

TRIUMPH BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2021 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 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 the Company by such customer as required. The USPS disputes their obligation to make such payment, citing purported deficiencies in the notices delivered to them. In addition to commencing litigation against such customer, the Company has commenced litigation in the United States Court of Federal Claims against the USPS seeking a ruling that the USPS was obligated to make the payments represented by this receivable directly to the Company. Based on the Company’s legal analysis and discussions with counsel advising the Company on this matter, the Company continues to believe it is probable that it will prevail in such action and that the USPS will have the capacity to make payment on such receivable. Consequently, the Company has not reserved for such balance as of December 31, 2021.

Loans with carrying amounts of \$1,733,917,000 and \$2,255,441,000 at December 31, 2021 and 2020, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity and, beginning in 2020, to secure Paycheck Protection Program Liquidity Facility borrowings and Federal Reserve Bank discount window borrowing capacity.

During the year ended December 31, 2021, loans with carrying amounts of \$83,975,000 were transferred from loans held for investment to loans held for sale at fair value concurrently with management’s change in intent and decision to sell the loans. During the year ended December 31, 2021, certain loans transferred to held for sale were sold resulting in proceeds of \$87,813,000, and the Company recognized net gains on transfers and sales of loans, which were recorded as other noninterest income in the consolidated statements of income, of \$1,247,000.

During the year ended December 31, 2020, loans with carrying amounts of \$185,823,000 were transferred from loans held for investment to loans held for sale at fair value concurrently with management’s change in intent and decision to sell the loans. During the year ended December 31, 2020, certain loans transferred to held for sale were sold resulting in proceeds of \$165,877,000 and net losses on transfers and sales of loans, which were recorded as other noninterest income in the Consolidated Statements of Income, of \$770,000.

During the year ended December 31, 2019, loans with carrying amounts of \$46,163,000 were transferred from loans held for investment to loans held for sale at fair value concurrently with management’s change in intent and decision to sell the loans. During the year ended December 31, 2019, certain loans transferred to held for sale were sold resulting in proceeds of \$47,832,000 and net gains on transfers and sales of loans, which were recorded as other noninterest income in the Consolidated Statements of Income, of \$1,669,000.