisable at March 31, 2024	131,815	$ 34.31	4.31	$ 6,012

Information related to the stock options for the three months ended March 31, 2024 and 2023 was as follows:

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Aggregate intrinsic value of options exercised	$ 289	$ 79
Cash received from option exercises, net	144	(33)
Tax benefit realized from option exercises	61	16
Weighted average fair value per share of options granted	$ —	$ —

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

As of March 31, 2024, there was $936,000 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 2.76 years.

Employee Stock Purchase Plan

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

NOTE 12 — EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

	Three Months Ended March 31,	
(Dollars in thousands)	2024	2023
Basic		
Net income to common stockholders	$ 3,357	$ 10,209
Weighted average common shares outstanding	23,201,259	23,361,732
Basic earnings per common share	$ 0.14	$ 0.44
Diluted		
Net income to common stockholders	$ 3,357	$ 10,209
Weighted average common shares outstanding	23,201,259	23,361,732
Dilutive effects of:		
Assumed exercises of stock options	87,567	76,129
Restricted stock awards	102,417	140,006
Restricted stock units	137,321	116,754
Performance stock units - market based	119,777	121,047
Employee stock purchase program	1,921	496
Average shares and dilutive potential common shares	23,650,262	23,816,164
Diluted earnings per common share	$ 0.14	$ 0.43

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

	Three Months Ended March 31,	
	2024	2023
Stock options	45,764	49,379
Restricted stock awards	—	—
Restricted stock units	7,500	11,250
Performance stock units - market based	—	42,056
Employee stock purchase program	—	—
Accelerated share repurchase	—	203,352

NOTE 13 — REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Banking and Factoring Segments

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

- *Service charges on deposits*. Service charges on deposits primarily consists of fees from the Company's deposit customers for account maintenance, account analysis, and overdraft services. Account maintenance fees and analysis fees are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs.

- *Card income.* Card income primarily consists of interchange fees. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized when the transaction processing services are provided to the cardholder.

- *Net OREO gains (losses) and valuation adjustments.* The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer.

- *Fee income.* Fee income for the Banking and Factoring segments primarily consists of transaction-based fees, including wire transfer fees, ACH and check fees, early termination fees, and other fees, earned from the Company's banking and factoring customers. Transaction based fees are recognized at the time the transaction is executed as that is the point in time the Company satisfies its performance obligations.

- *Insurance commissions*. Insurance commissions are earned for brokering insurance policies. The Company's primary performance obligations for insurance commissions are satisfied and revenue is recognized when the brokered insurance policies are executed.

Payments Segment

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

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

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

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

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

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

Capitalized contract costs consist of (i) deferred sales commissions that are incremental costs of obtaining customer contracts and (ii) deferred set-up costs, primarily direct payroll costs, for implementation services provided to customers prior to the launching of the Company’s products for general availability (go-live) to customers. Deferred sales commissions are amortized ratably over two years, taking into consideration the initial contract term, expected renewal periods, and sales commissions paid on such renewal periods. Deferred set-up costs are amortized ratably over four years which estimates the benefit period of the capitalized costs starting on the go-live date of the service. Deferred sales commissions and deferred set-up costs were included in other assets in the accompanying consolidated balance sheets and were $338,000 and $800,000, respectively, at March 31, 2024 and $394,000 and $505,000, respectively, at December 31, 2023. The amortization of deferred sales commissions and deferred set-up costs is included in salaries and employee benefits in the consolidated statements of income and was not significant for the three months ended March 31, 2024 and 2023.

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

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

(Dollars in thousands)	Three Months Ended March 31, 2024	2023
Broker fee income	$ 4,115	$ 2,356
Factor fee income	1,295	1,276
Other fee income	61	$ 65
Total fee income	$ 5,471	$ 3,697

NOTE 14 — BUSINESS SEGMENT INFORMATION

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

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

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

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

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

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

(Dollars in thousands)

Three months ended March 31, 2024	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 63,994	$ 32,752	$ 5,157	$ 44	$ 101,947
Intersegment interest allocations	6,744	(8,905)	2,161	—	—
Total interest expense	13,504	—	—	2,408	15,912
Net interest income (expense)	57,234	23,847	7,318	(2,364)	86,035
Credit loss expense (benefit)	4,527	1,355	69	(55)	5,896
Net interest income after credit loss expense	52,707	22,492	7,249	(2,309)	80,139
Noninterest income	6,476	2,903	5,543	77	14,999
Noninterest expense	31,129	18,693	16,485	24,064	90,371
Net intersegment noninterest income (expense)[1]	121	389	(510)	—	—
Net income (loss) before income tax expense	$ 28,175	$ 7,091	$ (4,203)	$ (26,296)	$ 4,767

(Dollars in thousands)

Three months ended March 31, 2023	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 59,726	$ 38,157	$ 2,747	$ 44	$ 100,674
Intersegment interest allocations	7,612	(9,154)	1,542	—	—
Total interest expense	4,948	—	—	2,344	7,292
Net interest income (expense)	62,390	29,003	4,289	(2,300)	93,382
Credit loss expense (benefit)	1,923	549	—	141	2,613
Net interest income after credit loss expense	60,467	28,454	4,289	(2,441)	90,769
Noninterest income	5,673	1,578	3,707	64	11,022
Noninterest expense	32,240	21,769	15,417	19,855	89,281
Net intersegment noninterest income (expense)[1]	—	(265)	265	—	—
Net income (loss) before income tax expense	$ 33,900	$ 7,998	$ (7,156)	$ (22,232)	$ 12,510

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

(Dollars in thousands)	Banking	Factoring	Payments
Three Months Ended March 31, 2024			
Factoring revenue received from Payments	$ —	$ 750	$ (750)
Payments revenue received from Factoring	—	(265)	265
Banking revenue received from Payments and Factoring	121	(96)	(25)
Net intersegment noninterest income (expense)	$ 121	$ 389	$ (510)
Three Months Ended March 31, 2023			
Factoring revenue received from Payments	$ —	$ —	$ —
Payments revenue received from Factoring	—	(265)	265
Banking revenue received from Payments and Factoring	—	—	—
Net intersegment noninterest income (expense)	$ —	$ (265)	$ 265

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

(Dollars in thousands)

March 31, 2024	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,120,449	$ 1,097,627	$ 490,667	$ 1,064,770	$ (2,198,020)	$ 5,575,493
Gross loans	$ 3,584,504	$ 976,761	$ 177,286	$ —	$ (543,431)	$ 4,195,120

(Dollars in thousands)

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

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

We are a financial holding company headquartered in Dallas, Texas and registered under the Bank Holding Company Act, offering a diversified line of payments, factoring and banking services. As of March 31, 2024, we had consolidated total assets of $5.575 billion, total loans held for investment of $4.195 billion, total deposits of $4.451 billion and total stockholders' equity of $872.3 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 medium to large sized trucking fleets ("Carriers") at a discount to provide immediate working capital to such Carriers. We commenced these operations in 2012 through the acquisition of our factoring subsidiary, Triumph Financial Services. Triumph Financial Services operates in a highly specialized niche and earns substantially higher yields on its factored accounts receivable portfolio than our other lending products described above. Given its acquisition, this business has a legacy and structure as a standalone company.

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

At March 31, 2024, our business is primarily focused on providing financial services to participants in the for-hire trucking ecosystem in the United States, including Brokers, Shippers, Factors and Carriers. Within such ecosystem, we operate our TriumphPay payments platform, which connects such parties to streamline and optimize the presentment, audit and payment of transportation invoices. We also act as capital provider to the Carrier industry through our factoring subsidiary, Triumph Financial Services. Our traditional banking operations provide stable, low cost deposits to support our operations, a diversified lending portfolio to add stability to our balance sheet, and a suite of traditional banking products and services to participants in the for-hire trucking ecosystem to deepen our relationship with such clients.

We have determined our reportable segments are Banking, Factoring, Payments and Corporate. For the three months ended March 31, 2024, our Banking segment generated 60% of our total revenue (comprised of interest and noninterest income), our Factoring segment generated 30% of our total revenue, our Payments segment generated 9% of our total revenue, and our Corporate segment generated less than 1% of our total revenue.

First Quarter 2024 Overview

Net income available to common stockholders for the three months ended March 31, 2024 was $3.4 million, or $0.14 per diluted share, compared to net income to common stockholders for the three months ended March 31, 2023 of $10.2 million, or $0.43 per diluted share. For the three months ended March 31, 2024, our return on average common equity was 1.62% and our return on average assets was 0.31%.

At March 31, 2024, we had total assets of $5.575 billion, including gross loans held for investment of $4.195 billion, compared to $5.347 billion of total assets and $4.163 billion of gross loans held for investment at December 31, 2023. Total loans held for investment increased $32.0 million during the three months ended March 31, 2024. Our Banking loans, which constitute 72% of our total loan portfolio at March 31, 2024, decreased from $3.046 billion in aggregate as of December 31, 2023 to $3.041 billion as of March 31, 2024, a decrease of 0.2%. Our Factoring factored receivables, which constitute 23% of our total loan portfolio at March 31, 2024, increased from $941.9 million in aggregate as of December 31, 2023 to $976.8 million as of March 31, 2024, an increase of 3.7%. Our Payments factored receivables, which constitute 4% of our total loan portfolio at March 31, 2024, increased from $174.7 million in aggregate as of December 31, 2023 to $177.3 million as of March 31, 2024, an increase of 1.5%.

At March 31, 2024, we had total liabilities of $4.703 billion, including total deposits of $4.451 billion, compared to $4.483 billion of total liabilities and $3.977 billion of total deposits at December 31, 2023. Deposits increased $473.5 million during the three months ended March 31, 2024.

At March 31, 2024, we had total stockholders' equity of $872.3 million. During the three months ended March 31, 2024, total stockholders' equity increased $7.9 million, primarily due to our net income during the period. Capital ratios remained strong with Tier 1 capital and total capital to risk weighted assets ratios of 13.62% and 16.69%, respectively, at March 31, 2024.

The total dollar value of invoices purchased by Triumph Financial Services during the three months ended March 31, 2024 was $2.470 billion with an average invoice size of $1,806. The average transportation invoice size for the three months ended March 31, 2024 was $1,771. This compares to invoice purchase volume of $2.927 billion with an average invoice size of $1,962 and average transportation invoice size of $1,911 during the same period a year ago.

TriumphPay processed 5.7 million invoices paying Carriers a total of $6.380 billion during the three months ended March 31, 2024. This compares to processed volume of 4.3 million invoices for a total of $5.031 billion during the same period a year ago.

2024 Items of Note

Triumph Financial Headquarters Purchase

On March 20, 2024, we purchased a building in Dallas, TX that will be the future headquarters for Triumph Financial. The purchase price, including direct costs, was $54.6 million with approximately $51.7 million allocated to land and building and $2.9 million allocated to lease-related intangibles. We do not anticipate occupying the space until 2026 and we do not expect this acquisition to materially impact our results of operations in the short-term.

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 March 31, 2024.

At March 31, 2024, the carrying value of the acquired over-formula advances was $2.7 million, the total reserve on acquired over-formula advances was $2.7 million and the balance of our indemnification asset, the value of the payment that would be due to us from CVLG in the event that these over-advances are charged off, was $1.3 million.

As of March 31, 2024 we carry a separate $19.4 million receivable (the “Misdirected Payments”) payable by the United States Postal Service (“USPS”) arising from accounts factored to the largest over-formula advance carrier. This amount is separate from the acquired Over-Formula Advances. The amounts represented by this receivable were paid by the USPS directly to such customer in contravention of notices of assignment delivered to, and previously honored by, the USPS, which amount was then not remitted back to us by such customer as required. The USPS disputes their obligation to make such payment, citing purported deficiencies in the notices delivered to them. We are a party to litigation in the United States Court of Federal Claims against the USPS seeking a ruling that the USPS was obligated to make the payments represented by this receivable directly to us. Based on our legal analysis and discussions with our counsel advising us on this matter, we continue to believe it is probable that we will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, we have not reserved for such balance as of March 31, 2024. The full amount of such receivable is reflected in non-performing and past due factored receivables as of March 31, 2024 in accordance with our policy. As of March 31, 2024, the entire $19.4 million Misdirected Payments amount was greater than 90 days past due.

2023 Items of Note

Equity Investment

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

Accelerated Share Repurchase and Stock Repurchase Program

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

In connection with the completion of the ASR, on May 4, 2023, we announced that our board of directors had authorized us to repurchase up to an additional $50.0 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. We have not repurchased any shares under the new share repurchase program.

Trucking transportation and factoring

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

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

Financial Highlights

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2024	2023
Income Statement Data:		
Interest income	$ 101,947	$ 100,674
Interest expense	15,912	7,292
Net interest income	86,035	93,382
Credit loss expense (benefit)	5,896	2,613
Net interest income after credit loss expense (benefit)	80,139	90,769
Noninterest income	14,999	11,022
Noninterest expense	90,371	89,281
Net income (loss) before income taxes	4,767	12,510
Income tax expense (benefit)	609	1,500
Net income (loss)	$ 4,158	$ 11,010
Dividends on preferred stock	(801)	(801)
Net income available (loss) to common stockholders	$ 3,357	$ 10,209
Per Share Data:		
Basic earnings (loss) per common share	$ 0.14	$ 0.44
Diluted earnings (loss) per common share	$ 0.14	$ 0.43
Weighted average shares outstanding - basic	23,201,259	23,361,732
Weighted average shares outstanding - diluted	23,650,262	23,816,164
Performance ratios - Annualized:		
Return on average assets	0.31 %	0.84 %
Return on average total equity	1.90 %	5.20 %
Return on average common equity	1.62 %	5.09 %
Return on average tangible common equity (1)	2.33 %	7.56 %
Yield on loans(2)	9.09 %	9.22 %
Cost of interest bearing deposits	1.99 %	0.55 %
Cost of total deposits	1.17 %	0.32 %
Cost of total funds	1.45 %	0.68 %
Net interest margin(2)	7.29 %	8.08 %
Efficiency ratio	89.45 %	85.52 %
Net noninterest expense to average assets	5.62 %	5.98 %

(Dollars in thousands, except per share amounts)	March 31, 2024	December 31, 2023
Balance Sheet Data:		
Total assets	$ 5,575,493	$ 5,347,334
Cash and cash equivalents	417,033	286,635
Investment securities	327,552	307,109
Loans held for investment, net	4,156,888	4,127,881
Total liabilities	4,703,154	4,482,934
Noninterest bearing deposits	1,747,544	1,632,022
Interest bearing deposits	2,703,419	2,345,456
FHLB advances	30,000	255,000
Subordinated notes	108,807	108,678
Junior subordinated debentures	41,889	41,740
Total stockholders' equity	872,339	864,400
Preferred stockholders' equity	45,000	45,000
Common stockholders' equity	827,339	819,400
Per Share Data:		
Book value per share	$ 35.45	$ 35.16
Tangible book value per share [1]	$ 24.42	$ 24.12
Shares outstanding end of period	23,334,997	23,302,414
Asset Quality ratios[3]:		
Past due to total loans	1.90 %	2.00 %
Nonperforming loans to total loans	1.98 %	1.65 %
Nonperforming assets to total assets	1.61 %	1.42 %
ACL to nonperforming loans	45.93 %	51.15 %
ACL to total loans	0.91 %	0.85 %
Net charge-offs to average loans[4]	0.05 %	0.47 %
Capital ratios:		
Tier 1 capital to average assets	12.99 %	12.64 %
Tier 1 capital to risk-weighted assets	13.62 %	13.74 %
Common equity Tier 1 capital to risk-weighted assets	11.85 %	11.94 %
Total capital to risk-weighted assets	16.69 %	16.75 %
Total stockholders' equity to total assets	15.65 %	16.17 %
Tangible common stockholders' equity ratio [1]	10.71 %	11.04 %

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

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

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

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

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2024	2023
Loan discount accretion	$ 471	$ 1,810

(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 three months ended March 31, 2024 and the year ended December 31, 2023.

GAAP Reconciliation of Non-GAAP Financial Measures

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

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2024	2023
Average total stockholders' equity	$ 879,825	$ 858,112
Average preferred stock liquidation preference	(45,000)	(45,000)
Average total common stockholders' equity	834,825	813,112
Average goodwill and other intangibles	(256,070)	(265,320)
Average tangible common equity	$ 578,755	$ 547,792
Net income available to common stockholders	$ 3,357	$ 10,209
Average tangible common equity	578,755	547,792
Return on average tangible common equity	2.33 %	7.56 %
Efficiency ratio:		
Net interest income	$ 86,035	$ 93,382
Noninterest income	14,999	11,022
Operating revenue	101,034	104,404
Total noninterest expense	$ 90,371	$ 89,281
Efficiency ratio	89.45 %	85.52 %
Net noninterest expense to average assets ratio:		
Total noninterest expense	$ 90,371	$ 89,281
Total noninterest income	14,999	11,022
Net noninterest expenses	$ 75,372	$ 78,259
Average total assets	$ 5,391,520	$ 5,310,024
Net noninterest expense to average assets ratio	5.62 %	5.98 %

(Dollars in thousands, except per share amounts)	March 31, 2024	December 31, 2023
Total stockholders' equity	$ 872,339	$ 864,400
Preferred stock	(45,000)	(45,000)
Total common stockholders' equity	827,339	819,400
Goodwill and other intangibles	(257,551)	(257,355)
Tangible common stockholders' equity	$ 569,788	$ 562,045
Common shares outstanding	23,334,997	23,302,414
Tangible book value per share	$ 24.42	$ 24.12
Total assets at end of period	$ 5,575,493	$ 5,347,334
Goodwill and other intangibles	(257,551)	(257,355)
Tangible assets at period end	$ 5,317,942	$ 5,089,979
Tangible common stockholders' equity ratio	10.71 %	11.04 %

Results of Operations

Three months ended March 31, 2024 compared with three months ended March 31, 2023.

Net Income

We earned net income of $4.2 million for the three months ended March 31, 2024 compared to net income of $11.0 million for the three months ended March 31, 2023, a decrease of $6.8 million or 62.2%.

	Three Months Ended March 31, 2024			
(Dollars in thousands, except per share amounts)	2024	2023	$ Change	% Change
Interest income	$ 101,947	$ 100,674	$ 1,273	1.3 %
Interest expense	15,912	7,292	8,620	118.2 %
Net interest income	86,035	93,382	(7,347)	(7.9)%
Credit loss expense (benefit)	5,896	2,613	3,283	125.6 %
Net interest income after credit loss expense (benefit)	80,139	90,769	(10,630)	(11.7)%
Noninterest income	14,999	11,022	3,977	36.1 %
Noninterest expense	90,371	89,281	1,090	1.2 %
Net income (loss) before income taxes	4,767	12,510	(7,743)	(61.9)%
Income tax expense (benefit)	609	1,500	(891)	(59.4)%
Net income (loss)	$ 4,158	$ 11,010	$ (6,852)	(62.2)%

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 March 31,					
	2024			2023		
(Dollars in thousands)	Average Balance	Interest	Average Rate[4]	Average Balance	Interest	Average Rate[4]
Interest earning assets:						
Cash and cash equivalents	360,694	4,903	5.47 %	260,508	2,994	4.66 %
Taxable securities	321,344	5,326	6.67 %	295,353	4,029	5.53 %
Tax-exempt securities	3,508	25	2.87 %	13,142	84	2.59 %
FHLB and other restricted stock	13,649	232	6.84 %	9,951	125	5.09 %
Loans [1]	4,045,366	91,461	9.09 %	4,110,129	93,442	9.22 %
Total interest earning assets	4,744,561	101,947	8.64 %	4,689,083	100,674	8.71 %
Noninterest earning assets:						
Cash and cash equivalents	81,535			94,401		
Other noninterest earning assets	565,424			526,540		
Total assets	5,391,520			5,310,024		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	731,747	851	0.47 %	836,309	570	0.28 %
Individual retirement accounts	51,433	163	1.27 %	65,182	85	0.53 %
Money market	569,596	3,970	2.80 %	498,083	1,130	0.92 %
Savings	533,695	1,322	1.00 %	544,939	309	0.23 %
Certificates of deposit	263,561	1,864	2.84 %	299,104	630	0.85 %
Brokered time deposits	284,518	3,742	5.29 %	99,226	475	1.94 %
Other brokered deposits	17,860	240	5.40 %	278	3	4.38 %
Total interest bearing deposits	2,452,410	12,152	1.99 %	2,343,121	3,202	0.55 %
Federal Home Loan Bank advances	98,407	1,352	5.53 %	138,778	1,747	5.11 %
Subordinated notes	108,739	1,224	4.53 %	107,901	1,309	4.92 %
Junior subordinated debentures	41,799	1,184	11.39 %	41,227	1,034	10.17 %
Other borrowings	—	—	— %	2,620	—	— %
Total interest bearing liabilities	2,701,355	15,912	2.37 %	2,633,647	7,292	1.12 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	1,724,532			1,704,778		
Other liabilities	85,808			113,487		
Total equity	879,825			858,112		
Total liabilities and equity	5,391,520			5,310,024		
Net interest income		86,035			93,382	
Interest spread [2]			6.27 %			7.59 %
Net interest margin [3]			7.29 %			8.08 %

(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:

	Three Months Ended March 31,					
	2024			2023		
(Dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Banking loans	$ 2,932,646	$ 53,552	7.34 %	$ 2,916,614	$ 52,538	7.31 %
Factoring receivables	942,414	32,752	13.98 %	1,110,203	38,157	13.94 %
Payments receivables	170,306	5,157	12.18 %	83,312	2,747	13.37 %
Total loans	$ 4,045,366	$ 91,461	9.09 %	$ 4,110,129	$ 93,442	9.22 %

We earned net interest income of $86.0 million for the three months ended March 31, 2024 compared to $93.4 million for the three months ended March 31, 2023, a decrease of $7.4 million, or 7.9%, primarily driven by the following factors.

Interest income increased $1.3 million, or 1.3%, due to increased yields across all of our broad interest earning asset categories with the exception of loans. Additionally, average interest earning assets increased $55.5 million, or 1.2%, while we experienced a decrease in average total loans of $64.8 million, or 1.6%. The average balance of our higher yielding Factoring factored receivables decreased $167.8 million, or 15.1%, while we experienced an increase in average Payments factored receivables. The decrease in average Factoring factored receivables and the increase in Payments factored receivables was impacted by our decision to move supply chain financing receivables from our Factoring segment to our Payments segment during the second quarter 2023. Average Banking loans increased $16.0 million, or 0.5% due to increases in the average balances of commercial real estate, construction and development, agriculture, and asset-based lending loans. Interest income from our Banking loans is impacted by our lower yielding mortgage warehouse lending product. The average mortgage warehouse lending balance was $633.9 million for the three months ended March 31, 2024 compared to $718.8 million for the three months ended March 31, 2023. A component of interest income consists of discount accretion on acquired loan portfolios and acquired liquid credit loans. We recognized discount accretion on purchased loans of $0.5 million and $1.8 million for the three months ended March 31, 2024 and 2023, respectively.

Interest expense increased $8.6 million, or 118.2%, primarily driven by higher average rates discussed below. Additionally, average interest-bearing liabilities increased period over period. More specifically, average total interest bearing deposits increased $109.3 million, or 4.7%. Average noninterest bearing demand deposits grew $19.8 million.

Net interest margin decreased to 7.29% for the three months ended March 31, 2024 from 8.08% for the three months ended March 31, 2023, a decrease of 79 basis points or 9.8%.

The decrease in our net interest margin was most impacted by an increase in our average cost of interest bearing liabilities of 125 basis points. This increase in average cost was caused by generally higher interest rates paid on our interest-bearing liabilities driven by changes in interest rates in the macro economy.

The decrease in our net interest margin was also impacted by a decrease in our yield on interest earning assets of 7 basis points to 8.64% for the three months ended March 31, 2024. This decrease was primarily driven by lower yields on loans which decreased 13 basis points to 9.09% for the same period. Our yield on Factoring factored receivables was relatively flat period over period; however our average Factoring factored receivables as a percentage of the total average loan portfolio decreased which had a meaningful impact on our overall loan yield. Our transportation factoring balances, which generally generate a higher yield than our non-transportation factoring balances, were 97% and 95% of our Factoring portfolio at March 31, 2024 and 2023, respectively. Banking and payments yields decreased period over period. Non-loan yields were higher across the board period over period.

Our mortgage warehouse business has nearly self-funded for several quarters due to the servicing deposits of its customers. We grew such deposits by $292.8 million during the first quarter to a total of $519.6 million at March 31, 2024. These deposits are noninterest bearing deposits on our balance sheet. Despite their classification, many of these deposits are not truly free of cost as our clients are compensated for these balances in the form of an earnings interest rebate rather than deposit interest. As a result, such noninterest bearing deposits decrease our loan yield rather than increase our deposit rates. It is important to note that our net interest margin is not affected by this arrangement. During the first quarter of 2024, these deposits decreased our overall yield on loans by 47 bps and our overall cost of deposits and cost of funds would have been 45 bps and 42 bps higher, respectively.

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

	Three Months Ended March 31, 2024 vs. 2023		
	Increase (Decrease) Due to:		
(Dollars in thousands)	Rate	Volume	Net Increase
Interest earning assets:			
Cash and cash equivalents	$ 547	$ 1,362	$ 1,909
Taxable securities	866	431	1,297
Tax-exempt securities	10	(69)	(59)
FHLB and other restricted stock	44	63	107
Loans	(517)	(1,464)	(1,981)
Total interest income	950	323	1,273
Interest bearing liabilities:			
Interest bearing demand	403	(122)	281
Individual retirement accounts	122	(44)	78
Money market	2,342	498	2,840
Savings	1,041	(28)	1,013
Certificates of deposit	1,485	(251)	1,234
Brokered time deposits	830	2,437	3,267
Other brokered deposits	1	236	237
Total interest bearing deposits	6,224	2,726	8,950
Federal Home Loan Bank advances	160	(555)	(395)
Subordinated notes	(94)	9	(85)
Junior subordinated debentures	134	16	150
Other borrowings	—	—	—
Total interest expense	6,424	2,196	8,620
Change in net interest income	$ (5,474)	$ (1,873)	$ (7,347)

Credit Loss Expense

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

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

	Three Months Ended March 31,			
(Dollars in thousands)	2024	2023	$ Change	% Change
Credit loss expense (benefit) on loans	$ 4,909	$ 1,653	$ 3,256	197.0 %
Credit loss expense (benefit) on off balance sheet credit exposures	1,042	819	223	27.2 %
Credit loss expense (benefit) on held to maturity securities	(55)	141	(196)	(139.0)%
Credit loss expense on available for sale securities	—	—	—	—
Total credit loss expense (benefit)	$ 5,896	$ 2,613	$ 3,283	125.6 %

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 March 31, 2024 and December 31, 2023, 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 March 31, 2024. The same was true for the same period in the prior year.

The ACL on held to maturity ("HTM") securities is estimated at each measurement date on a collective basis by major security type. At March 31, 2024 and December 31, 2022, 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 March 31, 2024 and December 31, 2023, the Company carried $6.1 million and $6.2 million, respectively, of these HTM securities at amortized cost. The required ACL on these balances was $3.1 million at March 31, 2024 and $3.2 million at December 31, 2023, resulting in a $0.1 million benefit to credit loss expense during the current quarter. Credit loss expense during the three months ended March 31, 2023 was $0.1 million. None of the overcollateralization triggers tied to the CLO securities were tripped as of March 31, 2024. Ultimately, the realized cash flows on CLO securities such as these will be driven by a variety of factors, including credit performance of the underlying loan portfolio, adjustments to the portfolio by the asset manager, and the timing of a potential call.

Our ACL on loans was $38.2 million as of March 31, 2024, compared to $35.2 million as of December 31, 2023, representing an ACL to total loans ratio of 0.91% and 0.85%, respectively.

Our credit loss expense on loans increased $3.3 million, or 197.0%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

The increase in credit loss expense was primarily driven by changes in required specific reserves. Such specific reserves increased $1.3 million during the three months ended March 31, 2024 compared to a decrease of $0.9 million during the same period a year ago.

Changes in volume and mix of the loan portfolio also drove an increase in credit loss expense period over period. Such changes resulted in credit loss expense of $0.8 million during the three months ended March 31, 2024 compared to an insignificant impact to credit loss expense during the same period a year ago. Changes to projected loss drivers and prepayment speeds that the Company forecasted over the reasonable and supportable forecast periods to calculate expected losses resulted in credit loss expense of $0.9 million during the three months ended March 31, 2024 compared to credit loss expense of $0.4 million during the same period a year ago.

The increase in credit loss expense was partially offset by net charge-off activity during the period. Net charge-offs during the three months ended March 31, 2024 were $1.9 million compared to $2.2 million during the same period a year ago. Approximately $1.4 million of the $1.9 million net charge-offs for the three months ended March 31, 2024 were reserved in a prior period while the entire balance charged-off during the three months ended March 31, 2023 was fully reserved in a prior period. Such prior period reserves are included in the discussion of changes in specific reserves above.

Credit loss expense for off balance sheet credit exposures increased $0.2 million, primarily due to changes to outstanding commitments to fund and changes to assumed loss rates period over period.

Noninterest Income

The following table presents our major categories of noninterest income:

	Three Months Ended March 31,			
(Dollars in thousands)	2024	2023	$ Change	% Change
Service charges on deposits	$ 1,727	$ 1,713	$ 14	0.8 %
Card income	1,868	1,968	(100)	(5.1)%
Net gains (losses) on sale of loans	(192)	(84)	(108)	(128.6)%
Fee income	8,683	6,150	2,533	41.2 %
Insurance commissions	1,568	1,593	(25)	(1.6)%
Other	1,345	(318)	1,663	523.0 %
Total noninterest income	$ 14,999	$ 11,022	$ 3,977	36.1 %

Noninterest income increased $4.0 million, or 36.1%. Changes in selected components of noninterest income in the above table are discussed below.

- *Fee income*. Fee income increased $2.5 million, or 41.2%, due to a $1.8 million increase in fees earned by our Payments segment during the three months ended March 31, 2024 compared to the same period a year ago. Additionally, early termination fees at our Factoring segment increased $0.6 million period over period.

- *Other*. Other noninterest income increased $1.7 million due to a gain on our revenue share asset of $0.5 million during the three months ended March 31, 2024 compared to a $0.6 million loss during the same period a year ago. There were no other significant variances in other noninterest income period over period.

Noninterest Expense

The following table presents our major categories of noninterest expense:

	Three Months Ended March 31,			
(Dollars in thousands)	2024	2023	$ Change	% Change
Salaries and employee benefits	$ 54,185	$ 54,686	$ (501)	(0.9)%
Occupancy, furniture and equipment	7,636	6,703	933	13.9 %
FDIC insurance and other regulatory assessments	653	418	235	56.2 %
Professional fees	3,541	3,085	456	14.8 %
Amortization of intangible assets	2,724	2,850	(126)	(4.4)%
Advertising and promotion	1,214	1,371	(157)	(11.5)%
Communications and technology	11,894	11,346	548	4.8 %
Software amortization	1,174	987	187	18.9 %
Travel and entertainment	1,509	1,898	(389)	(20.5)%
Other	5,841	5,937	(96)	(1.6)%
Total noninterest expense	$ 90,371	$ 89,281	$ 1,090	1.2 %

Noninterest expense increased $1.1 million, or 1.2%. 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 decreased $0.5 million, or 0.9%. Employee salaries and payroll taxes decreased $1.3 million and $0.7 million, respectively, which is primarily due to increased labor subject to capitalization. The size of our workforce increased period over period due to organic growth within the Company. Our average full-time equivalent employees were 1,518.3 and 1,459.8 for the three months ended March 31, 2024 and 2023, respectively. Further, sales commissions, primarily related to our operations at Triumph Financial Services and TriumphPay, decreased $0.6 million period over period. Compensation for temporary labor decreased $0.9 million period over period. These decreases were offset by an increase in accruals for bonus expense of $1.2 million. Additionally, stock based compensation expense included in salaries and employee benefits expense increased $0.8 million period over period. Employee insurance expense increased $0.5 million period over period.

- *Occupancy, Furniture and Equipment.* Occupancy, furniture and equipment expenses increased $0.9 million, or 13.9%, primarily due to growth in our operations period over period.
- *Communication and Technology.* Communication and technology increased $0.5 million, or 4.8%, primarily as a result of increased spending on IT data processing IT infrastructure.
- *Other.* Other noninterest expense includes loan-related expenses, training and recruiting, postage, insurance, and subscription services. Other noninterest expense decreased $0.1 million, or 1.6%. There were no significant variances in other noninterest expense period over period.

Income Taxes

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

Income tax expense decreased $0.9 million, from $1.5 million for the three months ended March 31, 2023 to $0.6 million for the three months ended March 31, 2024. The effective tax rate was 13% for the three months ended March 31, 2024, compared to 12% for the three months ended March 31, 2023. The effective tax rate for the three months ended March 31, 2024 was impacted by an adjustment to our disallowance related to highly compensated individuals. The effective tax rate for the three months ended March 31, 2023 was impacted by a performance based performance stock units windfall that was recorded during the period as those related shares vested during the period.

Operating Segment Results

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

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

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

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

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

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

(Dollars in thousands) Three Months Ended March 31, 2024	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 63,994	$ 32,752	$ 5,157	$ 44	$ 101,947
Intersegment interest allocations	6,744	(8,905)	2,161	—	—
Total interest expense	13,504	—	—	2,408	15,912
Net interest income (expense)	57,234	23,847	7,318	(2,364)	86,035
Credit loss expense (benefit)	4,527	1,355	69	(55)	5,896
Net interest income after credit loss expense	52,707	22,492	7,249	(2,309)	80,139
Noninterest income	6,476	2,903	5,543	77	14,999
Noninterest expense	31,129	18,693	16,485	24,064	90,371
Net intersegment noninterest income (expense)[(1)]	121	389	(510)	—	—
Net income (loss) before income tax expense	$ 28,175	$ 7,091	$ (4,203)	$ (26,296)	$ 4,767

(Dollars in thousands) Three Months Ended March 31, 2023	Banking	Factoring	Payments	Corporate	Consolidated
Total interest income	$ 59,726	$ 38,157	$ 2,747	$ 44	$ 100,674
Intersegment interest allocations	7,612	(9,154)	1,542	—	—
Total interest expense	4,948	—	—	2,344	7,292
Net interest income (expense)	62,390	29,003	4,289	(2,300)	93,382
Credit loss expense (benefit)	1,923	549	—	141	2,613
Net interest income after credit loss expense	60,467	28,454	4,289	(2,441)	90,769
Noninterest income	5,673	1,578	3,707	64	11,022
Noninterest expense	32,240	21,769	15,417	19,855	89,281
Net intersegment noninterest income (expense)[(1)]	—	(265)	265	—	—
Net income (loss) before income tax expense	$ 33,900	$ 7,998	$ (7,156)	$ (22,232)	$ 12,510

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

(Dollars in thousands)	Banking	Factoring	Payments
Three Months Ended March 31, 2024			
Factoring revenue received from Payments	$ —	$ 750	$ (750)
Payments revenue received from Factoring	—	(265)	265
Banking revenue received from Payments and Factoring	121	(96)	(25)
Net intersegment noninterest income (expense)	$ 121	$ 389	$ (510)
Three Months Ended March 31, 2023			
Factoring revenue received from Payments	$ —	$ —	$ —
Payments revenue received from Factoring	—	(265)	265
Banking revenue received from Payments and Factoring	—	—	—
Net intersegment noninterest income (expense)	$ —	$ (265)	$ 265

(Dollars in thousands) March 31, 2024	Banking	Factoring	Payments	Corporate	Eliminations	Consolidated
Total assets	$ 5,120,449	$ 1,097,627	$ 490,667	$ 1,064,770	$ (2,198,020)	$ 5,575,493
Gross loans	$ 3,584,504	$ 976,761	$ 177,286	$ —	$ (543,431)	$ 4,195,120

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

Banking

(Dollars in thousands)	Three Months Ended March 31,			
Banking	2024	2023	$ Change	% Change
Total interest income	$ 63,994	$ 59,726	$ 4,268	7.1 %
Intersegment interest allocations	6,744	7,612	(868)	(11.4)%
Total interest expense	13,504	4,948	8,556	172.9 %
Net interest income (expense)	57,234	62,390	(5,156)	(8.3)%
Credit loss expense (benefit)	4,527	1,923	2,604	135.4 %
Net interest income after credit loss expense	52,707	60,467	(7,760)	(12.8)%
Noninterest income	6,476	5,673	803	14.2 %
Noninterest expense	31,129	32,240	(1,111)	(3.4)%
Net intersegment noninterest income (expense)	121	—	121	100.0 %
Operating income (loss)	$ 28,175	$ 33,900	$ (5,725)	(16.9)%

Our Banking segment's operating income decreased $5.7 million, or 16.9%.

Total interest income increased $4.3 million, or 7.1%, at our Banking segment due to an increase in average interest earning Banking assets. Additionally, the increase in interest income was driven by an increase in yields on interest earning assets at our Banking segment. Average loans in our Banking segment, excluding intersegment loans, increased 0.5% from $2.917 billion for the three months ended March 31, 2023 to $2.933 billion for the three months ended March 31, 2024, and average balances of other interest earning assets at our Banking segment increased period over period. Intersegment interest income allocated to our Banking segment decreased period over period due to decreased factored receivable balances at our Factoring segment.

Interest expense increased $8.6 million, or 172.9%, due to an increase in average interest-bearing liabilities, including an increase in average total interest bearing deposits of $109.3 million, or 4.7%, period over period. This increase was also driven by higher interest rates paid on our interest-bearing liabilities driven by changes in interest rates in the macro economy.

Credit loss expense at our Banking segment is made up of credit loss expense related to loans and credit loss expense related to off balance sheet commitments to lend. Credit loss expense related to loans was $4.4 million for the three months ended March 31, 2024 compared to credit loss expense on loans of $1.1 million for the three months ended March 31, 2023. The increase in credit loss expense was the result of increased specific reserves and net charge-offs at our Banking segment period over period. Changes to the projected loss drivers and prepayment speeds that the Company forecasted over the reasonable and supportable forecast periods and changes in the volume and mix of our portfolio also increased credit loss expense at our Banking segment period over period.

Credit loss expense for off balance sheet credit exposures decreased $0.7 million, from $0.8 million for the three months ended March 31, 2023 to $0.1 million for the three months ended March 31, 2024, primarily due to changes to outstanding commitments to fund and changes to assumed loss rates period over period.

There were no significant changes in the components of noninterest income at our Banking segment period over period. The decrease in noninterest expense was driven by a $1.9 million decrease in salaries and benefits expense partially offset by a $1.0 million increase in communications and technology expense.

Year to date, our aggregate outstanding balances for our banking products, excluding intercompany loans, has decreased $5.4 million, or 0.2%, to $3.041 billion as of March 31, 2024. The following table sets forth our banking loans:

(Dollars in thousands)	March 31, 2024	December 31, 2023	$ Change	% Change
Banking				
Commercial real estate	$ 819,721	$ 812,704	$ 7,017	0.9 %
Construction, land development, land	222,859	136,720	86,139	63.0 %
1-4 family residential	130,200	125,916	4,284	3.4 %
Farmland	58,431	63,568	(5,137)	(8.1)%
Commercial - General	308,145	303,332	4,813	1.6 %
Commercial - Agriculture	46,986	47,059	(73)	(0.2)%
Commercial - Equipment	440,458	460,008	(19,550)	(4.2)%
Commercial - Asset-based lending	260,043	246,065	13,978	5.7 %
Commercial - Liquid Credit	105,238	113,901	(8,663)	(7.6)%
Consumer	7,176	8,326	(1,150)	(13.8)%
Mortgage Warehouse	641,816	728,847	(87,031)	(11.9)%
Total banking loans	$ 3,041,073	$ 3,046,446	$ (5,373)	(0.2)%

Factoring

(Dollars in thousands)	Three Months Ended March 31,			
Factoring	2024	2023	$ Change	% Change
Total interest income	$ 32,752	$ 38,157	$ (5,405)	(14.2)%
Intersegment interest allocations	(8,905)	(9,154)	249	2.7 %
Total interest expense	—	—	—	—
Net interest income (expense)	23,847	29,003	(5,156)	(17.8)%
Credit loss expense (benefit)	1,355	549	806	146.8 %
Net interest income (expense) after credit loss expense	22,492	28,454	(5,962)	(21.0)%
Noninterest income	2,903	1,578	1,325	84.0 %
Noninterest expense	18,693	21,769	(3,076)	(14.1)%
Net intersegment noninterest income (expense)	389	(265)	654	246.8 %
Net income (loss) before income tax expense	$ 7,091	$ 7,998	$ (907)	(11.3)%

	Three Months Ended March 31, 2024	2023
Factored receivable period end balance	$ 976,761,000	$ 1,096,071,000
Yield on average receivable balance	13.98 %	13.94 %
Current quarter charge-off rate	0.13 %	0.19 %
Factored receivables - transportation concentration	97 %	95 %
Interest income, including fees	$ 32,752,000	$ 38,157,000
Non-interest income	2,903,000	1,578,000
Intersegment noninterest income	750,000	—
Factored receivable total revenue	36,405,000	39,735,000
Average net funds employed	839,136,000	976,216,000
Yield on average net funds employed	17.45 %	16.51 %
Accounts receivable purchased	$ 2,469,797,000	$ 2,927,104,000
Number of invoices purchased	1,367,625	1,491,763
Average invoice size	$ 1,806	$ 1,962
Average invoice size - transportation	$ 1,771	$ 1,911
Average invoice size - non-transportation	$ 4,099	$ 5,205

Our Factoring segment's operating income decreased $0.9 million, or 11.3%.

Our average invoice size decreased 8.0% from $1,962 for the three months ended March 31, 2023 to $1,806 for the three months ended March 31, 2024. Additionally, the number of invoices purchased decreased 8.3% period over period.

Net interest income at our Factoring segment decreased period over period. Overall average net funds employed ("NFE") decreased 14.0% during the three months ended March 31, 2024 compared to the same period in 2023. The decrease in average NFE was the result of decreased invoice purchase volume and decreased average invoice sizes. Those, in turn, resulted from a softening transportation market. See further discussion under the Recent Developments: Trucking Transportation section. We maintained a high concentration in transportation factoring balances, which typically generate a higher yield than our non-transportation factoring balances. This concentration was at 97% at March 31, 2024 and 95% at March 31, 2023. Net interest income at our Factoring segment was also impacted by a decrease in its intersegment interest allocation charge period over period.

Credit loss expense on factored receivables at our Factoring segment was relatively flat period over period. Net charge-offs decreased period over period. This decrease was partially offset by changes in the volume of the factoring portfolio period over period and changes in specific reserves. Changes in loss assumptions 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 $0.9 million, from $0.0 million for the three months ended March 31, 2023 to $0.9 million for the three months ended March 31, 2024, primarily due to changes to outstanding commitments to fund period over period.

Noninterest income at our Factoring segment increased period over period due to a gain on our revenue share asset of $0.5 million during the three months ended March 31, 2024 compared to a $0.6 million loss during the same period a year ago. Additionally, we experienced a $0.6 million increase in early termination fees at our Factoring segment period over period. There were no other significant variances in noninterest income at our Factoring segment.

Noninterest expense decreased primarily due to a $1.5 million decrease in salary and benefits expense including a decrease in stock compensation. Additionally, there was a $1.2 million decrease in communications and technology expense period over period. There were no other significant variances in noninterest expense at our Factoring segment.

Payments

(Dollars in thousands)	Three Months Ended March 31,			
Payments	2024	2023	$ Change	% Change
Total interest income	$ 5,157	$ 2,747	$ 2,410	87.7 %
Intersegment interest allocations	2,161	1,542	619	40.1 %
Total interest expense	—	—	—	— %
Net interest income (expense)	7,318	4,289	3,029	70.6 %
Credit loss expense (benefit)	69	—	69	100.0 %
Net interest income after credit loss expense	7,249	4,289	2,960	69.0 %
Noninterest income	5,543	3,707	1,836	49.5 %
Noninterest expense	16,485	15,417	1,068	6.9 %
Net intersegment noninterest income (expense)	(510)	265	(775)	(292.5)%
Net income (loss) before income tax expense	$ (4,203)	$ (7,156)	$ 2,953	41.3 %

	Three Months Ended March 31,	
	2024	2023
Supply chain financing factored receivables	$ 98,593,000	$ 132,000
Quickpay factored receivables	78,693,000	81,901,000
Factored receivable period end balance	$ 177,286,000	$ 82,033,000
Supply chain finance interest income	$ 2,553,000	$ 1,000
Quickpay interest income	2,604,000	2,746,000
Intersegment interest income	2,161,000	1,542,000
Total interest income	7,318,000	4,289,000
Broker noninterest income	4,115,000	2,356,000
Factor noninterest income	1,295,000	1,276,000
Other noninterest income	133,000	75,000
Intersegment noninterest income	265,000	265,000
Total noninterest income	5,808,000	3,972,000
Total revenue	$ 13,126,000	$ 8,261,000
Intersegment interest expense allocation	$ —	$ —
Credit loss expense (benefit)	69,000	—
Noninterest expense	16,485,000	15,417,000
Intersegment noninterest expense	775,000	—
Total expense	$ 17,329,000	$ 15,417,000
Operating income (loss)	$ (4,203,000)	$ (7,156,000)
Intersegment interest expense	—	—
Depreciation expense	244,000	15,000
Software amortization expense	527,000	178,000
Intangible amortization expense	1,702,000	1,548,000
Earnings (losses) before interest, taxes, depreciation, and amortization	$ (1,730,000)	$ (5,415,000)
EBITDA margin	(13)%	(66)%
Number of invoices processed	5,717,016	4,260,654
Amount of payments processed	$ 6,379,680,000	$ 5,030,548,000
Network invoice volume	621,209	159,353
Network payment volume	$ 1,035,099,000	$ 289,667,000

Our Payments segment's operating loss decreased $3.0 million, or 41.3%.

The number of invoices processed by our Payments segment increased 34.2% from 4,260,654 for the three months ended March 31, 2023 to 5,717,016 for the three months ended March 31, 2024, and the amount of payments processed increased 26.8% from $5.031 billion for the three months ended March 31, 2023 to $6.380 billion for the three months ended March 31, 2024 in the face of lower average invoice prices.

A "network transaction" occurs when a fully integrated TriumphPay payor receives an invoice from a fully integrated TriumphPay payee. All network transactions are included in our payment processing volume above. These transactions are facilitated through TriumphPay application programming interfaces ("APIs") with parties on both sides of the transaction using structured data; similar to how a credit card works at a point-of-sale terminal. The integrations largely automate the process and make it cheaper, faster and safer. During the three months ended March 31, 2024, we processed 621,209 network invoices representing a network payment volume of $1.035 billion. During the three months ended March 31, 2023, we processed 159,353 network invoices representing a network payment volume of $289.7 million.

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

Noninterest income increased due to a $1.8 million increase in payment and audit fees, including intersegment fees, earned by TriumphPay during the three months ended March 31, 2024 compared to the same period a year ago.

There were no significant variances in the components of noninterest expense at our Payments segment period over period.

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

Corporate

(Dollars in thousands)	Three Months Ended March 31,			
Corporate	2024	2023	$ Change	% Change
Total interest income	$ 44	$ 44	$ —	— %
Intersegment interest allocations	—	—	—	—
Total interest expense	2,408	2,344	64	2.7 %
Net interest income (expense)	(2,364)	(2,300)	(64)	(2.8)%
Credit loss expense (benefit)	(55)	141	(196)	(139.0)%
Net interest income (expense) after credit loss expense	(2,309)	(2,441)	132	5.4 %
Other noninterest income	77	64	13	20.3 %
Noninterest expense	24,064	19,855	4,209	21.2 %
Net income (loss) before income tax expense	$ (26,296)	$ (22,232)	$ (4,064)	(18.3)%

The Corporate segment reported an operating loss of $26.3 million for the three months ended March 31, 2024 compared to an operating loss of $22.2 million for the three months ended March 31, 2023. The increased operating loss was driven by increased noninterest expense which was the result of a $3.3 million increase in salaries and benefits expense and a $0.7 million increase in IT and communications expense period over period.

Financial Condition

Assets

Total assets were $5.575 billion at March 31, 2024, compared to $5.347 billion at December 31, 2023, an increase of $228.2 million, the components of which are discussed below.

Loan Portfolio

Loans held for investment were $4.195 billion at March 31, 2024, compared with $4.163 billion at December 31, 2023.

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

(Dollars in thousands)	March 31, 2024	% of Total	December 31, 2023	% of Total	$ Change	% Change
Commercial real estate	$ 819,721	20 %	$ 812,704	20 %	$ 7,017	0.9 %
Construction, land development, land	222,859	5 %	136,720	3 %	86,139	63.0 %
1-4 family residential	130,200	3 %	125,916	3 %	4,284	3.4 %
Farmland	58,431	1 %	63,568	2 %	(5,137)	(8.1 %)
Commercial	1,160,870	28 %	1,170,365	28 %	(9,495)	(0.8 %)
Factored receivables	1,154,047	28 %	1,116,654	26 %	37,393	3.3 %
Consumer	7,176	— %	8,326	— %	(1,150)	(13.8 %)
Mortgage warehouse	641,816	15 %	728,847	18 %	(87,031)	(11.9 %)
Total Loans	$ 4,195,120	100 %	$ 4,163,100	100 %	$ 32,020	0.8 %

Commercial Real Estate Loans. Our commercial real estate loans increased $7.0 million, or 0.9%, due to new origination activity that outpaced paydowns.

Construction and Development Loans. Our construction and development loans increased $86.1 million, or 63.0%, due to origination and draw activity that outpaced paydowns and conversions to term loans.

Residential Real Estate Loans. Our one-to-four family residential loans increased $4.3 million, or 3.4%, due to new origination activity that outpaced paydowns.

Farmland Loans. Our farmland loans decreased $5.1 million, or 8.1%, due to paydowns that outpaced modest origination activity.

Commercial Loans. Our commercial loans held for investment decreased $9.5 million, or 0.8%, due to decreased equipment lending and liquid credit balances. The decrease was partially offset by increased asset-based lending balances as well as an increase in other commercial loans. Our other commercial lending products, comprised primarily of general commercial loans originated in our community banking markets, increased $4.8 million, or 1.6%.

The following table shows our commercial loans:

(Dollars in thousands)	March 31, 2024	December 31, 2023	$ Change	% Change
Commercial				
Equipment	$ 440,458	$ 460,008	$ (19,550)	(4.2 %)
Asset-based lending	260,043	246,065	13,978	5.7 %
Liquid credit	105,238	113,901	(8,663)	(7.6 %)
Agriculture	46,986	47,059	(73)	(0.2 %)
Other commercial lending	308,145	303,332	4,813	1.6 %
Total commercial loans	$ 1,160,870	$ 1,170,365	$ (9,495)	(0.8 %)

Factored Receivables. Our factored receivables increased $37.4 million, or 3.3%. At March 31, 2024, the balance of the Over-Formula Advance Portfolio included in factored receivables was $2.7 million. At March 31, 2024, the balance of Misdirected Payments included in factored receivables was $19.4 million. See discussion of our factoring subsidiary in the Operating Segment Results for analysis of the key drivers impacting the change in the ending factored receivables balance during the period.

Consumer Loans. Our consumer loans decreased $1.2 million, or 13.8%, due to paydowns that outpaced modest origination activity.

Mortgage Warehouse. Our mortgage warehouse facilities decreased $87.0 million, or 11.9%, due to seasonal changes in utilization. Client utilization of mortgage warehouse facilities may experience significant fluctuation on a day-to-day basis given mortgage origination market conditions. Our average mortgage warehouse lending balance was $633.9 million for the three months ended March 31, 2024 compared to $718.8 million for the three months ended March 31, 2023.

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

	March 31, 2024				
(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	$ 320,009	$ 455,922	$ 43,715	$ 75	$ 819,721
Construction, land development, land	117,281	102,717	2,861	—	222,859
1-4 family residential	6,209	32,662	7,750	83,579	130,200
Farmland	6,315	29,356	21,529	1,231	58,431
Commercial	353,619	778,470	28,781	—	1,160,870
Factored receivables	1,154,047	—	—	—	1,154,047
Consumer	792	5,235	1,142	7	7,176
Mortgage warehouse	641,816	—	—	—	641,816
	$ 2,600,088	$ 1,404,362	$ 105,778	$ 84,892	$ 4,195,120

Sensitivity of loans to changes in interest rates:	After One but within Five Years	After Five but within Fifteen Years	After Fifteen Years
Predetermined (fixed) interest rates			
Commercial real estate	$ 267,337	$ 2,339	$ —
Construction, land development, land	83,591	283	—
1-4 family residential	25,260	1,784	6,107
Farmland	22,490	1,048	—
Commercial	520,159	20,362	—
Factored receivables	—	—	—
Consumer	5,235	1,142	7
Mortgage warehouse	—	—	—
	$ 924,072	$ 26,958	$ 6,114
Floating interest rates			
Commercial real estate	$ 188,585	$ 41,376	$ 75
Construction, land development, land	19,126	2,578	—
1-4 family residential	7,402	5,966	77,472
Farmland	6,866	20,481	1,231
Commercial	258,311	8,419	—
Factored receivables	—	—	—
Consumer	—	—	—
Mortgage warehouse	—	—	—
	$ 480,290	$ 78,820	$ 78,778
Total	$ 1,404,362	$ 105,778	$ 84,892

As of March 31, 2024, most of the Company’s non-factoring business activity is with customers located within certain states. The states of Texas (24%), Illinois (12%), Colorado (11%), and Iowa (6%) make up 53% of the Company’s gross loans, excluding factored receivables. Therefore, the Company’s exposure to credit risk is affected by changes in the economies in these states. At December 31, 2023, the states of Texas (17%), Colorado (15%), Illinois (12%), and Iowa (6%) made up 50% of the Company’s gross loans, excluding factored receivables.

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

Nonperforming Assets

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

The following table sets forth the allocation of our nonperforming assets among our different asset categories as of the dates indicated. We classify nonperforming assets as nonaccrual loans and securities, factored receivables greater than 90 days past due, OREO, and other repossessed assets. 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)	March 31, 2024	December 31, 2023
Nonperforming loans:		
Commercial real estate	$ 2,362	$ 2,447
Construction, land development, land	390	—
1-4 family residential	1,166	1,178
Farmland	1,114	968
Commercial	55,000	40,951
Factored receivables	23,036	23,181
Consumer	174	133
Mortgage warehouse	—	—
Total nonperforming loans	83,242	68,858
Held to maturity securities	4,766	4,766
Equity investments without readily determinable fair value	1,170	1,170
Other real estate owned, net	37	37
Other repossessed assets	373	950
Total nonperforming assets	$ 89,588	$ 75,781
Nonperforming assets to total assets	1.61 %	1.42 %
Nonperforming loans to total loans held for investment	1.98 %	1.65 %
Total past due loans to total loans held for investment	1.90 %	2.00 %

Nonperforming loans increased $14.4 million, or 20.9%, due to the addition of four equipment finance loans of $9.1 million, $4.1 million, $2.4 million and $1.6 million all collateralized by various equipment. These increases were partially offset by a $1.2 million nonperforming equipment loan pay-down and a $0.1 million reduction in nonperforming factored receivables. The entire $19.4 million of Misdirected Payments is included in nonperforming loans (specifically, factored receivables) in accordance with our policy.

As a result of the activity previously described and changes in our period end total loans held for investment, the ratio of nonperforming loans to total loans held for investment increased to 1.98% at March 31, 2024 from 1.65% December 31, 2023.

Our ratio of nonperforming assets to total assets increased to 1.61% at March 31, 2024 from 1.42% December 31, 2023. This is due to the aforementioned loan activity and changes in our period end total assets.

Past due loans to total loans held for investment decreased to 1.90% at March 31, 2024 from 2.00% at December 31, 2023, as a result of a decrease in past due factored receivables partially offset by increased past due commercial loans. Both the $2.7 million acquired factoring Over-Formula Advance balance and the $19.4 million Misdirected Payments balance are considered greater than 90 days past due at March 31, 2024.

Allowance for Credit Losses on Loans

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

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

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

	March 31, 2024			December 31, 2023		
(Dollars in thousands)	Allocated Allowance	% of Loan Portfolio	ACL to Loans	Allocated Allowance	% of Loan Portfolio	ACL to Loans
Commercial real estate	$ 5,666	20 %	0.69 %	$ 6,030	20 %	0.74 %
Construction, land development, land	2,652	5 %	1.19 %	965	3 %	0.71 %
1-4 family residential	979	3 %	0.75 %	927	3 %	0.74 %
Farmland	407	1 %	0.70 %	442	2 %	0.70 %
Commercial	16,560	28 %	1.43 %	14,060	28 %	1.20 %
Factored receivables	11,192	28 %	0.97 %	11,896	26 %	1.07 %
Consumer	135	— %	1.88 %	171	— %	2.05 %
Mortgage warehouse	641	15 %	0.10 %	728	18 %	0.10 %
Total Loans	$ 38,232	100 %	0.91 %	$ 35,219	100 %	0.85 %

The ACL increased $3.0 million, or 8.6%. This increase reflects net charge-offs of $1.9 million and credit loss expense of $4.9 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 $3.2 million at December 31, 2023 to $2.7 million at March 31, 2024 and the entire balance at March 31, 2024 was fully reserved. At March 31, 2024, the Misdirected Payments amount was $19.4 million. Based on our legal analysis and discussions with our counsel advising us on this matter, we continue to believe it is probable that we will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, we have not reserved for such balance as of March 31, 2024.

A driver of the change in ACL is change in the loss drivers that the Company forecasted to calculate expected losses at March 31, 2024 as compared to December 31, 2023. Such change had a slightly negative impact on the Company's loss drivers and assumptions over the reasonable and supportable forecast period and resulted in an increase of $0.9 million of ACL period over period.

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

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

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

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

(Dollars in thousands)	March 31, 2024	December 31, 2023
Allowance for credit losses on loans	$ 38,232	$ 35,219
Total loans held for investment	$ 4,195,120	$ 4,163,100
Allowance to total loans held for investment	0.91 %	0.85 %
Nonaccrual loans	$ 60,206	$ 45,677
Total loans held for investment	$ 4,195,120	$ 4,163,100
Nonaccrual loans to total loans held for investment	1.44 %	1.10 %
Allowance for credit losses on loans	$ 38,232	$ 35,219
Nonaccrual loans	$ 60,206	$ 45,677
Allowance for credit losses to nonaccrual loans	63.50 %	77.10 %

	Three Months Ended March 31,					
	2024			2023		
(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	$ —	$ 813,429	— %	$ (70)	$ 686,183	(0.01)%
Construction, land development, land	14	147,527	0.01 %	(1)	97,629	— %
1-4 family residential	(2)	126,535	— %	3	129,292	— %
Farmland	—	60,086	— %	—	68,355	— %
Commercial	551	1,140,390	0.05 %	182	1,196,585	0.02 %
Factored receivables	1,260	1,112,717	0.11 %	2,090	1,193,515	0.18 %
Consumer	73	9,545	0.76 %	11	9,630	0.11 %
Mortgage warehouse	—	633,876	— %	—	718,759	— %
Total Loans	$ 1,896	$ 4,044,105	0.05 %	$ 2,215	$ 4,099,948	0.05 %

Quarter to date net loans charged off decreased $0.3 million with no individually significant charge-offs in either period.

Securities

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

As of March 31, 2024, we held debt securities classified as available for sale with a fair value of $320.1 million, an increase of $20.5 million from $299.6 million at December 31, 2023. The following table illustrates the changes in our available for sale debt securities:

	Available For Sale Debt Securities:			
(Dollars in thousands)	March 31, 2024	December 31, 2023	$ Change	% Change
Mortgage-backed securities, residential	$ 67,634	$ 55,839	$ 11,795	21.1 %
Asset-backed securities	1,114	1,170	(56)	(4.8)%
State and municipal	3,448	4,515	(1,067)	(23.6)%
CLO Securities	246,118	236,291	9,827	4.2 %
Corporate bonds	264	275	(11)	(4.0)%
SBA pooled securities	1,523	1,554	(31)	(2.0)%
	$ 320,101	$ 299,644	$ 20,457	6.8 %

Our available for sale CLO portfolio consists of investment grade positions in high ranking tranches within their respective securitization structures. As of March 31, 2024, the Company determined that all impaired available for sale securities experienced a decline in fair value below their amortized cost basis due to noncredit-related factors. Therefore, the Company carried no ACL at March 31, 2024. Our available for sale securities can be used for pledging to secure FHLB borrowings and public deposits, or can be sold to meet liquidity needs.

As of March 31, 2024 and December 31, 2023, we held investments classified as held to maturity with an amortized cost, net of ACL, of $3.0 million. 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 March 31, 2024.

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

	Maturity as of March 31, 2024									
	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	$ 5	4.53 %	$ 8,502	4.98 %	$ 1,243	2.67 %	$ 63,106	2.98 %	$ 72,856	3.21 %
Asset-backed securities	—	— %	—	— %	1,116	7.04 %	—	— %	1,116	7.04 %
State and municipal	572	3.87 %	2,187	2.84 %	262	2.25 %	503	2.65 %	3,524	2.94 %
CLO securities	—	— %	—	— %	69,034	7.50 %	175,801	7.67 %	244,835	7.62 %
Corporate bonds	—	— %	—	— %	267	5.07 %	—	— %	267	5.07 %
SBA pooled securities	—	— %	—	— %	414	3.35 %	1,208	3.91 %	1,622	3.77 %
Total available for sale securities	$ 577	3.88 %	$ 10,689	4.55 %	$ 72,336	7.37 %	$ 240,618	6.41 %	$ 324,220	6.56 %
Held to maturity securities:	$ —	— %	$ 4,767	— %	$ 1,378	11.73 %	$ —	— %	$ 6,145	2.44 %

Liabilities

Total liabilities were $4.703 billion as of March 31, 2024, compared to $4.483 billion at December 31, 2023, an increase of $220.2 million, the components of which are discussed below.

Deposits

The following table summarizes our deposits:

(Dollars in thousands)	March 31, 2024	December 31, 2023	$ Change	% Change
Noninterest bearing demand	$ 1,747,544	$ 1,632,022	$ 115,522	7.1 %
Interest bearing demand	744,208	757,455	(13,247)	(1.7 %)
Individual retirement accounts	50,730	52,195	(1,465)	(2.8 %)
Money market	601,685	568,772	32,913	5.8 %
Savings	547,471	555,047	(7,576)	(1.4 %)
Certificates of deposit	261,614	265,525	(3,911)	(1.5 %)
Brokered time deposits	397,645	146,458	251,187	171.5 %
Other brokered deposits	100,066	4	100,062	N/M
Total Deposits	$ 4,450,963	$ 3,977,478	$ 473,485	11.9 %

Our total deposits increased $473.5 million, or 11.9%, primarily due to an increase in noninterest bearing demand deposits, money market deposits, brokered time deposits, and other brokered deposits. The Company experienced decreases in all other deposit categories. Other brokered deposits are non-maturity deposits obtained from wholesale sources. As of March 31, 2024, interest bearing demand deposits, noninterest bearing deposits, money market deposits, other brokered deposits, and savings deposits accounted for 84% of our total deposits, while individual retirement accounts, certificates of deposit, and brokered time deposits made up 16% of total deposits. At March 31, 2024 and December 31, 2023, our estimated uninsured deposits were $1,827,130,000 and $1,840,621,000, respectively.

At March 31, 2024 we held $68.1 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 March 31, 2024:

(Dollars in thousands)	Over $250,000
Maturity	
3 months or less	$ 14,693
Over 3 through 6 months	26,206
Over 6 through 12 months	20,650
Over 12 months	2,015
	$ 63,564

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

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in thousands)	Average Balance	Weighted Avg Rates	% of Total	Average Balance	Weighted Avg Rates	% of Total
Interest bearing demand	$ 731,747	0.47 %	18 %	$ 836,309	0.28 %	21 %
Individual retirement accounts	51,433	1.27 %	1 %	65,182	0.53 %	2 %
Money market	569,596	2.80 %	14 %	498,083	0.92 %	12 %
Savings	533,695	1.00 %	13 %	544,939	0.23 %	13 %
Certificates of deposit	263,561	2.84 %	6 %	299,104	0.85 %	7 %
Brokered time deposits	284,518	5.29 %	7 %	99,226	1.94 %	2 %
Other brokered deposits	17,860	5.40 %	— %	278	4.38 %	— %
Total interest bearing deposits	2,452,410	1.99 %	59 %	2,343,121	0.55 %	57 %
Noninterest bearing demand	1,724,532	—	41 %	1,704,778	—	43 %
Total deposits	$ 4,176,942	1.17 %	100 %	$ 4,047,899	0.32 %	100 %

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

Other Borrowings

Customer Repurchase Agreements

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

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

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

FHLB Advances

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

(Dollars in thousands)	March 31, 2024	December 31, 2023
Amount outstanding at end of period	$ 30,000	$ 255,000
Weighted average interest rate at end of period	5.51 %	5.65 %
Average amount outstanding during the period	98,407	194,795
Weighted average interest rate during the period	5.53 %	5.30 %
Highest month end balance during the period	230,000	530,000

Our FHLB advances are collateralized by assets, including a blanket pledge of certain loans. At March 31, 2024 and December 31, 2023, we had $771.9 million and $587.0 million, respectively, in unused and available advances from the FHLB.

Subordinated Notes

The following provides a summary of our subordinated notes as of March 31, 2024:

(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	$ 39,264	2029	4.875%	11/27/2024	Three Month LIBOR plus 3.330%	$ 1,218
Subordinated Notes issued August 26, 2021	70,000	69,543	2031	3.500%	9/01/2026	Three Month SOFR plus 2.860%	$ 1,776
	$ 109,500	$ 108,807					

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 March 31, 2024:

(Dollars in thousands)	Face Value	Carrying Value	Maturity Date	Interest Rate
National Bancshares Capital Trust II	$ 15,464	$ 13,669	September 2033	Three Month SOFR + 3.26%
National Bancshares Capital Trust III	17,526	13,699	July 2036	Three Month SOFR + 1.64%
ColoEast Capital Trust I	5,155	3,858	September 2035	Three Month SOFR + 1.86%
ColoEast Capital Trust II	6,700	4,981	March 2037	Three Month SOFR + 2.05%
Valley Bancorp Statutory Trust I	3,093	2,925	September 2032	Three Month SOFR + 3.66%
Valley Bancorp Statutory Trust II	3,093	2,757	July 2034	Three Month SOFR + 3.01%
	$ 51,031	$ 41,889		

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 S plus a weighted average spread of 2.41%. As part of the purchase accounting adjustments made with the National Bancshares, Inc. acquisition on October 15, 2013, the ColoEast acquisition on August 1, 2016, and the Valley acquisition on December 9, 2017, we adjusted the carrying value of the junior subordinated debentures to fair value as of the respective acquisition dates. The discounts on the debentures will continue to be amortized through maturity and recognized as a component of interest expense.

The debentures are included on our consolidated balance sheet as liabilities; however, for regulatory purposes, these obligations are eligible for inclusion in regulatory capital, subject to certain limitations. All of the carrying value of $41.9 million was allowed in the calculation of Tier I capital as of March 31, 2024.

Capital Resources and Liquidity Management

Capital Resources

Our stockholders' equity totaled $872.3 million as of March 31, 2024, compared to $864.4 million as of December 31, 2023, an increase of $7.9 million. Stockholders' equity increased during this period primarily due to our net income of $4.2 million.

Liquidity Management

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

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

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

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

In addition to the liquidity provided by the sources described above, our subsidiary bank maintains correspondent relationships with other banks in order to sell loans or purchase overnight funds should additional liquidity be needed. As of March 31, 2024, TBK Bank had $529.4 million of unused borrowing capacity from the Federal Reserve Bank discount window and unsecured federal funds lines of credit with seven unaffiliated banks totaling $227.5 million, with no amounts advanced against those lines. Additionally, as of March 31, 2024, we had $771.9 million in unused and available advances from the FHLB. We have historically utilized FHLB advances to support the fluctuating and sometimes unpredictable balances in our mortgage warehouse lending portfolio, and we continue to have the ability to do so.

Contractual Obligations

The following table summarizes our contractual obligations and other commitments to make future payments as of March 31, 2024. The amount of the obligations presented in the table reflect principal amounts only and exclude the amount of interest we are obligated to pay. Also excluded from the table are a number of obligations to be settled in cash. These excluded items are reflected in our consolidated balance sheet and include deposits with no stated maturity, trade payables, and accrued interest payable.

	Payments Due by Period - March 31, 2024				
(Dollars in thousands)	Total	One Year or Less	After One but within Three Years	After Three but within Five Years	After Five Years
Federal Home Loan Bank advances	$ 30,000	$ —	$ —	$ 30,000	$ —
Subordinated notes	109,500	—	—	—	109,500
Junior subordinated debentures	51,031	—	—	—	51,031
Operating lease agreements	35,650	6,658	11,782	8,918	8,292
Time deposits with stated maturity dates	709,989	675,513	29,402	5,074	—
Total contractual obligations	$ 936,170	$ 682,171	$ 41,184	$ 43,992	$ 168,823

Regulatory Capital Requirements

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

Recently Issued Accounting Pronouncements

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

Forward-Looking Statements

This document contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or other comparable of a future or forward-looking nature. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control, particularly with regard to developments related to COVID-19. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

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

- business and economic conditions generally and in the bank and non-bank financial services industries, nationally and within our local market areas;
- our ability to mitigate our risk exposures;
- our ability to maintain our historical earnings trends;
- changes in management personnel;
- interest rate risk;
- concentration of our products and services in the transportation industry;
- credit risk associated with our loan portfolio;
- lack of seasoning in our loan portfolio;
- deteriorating asset quality and higher loan charge-offs;
- time and effort necessary to resolve nonperforming assets;

- inaccuracy of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- risks related to the integration of acquired businesses and any future acquisitions;
- our ability to successfully identify and address the risks associated with our possible future acquisitions, and the risks that our prior and possible future acquisitions make it more difficult for investors to evaluate our business, financial condition and results of operations, and impairs our ability to accurately forecast our future performance;
- lack of liquidity;
- fluctuations in the fair value and liquidity of the securities we hold for sale;
- impairment of investment securities, goodwill, other intangible assets or deferred tax assets;
- our risk management strategies;
- environmental liability associated with our lending activities;
- increased competition in the bank and non-bank financial services industries, nationally, regionally or locally, which may adversely affect pricing and terms;
- the accuracy of our financial statements and related disclosures;
- material weaknesses in our internal control over financial reporting;
- system failures or failures to prevent breaches of our network security;
- the institution and outcome of litigation and other legal proceedings against us or to which we become subject;
- changes in carry-forwards of net operating losses;
- changes in federal tax law or policy;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations, such as the Dodd-Frank Act and their application by our regulators;
- governmental monetary and fiscal policies;
- changes in the scope and cost of FDIC, insurance and other coverages;
- failure to receive regulatory approval for future acquisitions and;
- increases in our capital requirements.

The foregoing factors should not be construed as exhaustive. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Asset/Liability Management and Interest Rate Risk

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

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

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

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

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

	March 31, 2024		December 31, 2023	
	Following 12 Months	Months 13-24	Following 12 Months	Months 13-24
+400 basis points	15.8 %	17.7 %	17.0 %	19.2 %
+300 basis points	11.8 %	13.2 %	12.8 %	14.3 %
+200 basis points	7.9 %	8.7 %	8.5 %	9.5 %
+100 basis points	3.9 %	4.3 %	4.3 %	4.8 %
Flat rates	0.0 %	0.0 %	0.0 %	0.0 %
-100 basis points	(4.9 %)	(5.8 %)	(4.7 %)	(5.7 %)
-200 basis points	(9.8 %)	(11.6 %)	(9.4 %)	(11.4 %)
-300 basis points	(15.0 %)	(18.0 %)	(14.3 %)	(17.7 %)
-400 basis points	(20.0 %)	(24.2 %)	(18.0 %)	(22.7 %)

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

	Economic Value of Equity at Risk (%)	
	March 31, 2024	December 31, 2023
+400 basis points	17.2 %	18.3 %
+300 basis points	13.9 %	14.6 %
+200 basis points	10.2 %	10.5 %
+100 basis points	5.7 %	5.9 %
Flat rates	0.0 %	0.0 %
-100 basis points	(6.7 %)	(6.7 %)
-200 basis points	(13.8 %)	(13.9 %)
-300 basis points	(21.3 %)	(21.5 %)
-400 basis points	(28.8 %)	(28.8 %)

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

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

ITEM 4

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies

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

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

Item 6. Exhibits

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

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

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

SIGNATURES

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

TRIUMPH FINANCIAL INC.
(Registrant)

Date:	April 17, 2024	/s/ Aaron P. Graft Aaron P. Graft President and Chief Executive Officer
Date:	April 17, 2024	/s/ W. Bradley Voss W. Bradley Voss Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Aaron P. Graft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triumph Financial, Inc.;

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

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

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

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted 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.

April 17, 2024

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 Financial, Inc.;

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

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

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

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted 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.

April 17, 2024

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 Financial, Inc. (the Company) certify, on the basis of such officers' knowledge and belief that:

(1) The Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on April 17, 2024, (the Report) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ Aaron P. Graft

Name: Aaron P. Graft
Title: President and Chief Executive Officer
Date: April 17, 2024

By: /s/ W. Bradley Voss

Name: W. Bradley Voss
Title: Executive Vice President and Chief Financial Officer
Date: April 17, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request. This certification accompanies the Report and shall not be treated as having been filed as part of this Report.