Triumph Bancorp, Inc.
Form 10-Q
November 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-36722

TRIUMPH BANCORP, INC.

(Exact name of registrant as specified in its charter)

Texas	20-0477066
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12700 Park Central Drive, Suite 1700

Dallas, Texas 75251

(Address of principal executive offices)

(214) 365-6900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Common Stock — $0.01 par value, 18,040,072 shares, as of October 30, 2015

TRIUMPH BANCORP, INC.

FORM 10-Q

September 30, 2015

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2015 and December 31, 2014

(Dollar amounts in thousands, except per share amounts)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and due from banks	$ 23,256	$ 21,312
Interest bearing deposits with other banks	92,527	139,576
Total cash and cash equivalents	115,783	160,888
Securities - available for sale	156,820	162,024
Securities - held to maturity, fair value of $745 and $750, respectively	747	745
Loans held for sale, at fair value	2,174	3,288
Loans, net of allowance for loan and lease losses of $11,544 and $8,843, respectively	1,173,757	997,035
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	7,992	4,903
Premises and equipment, net	21,807	21,933
Other real estate owned, net	6,201	8,423
Goodwill	15,968	15,968
Intangible assets, net	13,027	13,089
Bank-owned life insurance	29,406	29,083
Deferred tax assets, net	15,838	15,956
Other assets	21,943	14,563
Total assets	$ 1,581,463	$ 1,447,898
LIABILITIES AND EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 167,931	$ 179,848
Interest bearing	1,032,105	985,381
Total deposits	1,200,036	1,165,229
Customer repurchase agreements	15,584	9,282
Federal Home Loan Bank advances	61,000	3,000
Junior subordinated debentures	24,620	24,423
Other liabilities	16,304	8,455
Total liabilities	1,317,544	1,210,389
Commitments and contingencies - See Note 8 and Note 9		
Stockholders' equity - See Note 12		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196
Common stock	181	180
Additional paid-in-capital	193,465	191,049

Treasury stock, at cost	(184)	(161)
Retained earnings	59,785	35,744
Accumulated other comprehensive income	926	951
Total stockholders’ equity	263,919	237,509
Total liabilities and stockholders' equity	$ 1,581,463	$ 1,447,898

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three and Nine Months Ended September 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest and dividend income:				
Loans, including fees	$15,716	$13,706	$46,113	$41,942
Factored receivables, including fees	8,829	7,681	24,992	19,791
Taxable securities	649	666	1,987	1,986
Tax exempt securities	17	15	45	46
Cash deposits	92	50	342	185
Total interest income	25,303	22,118	73,479	63,950
Interest expense:				
Deposits	1,764	1,289	5,001	3,538
Senior secured note	—	134	—	411
Junior subordinated debentures	283	276	833	819
Other borrowings	25	24	44	51
Total interest expense	2,072	1,723	5,878	4,819
Net interest income	23,231	20,395	67,601	59,131
Provision for loan losses	165	1,375	3,351	4,047
Net interest income after provision for loan losses	23,066	19,020	64,250	55,084
Noninterest income:				
Service charges on deposits	710	811	1,988	2,363
Card income	574	544	1,675	1,582
Net OREO gains (losses) and valuation adjustments	(58)	(11)	20	(340)
Net gains on sale of securities	15	10	257	26
Net gains on sale of loans	363	484	1,396	1,058
Fee income	542	448	1,466	1,267
Bargain purchase gain	1,708	—	14,217	—
Gain on branch sale	—	12,619	—	12,619
Asset management fees	1,744	374	3,976	503
Other	700	525	2,731	1,968
Total noninterest income	6,298	15,804	27,726	21,046
Noninterest expense:				
Salaries and employee benefits	12,416	11,032	37,727	29,379
Occupancy, furniture and equipment	1,575	1,319	4,702	4,044

FDIC insurance and other regulatory assessments	252	280	786	821
Professional fees	1,344	1,043	3,523	2,428
Amortization of intangible assets	1,179	746	2,838	2,196
Advertising and promotion	618	1,102	1,687	2,228
Communications and technology	951	954	2,764	2,787
Other	2,210	1,985	6,936	5,634
Total noninterest expense	20,545	18,461	60,963	49,517
Net income before income tax	8,819	16,363	31,013	26,613
Income tax expense	2,891	6,089	6,389	9,631
Net income	5,928	10,274	24,624	16,982
Income attributable to noncontrolling interests	—	(582)	—	(1,471)
Net income attributable to Triumph Bancorp, Inc.	5,928	9,692	24,624	15,511
Dividends on preferred stock	(196)	(197)	(583)	(583)
Net income available to common stockholders	$5,732	$9,495	$24,041	$14,928
Earnings per common share				
Basic	$0.32	$0.96	$1.36	$1.52
Diluted	$0.32	$0.91	$1.33	$1.47

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Nine Months Ended September 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	$5,928	$10,274	$24,624	$16,982
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(204)	(31)	226	1,138
Reclassification of amount realized through sale of securities	(15)	10	(257)	(26)
Tax effect	81	16	6	(409)
Total other comprehensive income (loss)	(138)	(5)	(25)	703
Comprehensive income	5,790	10,269	24,599	17,685
Income attributable to noncontrolling interests	—	(582)	—	(1,471)
Comprehensive income attributable to Triumph Bancorp, Inc.	$5,790	$9,687	$24,599	$16,214

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock – Series A		Preferred Stock – Series B		Common Stock			Treasury Stock			Accumulated		
	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Par Amount	Additional Paid-in-Capital	Shares Outstanding	Cost	Retained Earnings	Other Comprehensive Income	Non Controlling Interest	Total Equity
nce, ary 1, 2014	45,500	$4,550	51,956	$5,196	9,832,585	$98	$104,631	—	$—	$18,992	$133	$26,997	$160,5
ing of icted stock s	—	—	—	—	58,395	1	54	—	—	—	—	—	55
k based pensation	—	—	—	—	—	—	613	—	—	—	—	—	613
mon stock ance, net of sts	—	—	—	—	444	—	6	—	—	—	—	—	6
hase of ury stock	—	—	—	—	(4,646)	—	—	4,646	(68)	—	—	—	(68
es T-1 and dividends	—	—	—	—	—	—	—	—	—	(1,313)	—	—	(1,31
es A erred dends	—	—	—	—	—	—	—	—	—	(272)	—	—	(272
es B erred dends	—	—	—	—	—	—	—	—	—	(311)	—	—	(311
Class B ibutions	—	—	—	—	—	—	—	—	—	(64)	—	—	(64
Class B mption	—	—	—	—	—	—	—	—	—	—	—	(1,100)	(1,10
income	—	—	—	—	—	—	—	—	—	16,982	—	—	16,98
er prehensive me	—	—	—	—	—	—	—	—	—	—	703	—	703
	45,500	$4,550	51,956	$5,196	9,886,778	$99	$105,304	4,646	$(68)	$34,014	$836	$25,897	$175,8

nce, ember 30, 4													
nce, ary 1, 2015	45,500	$4,550	51,956	$5,196	17,963,783	$180	$191,049	10,984	$(161)	$35,744	$951	$—	$237,5
ance of icted stock rds	—	—	—	—	77,956	1	(1)	—	—	—	—	—	—
eiture of icted stock rds	—	—	—	—	(1,667)	—	23	1,667	(23)	—	—	—	—
k based pensation	—	—	—	—	—	—	2,394	—	—	—	—	—	2,394
es A erred dends	—	—	—	—	—	—	—	—	—	(273)	—	—	(273
es B erred dends	—	—	—	—	—	—	—	—	—	(310)	—	—	(310
income	—	—	—	—	—	—	—	—	—	24,624	—	—	24,62
er prehensive me	—	—	—	—	—	—	—	—	—	—	(25)	—	(25
nce, ember 30, 5	45,500	$4,550	51,956	$5,196	18,040,072	$181	$193,465	12,651	$(184)	$59,785	$926	$—	$263,9

See accompanying condensed notes to consolidated financial statements.

5

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$24,624	$16,982
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,608	1,406
Net accretion on loans and deposits	(3,905)	(7,313)
Amortization of junior subordinated debentures	197	188
Net amortization on securities	458	782
Amortization of intangible assets	2,838	2,196
Deferred taxes	(540)	17
Provision for loan losses	3,351	4,047
Stock based compensation	2,394	613
Origination of loans held for sale	(50,482)	(42,283)
Proceeds from loan sales	52,992	48,562
Net gains on sale of securities	(257)	(26)
Net gains on sale of loans	(1,396)	(1,058)
Net OREO (gains) losses and valuation adjustments	(20)	340
Bargain purchase gain	(14,217)	—
Gain on branch sale	—	(12,619)
(Increase) decrease in other assets	146	912
Increase (decrease) in other liabilities	3,181	1,057
Net cash provided by (used in) operating activities	20,972	13,803
Cash flows from investing activities:		
Purchases of securities available for sale	(20,560)	(15,040)
Proceeds from sales of securities available for sale	17,635	10,859
Proceeds from maturities, calls, and pay downs of securities available for sale	7,896	23,700
Purchases of loans (shared national credits)	(25,597)	—
Net change in loans	(147,556)	(129,472)
Purchases of premises and equipment, net	(1,482)	(2,016)
Net proceeds from sale of OREO	2,989	3,792
Net proceeds from (cash paid for) CLO warehouse investments	(2,550)	50
Purchases of FHLB and FRB stock, net	(3,089)	(24)
Cash paid for acquisitions, net of cash acquired	(127,591)	(49,482)
Net proceeds from sale of branch	—	57,409
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	36,765	—

Net cash provided by (used in) investing activities	(263,140)	(100,224)
Cash flows from financing activities:		
Net increase in deposits	35,028	96,945
Increase (decrease) in customer repurchase agreements	6,302	4,314
Increase (decrease) in Federal Home Loan Bank advances	58,000	(21,000)
Repayment of senior secured note	—	(943)
Proceeds from the issuance of other borrowings	99,975	—
Repayment of other borrowings	(1,659)	—
Issuance of common stock	—	61
Purchase of treasury stock	—	(68)
Distributions on noncontrolling interest and preferred stock	(583)	(1,960)
Redemption of TCF Class B units	—	(1,100)
Net cash provided by (used in) financing activities	197,063	76,249
Net increase (decrease) in cash and cash equivalents	(45,105)	(10,172)
Cash and cash equivalents at beginning of period	160,888	85,797
Cash and cash equivalents at end of period	$115,783	$75,625
Supplemental cash flow information:		
Interest paid	$5,757	$6,345
Income taxes paid	$5,002	$5,720
Supplemental noncash disclosures:		
Loans transferred to OREO	$747	$375
Securities transferred in satisfaction of other borrowings	$98,316	$—
Loan purchases, not yet settled (shared national credits)	$3,983	$—
Loans transferred to branch assets held for sale	$—	$78,071
Premises and equipment transferred to branch assets held for sale	$—	$2,260

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Triumph Bancorp, Inc. (collectively with its subsidiaries, Triumph, or the Company, as applicable) is a financial holding company headquartered in Dallas, Texas. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Triumph Capital Advisors, LLC (TCA), Triumph CRA Holdings, LLC (TCRA), National Bancshares, Inc. (NBI), NBI's wholly owned subsidiary Triumph Community Bank, N.A. (TCB), Triumph Savings Bank, SSB (TSB), TSB's wholly owned subsidiary Advance Business Capital, LLC (ABC), which currently operates under the d/b/a of Triumph Business Capital, and TSB's wholly owned subsidiary Triumph Insurance Group (TIG). In addition, (i) TSB does business under the Triumph Commercial Finance name with respect to its commercial finance business, including asset-based lending, equipment lending and general factoring and (ii) TCB does business under the Triumph Healthcare Finance name with respect to its healthcare asset-based lending business and the Triumph Premium Finance name with respect to its insurance premium financing business.

Effective October 1, 2015 the Company completed the merger of its subsidiary banks, Triumph Community Bank, N.A. and Triumph Savings Bank, SSB, into a single bank. The combined bank is named TBK Bank, SSB, is a direct subsidiary of Triumph Bancorp, Inc., and will continue doing business under the Triumph Community Bank and Triumph Savings Bank names in the markets where the Company currently operates under such names. In addition, National Bancshares, Inc. was merged into Triumph Bancorp, Inc.

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. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary for a fair presentation. Transactions between the subsidiaries have been eliminated. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The Company has four reportable segments consisting of Factoring, Banking, Asset Management, and Corporate. The Company's Chief Executive Officer uses segment results to make operating and strategic decisions.

Adoption of New Accounting Standards

Effective January 1, 2015, the Company adopted Accounting Standards Update (ASU) No. 2014-04, "Receivables – Troubled Debt Restructurings by Creditors" (ASU 2014-04). Issued in January 2014, ASU 2014-04 affects all creditors when an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable has occurred. Adoption of this ASU did not have a material impact on the Company's financial statements.

Issued in June 2014, ASU No. 2014-11, "Transfers and Servicing (Topic 860) - Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure" (ASU 2014-11) aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Effective for interim periods beginning after March 31, 2015, the ASU requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, disclosures are required related to collateral, remaining contractual tenor, and the potential risks associated with repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions. Adoption of this ASU did not have a material impact on the Company's financial statements as the Company's repurchase agreements consist primarily of overnight customer sweep agreements secured by pledged U.S. Government agency and residential mortgage-backed securities.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Effective January 1, 2015, the Company retrospectively adopted ASU No. 2015-02, “Amendments to the Consolidation Analysis” (ASU 2015-02). Issued in February 2015, ASU 2015-02 simplifies consolidation accounting by reducing the number of consolidation models and changing various aspects of current GAAP, including certain consolidation criteria for variable interest entities. Adoption of this ASU did not have a material impact on the Company’s financial statements.

Effective July 1, 2015, the Company retrospectively adopted ASU No. 2015-16, “Business Combinations – Simplifying the Accounting for Measurement-Period Adjustments” (ASU 2015-16). Issued in September 2015, ASU 2015-16 requires that an acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Upon adoption of this ASU, the Company’s financial statements reflect measurement period adjustments in the reporting period in which the adjustment amounts were determined.

Newly Issued, But Not Yet Effective Accounting Standards

On May 28, 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard was originally effective for the Company on January 1, 2017. However, in August 2015 the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers – Deferral of the Effective Date” which deferred the mandatory effective date the new standard would take effect to reporting periods beginning after December 15, 2017, with early adoption allowed as of the original effective date for public companies. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

NOTE 2 – Business combinations AND DIVESTITURES

Doral Money Acquisition

On February 27, 2015, Triumph Bancorp, Inc., through its subsidiary Triumph Capital Advisors, LLC, entered into a Purchase and Sale Agreement with the Federal Deposit Insurance Corporation (FDIC), in its capacity as receiver of Doral Bank, to acquire 100% of the equity of Doral Money, Inc. (DMI), a subsidiary of Doral Bank, and the management contracts associated with two active collateralized loan obligations (CLOs) with approximately $700,000,000 in assets under management. The consideration transferred in the acquisition consisted of cash paid at closing of $133,263,000 and a sales price adjustment of $2,601,000 which was accrued at March 31, 2015 and settled on April 7, 2015, for total consideration transferred of $135,864,000. The primary purpose of the acquisition was to expand the CLO assets under management at Triumph Capital Advisors, LLC.

On February 26, 2015, the Company entered into a $99,975,000 secured term loan credit facility payable to a third party, with an interest rate equal to LIBOR plus 3.5%, and a maturity date of March 31, 2015. The proceeds from the loan were used by the Company to partially fund the DMI acquisition.

The acquisition was completed on March 3, 2015, at which time the Company also repaid the $99,975,000 third party secured term loan credit facility in full by delivering the securities issued by the CLOs that were acquired from DMI with an acquisition date fair value of $98,316,000 and cash representing payments received on the CLO securities in the amount of $1,659,000.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(Dollars in thousands)	Initial Values Recorded at Acquisition Date	Measurement Period Adjustments	Adjusted Values
Assets acquired:			
Cash	$ 8,273	$ —	$ 8,273
CLO Securities	98,316	—	98,316
Intangible asset - CLO management contracts	1,918	—	1,918
Loans	36,765	—	36,765
Prepaid corporate income tax	3,014	1,688	4,702
Other assets	772	—	772
	149,058	1,688	150,746
Liabilities assumed:			
Deferred tax liability	663	—	663
Other liabilities	22	(20)	2
	685	(20)	665
Fair value of net assets acquired	148,373	1,708	150,081
Net consideration transferred	135,864	—	135,864
Bargain purchase gain	$ (12,509)	$ (1,708)	$ (14,217)

The Company completed the acquisition via an FDIC bid process for DMI as part of the Doral Bank failure and the resulting nontaxable bargain purchase gain represents the excess of the fair value of the net assets acquired over the fair value of the net consideration transferred. The Company recorded measurement period adjustments during the three months ended September 2015 related to the finalization of income taxes associated with the transaction. As a result, the bargain purchase gain was increased by $1,708,000, which is reflected in the consolidated statements of income for the three and nine months ended September 30, 2015. As of September 30, 2015, the accounting for contingent liabilities and certain real estate valuations associated with the acquisition had not been finalized.

The Company incurred pre-tax expenses related to the acquisition of approximately $243,000 which are included in professional fees in the consolidated statements of income in the period incurred.

In addition, during March 2015 the Company sold the loans acquired in the DMI acquisition to third parties for a sales price equal to their acquisition date fair value of $36,765,000. No gains or losses were recognized on the sales.

Sale of Pewaukee Branch

On July 11, 2014, Triumph Community Bank sold its operating branch in Pewaukee, Wisconsin, which constituted its sole branch in the state, to a third party for net cash proceeds of $57,409,000. Under the terms of the agreement, the acquirer assumed branch deposits of $36,326,000, purchased selected loans in the local market with a carrying amount of $78,071,000, and acquired the premises and equipment associated with the branch. The transaction resulted in the Company recording a pre-tax gain of $12,619,000, net of transaction costs, in the third quarter of 2014.

Doral Healthcare Acquisition

On June 13, 2014, Triumph Bancorp, Inc., through its subsidiary, Triumph Community Bank, acquired the lending platform and certain assets of Doral Healthcare Finance (DHF), an asset-based lender focused exclusively on the healthcare industry. DHF was a division of DMI which was a subsidiary of Doral Bank. The purpose of the acquisition was to enhance the Company’s commercial finance offerings. In conjunction with the acquisition, DHF was rebranded Triumph Healthcare Finance.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company acquired loans with a fair value of $45,334,000 at the acquisition date in addition to other assets and liabilities. Under the terms of the agreement, the Company paid cash in the amount of $49,482,000 and recognized $1,921,000 in goodwill that was allocated to the Company's Banking segment. Goodwill represents the excess of the fair value of consideration transferred over the fair value of net assets acquired. Goodwill resulted from a combination of expected enhanced service offerings and cross-selling opportunities. Goodwill will be amortized for tax purposes, but not for financial reporting purposes.

NOTE 3 - SECURITIES

Securities have been classified in the financial statements as available for sale or held to maturity. The amortized cost of securities and their approximate fair values at September 30, 2015 and December 31, 2014 are as follows:

(Dollars in thousands) September 30, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 90,606	$ 1,405	$ —	$ 92,011
Mortgage-backed securities, residential	24,051	472	—	24,523
Asset backed securities	18,373	59	(628)	17,804
State and municipal	3,375	21	—	3,396
Corporate bonds	18,773	131	(7)	18,897
SBA pooled securities	188	1	—	189
Total available for sale securities	$ 155,366	$ 2,089	$ (635)	$ 156,820

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
Other debt securities	$ 747	$ 3	$ (5)	$ 745

(Dollars in thousands) December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				

U.S. Government agency obligations	$ 93,150	$ 691	$ —	$ 93,841
Mortgage-backed securities, residential	28,298	580	—	28,878
Asset backed securities	18,559	129	(90)	18,598
State and municipal	6,833	28	—	6,861
Corporate bonds	13,492	144	—	13,636
SBA pooled securities	207	3	—	210
Total available for sale securities	$ 160,539	$ 1,575	$ (90)	$ 162,024

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
Other debt securities	$ 745	$ 5	$ —	$ 750

10

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The amortized cost and estimated fair value of securities at September 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale Securities		Held to Maturity Securities	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,263	$ 1,265	$ 149	$ 150
Due from one year to five years	109,268	110,770	598	595
Due from five years to ten years	1,554	1,566	—	—
Due after ten years	669	703	—	—
	112,754	114,304	747	745
Mortgage-backed securities, residential	24,051	24,523	—	—
Asset backed securities	18,373	17,804	—	—
SBA pooled securities	188	189	—	—
	$ 155,366	$ 156,820	$ 747	$ 745

For the three and nine months ended September 30, 2015, securities were sold resulting in proceeds of $5,076,000 and $17,635,000, respectively, gross gains of $15,000 and $257,000, respectively, and no losses. For the three and nine months ended September 30, 2014, securities were sold resulting in proceeds of $4,065,000 and $10,859,000, respectively, gross gains of $10,000 and $35,000, respectively, and gross losses of $0 and $9,000, respectively.

Securities with a carrying amount of approximately $81,142,000 and $113,980,000 at September 30, 2015 and December 31, 2014, respectively, were pledged to secure customer repurchase agreements, Federal Home Loan Bank advances, and for other purposes required or permitted by law.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Information pertaining to securities with gross unrealized losses at September 30, 2015 and December 31, 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are summarized as follows:

(Dollars in thousands) September 30, 2015	Less than 12 Months Fair Value	Unrealized Losses	12 Months or More Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
Available for sale securities:						
U.S. Government agency obligations	$—	$ —	$—	$ —	$—	$ —
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	7,952	(581)	4,941	(47)	12,893	(628)
State and municipal	—	—	—	—	—	—
Corporate bonds	5,248	(7)	—	—	5,248	(7)
SBA pooled securities	—	—	—	—	—	—
	$13,200	$ (588)	$4,941	$ (47)	$18,141	$ (635)
Held to maturity securities:						
Other debt securities	$220	$ (5)	$—	$ —	$220	$ (5)

(Dollars in thousands) December 31, 2014	Less than 12 Months Fair Value	Unrealized Losses	12 Months or More Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
U.S. Government agency obligations	$—	$ —	$—	$ —	$—	$ —
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	8,703	(82)	4,959	(8)	13,662	(90)
State and municipal	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
SBA pooled securities	—	—	—	—	—	—
	$8,703	$ (82)	$4,959	$ (8)	$13,662	$ (90)

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been 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.

As of September 30, 2015, management does not have the intent to sell any of the securities classified as available for sale with unrealized losses in the table above 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 bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe that any of the securities are impaired due to reasons of credit quality. Accordingly, as of September 30, 2015, management believes that the unrealized losses detailed in the previous table are temporary and no other than temporary impairment loss has been recognized in the Company’s consolidated statements of income.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Loans at September 30, 2015 and December 31, 2014 consisted of the following:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Commercial real estate	$ 247,175	$ 249,164
Construction, land development, land	52,446	42,914
1-4 family residential properties	77,043	78,738
Farmland	25,784	22,496
Commercial	468,055	364,567
Factored receivables	201,803	180,910
Consumer	10,632	11,941
Mortgage warehouse	102,363	55,148
Total	1,185,301	1,005,878
Allowance for loan and lease losses	(11,544)	(8,843)
	$ 1,173,757	$ 997,035

Total loans include net deferred origination and factoring fees totaling $798,000 and $906,000 at September 30, 2015 and December 31, 2014, respectively.

Loans with carrying amounts of $207,661,000 and $141,427,000 at September 30, 2015 and December 31, 2014, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity.

Allowance for Loan and Lease Losses

The activity in the allowance for loan and lease losses (ALLL) during the three and nine months ended September 30, 2015 and 2014 is as follows:

(Dollars in thousands) Three months ended September 30, 2015	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 1,214	$ 189	$ (9)	$ 1	$ 1,395
Construction, land development, land	346	97	—	—	443

1-4 family residential properties	251	44	(20)	4	279
Farmland	28	1	—	—	29
Commercial	5,064	210	—	34	5,308
Factored receivables	4,135	(475)	(72)	21	3,609
Consumer	160	107	(97)	55	225
Mortgage warehouse	264	(8)	—	—	256
	$ 11,462	$ 165	$ (198)	$ 115	$ 11,544

(Dollars in thousands) Three months ended September 30, 2014	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 463	$ (78)	$ —	$ 1	$ 386
Construction, land development, land	242	198	(100)	—	340
1-4 family residential properties	197	56	(74)	3	182
Farmland	11	2	—	—	13
Commercial	2,332	722	—	3	3,057
Factored receivables	2,838	397	(119)	21	3,137
Consumer	96	34	(100)	57	87
Mortgage warehouse	74	44	—	—	118
	$ 6,253	$ 1,375	$ (393)	$ 85	$ 7,320

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands) Nine months ended September 30, 2015	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 533	$ 962	$ (152)	$ 52	$ 1,395
Construction, land development, land	333	110	—	—	443
1-4 family residential properties	215	163	(203)	104	279
Farmland	19	10	—	—	29
Commercial	4,003	1,312	(47)	40	5,308
Factored receivables	3,462	529	(451)	69	3,609
Consumer	140	147	(244)	182	225
Mortgage warehouse	138	118	—	—	256
	$ 8,843	$ 3,351	$ (1,097)	$ 447	$ 11,544

(Dollars in thousands) Nine months ended September 30, 2014	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 348	$ 35	$ —	$ 3	$ 386
Construction, land development, land	110	330	(100)	—	340
1-4 family residential properties	100	240	(264)	106	182
Farmland	7	6	—	—	13
Commercial	1,145	1,707	(12)	217	3,057
Factored receivables	1,842	1,533	(294)	56	3,137
Consumer	49	122	(314)	230	87
Mortgage warehouse	44	74	—	—	118
	$ 3,645	$ 4,047	$ (984)	$ 612	$ 7,320

The following table presents loans individually and collectively evaluated for impairment, as well as purchased credit impaired (PCI) loans, and their respective ALLL allocations:

(Dollars in thousands)	Loan Evaluation				ALLL Allocations			
September 30, 2015	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$ 731	$ 240,885	$ 5,559	$ 247,175	$ 100	$ 940	$ 355	$ 1,395
Construction, land development, land	—	51,061	1,385	52,446	—	443	—	443
1-4 family residential properties	568	74,444	2,031	77,043	1	278	—	279
Farmland	—	25,784	—	25,784	—	29	—	29
Commercial	2,403	461,494	4,158	468,055	597	4,711	—	5,308
Factored receivables	1,340	200,463	—	201,803	949	2,660	—	3,609
Consumer	—	10,632	—	10,632	—	225	—	225

Mortgage warehouse	—	102,363	—	102,363	—	256	—	256
	$5,042	$1,167,126	$13,133	$1,185,301	$1,647	$ 9,542	$355	$ 11,544

(Dollars in thousands)	Loan Evaluation				ALLL Allocations			
December 31, 2014	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$1,934	$238,640	$8,590	$249,164	$—	$ 533	$—	$ 533
Construction, land development, land	—	41,431	1,483	42,914	—	333	—	333
1-4 family residential properties	627	76,041	2,070	78,738	—	215	—	215
Farmland	—	22,496	—	22,496	—	19	—	19
Commercial	7,188	353,022	4,357	364,567	716	3,287	—	4,003
Factored receivables	1,271	179,639	—	180,910	1,033	2,429	—	3,462
Consumer	—	11,941	—	11,941	—	140	—	140
Mortgage warehouse	—	55,148	—	55,148	—	138	—	138
	$11,020	$978,358	$16,500	$1,005,878	$1,749	$ 7,094	$—	$ 8,843

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Loans included in the tables below are non-PCI impaired loans and PCI loans that have deteriorated subsequent to acquisition and as a result have been deemed impaired and an allowance recorded. PCI loans that have not deteriorated subsequent to acquisition are not considered impaired and therefore do not require an allowance and are excluded from the tables below.

The following is a summary of information pertaining to impaired loans at September 30, 2015 and December 31, 2014:

	Impaired Loans and Purchased Credit				
	Impaired Loans With a Valuation Allowance			Impaired Loans Without a Valuation Allowance	
(Dollars in thousands) September 30, 2015	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$532	$ 532	$ 100	$199	$ 247
Construction, land development, land	—	—	—	—	—
1-4 family residential properties	15	22	1	553	715
Farmland	—	—	—	—	—
Commercial	1,711	1,740	597	692	690
Factored receivables	1,340	1,340	949	—	—
Consumer	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—
PCI	525	525	355	—	—
	$4,123	$ 4,159	$ 2,002	$1,444	$ 1,652

	Impaired Loans and Purchased Credit				
	Impaired Loans With a Valuation Allowance			Impaired Loans Without a Valuation Allowance	
(Dollars in thousands) December 31, 2014	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$—	$ —	$ —	$1,934	$ 1,960
Construction, land development, land	—	—	—	—	—
1-4 family residential properties	—	—	—	627	748
Farmland	—	—	—	—	—
Commercial	1,845	2,527	716	5,343	5,368
Factored receivables	1,271	1,271	1,033	—	—
Consumer	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—

PCI	—	—	—	—	—
	$3,116	$ 3,798	$ 1,749	$7,904	$ 8,076

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Three Months Ended September 30, 2015		Three Months Ended September 30, 2014	
(Dollars in thousands)	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	$1,327	$ 8	$1,023	$ 25
Construction, land development, land	—	—	12	1
1-4 family residential properties	479	10	660	16
Farmland	—	—	—	—
Commercial	2,599	68	6,779	3
Factored receivables	1,992	—	522	—
Consumer	—	—	—	—
Mortgage warehouse	—	—	—	—
PCI	525	—	13	—
	$6,922	$ 86	$9,009	$ 45

	Nine Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
(Dollars in thousands)	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	$1,332	$ 12	$2,113	$ 181
Construction, land development, land	—	—	—	—
1-4 family residential properties	802	42	1,018	145
Farmland	—	—	—	—
Commercial	4,796	187	5,642	40
Factored receivables	1,305	—	381	9
Consumer	—	—	—	—
Mortgage warehouse	—	—	—	—
PCI	263	—	13	9
	$8,498	$ 241	$9,167	$ 384

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents the unpaid principal and recorded investment for loans at September 30, 2015 and December 31, 2014. The difference between the unpaid principal balance and recorded investment is principally associated with (1) premiums and discounts associated with acquisition date fair value adjustments on acquired loans (both PCI and non-PCI), (2) net deferred origination costs and fees, and (3) previous charge-offs.

(Dollars in thousands) September 30, 2015	Recorded Investment	Unpaid Principal	Difference
Commercial real estate	$247,175	$257,519	$(10,344)
Construction, land development, land	52,446	53,966	(1,520)
1-4 family residential properties	77,043	79,911	(2,868)
Farmland	25,784	25,700	84
Commercial	468,055	469,888	(1,833)
Factored receivables	201,803	202,837	(1,034)
Consumer	10,632	10,676	(44)
Mortgage warehouse	102,363	102,363	—
	$1,185,301	$1,202,860	$(17,559)

December 31, 2014	Recorded Investment	Unpaid Principal	Difference
Commercial	$249,164	$263,060	$(13,896)
Construction, land development, land	42,914	44,609	(1,695)
1-4 family residential properties	78,738	82,263	(3,525)
Farmland	22,496	22,400	96
Commercial	364,567	366,753	(2,186)
Factored receivables	180,910	181,817	(907)
Consumer	11,941	12,012	(71)
Mortgage warehouse	55,148	55,148	—
	$1,005,878	$1,028,062	$(22,184)

At September 30, 2015 and December 31, 2014, the Company had $20,708,000 and $18,976,000, 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.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Past Due and Nonaccrual Loans

The following is a summary of contractually past due and nonaccrual loans at September 30, 2015 and December 31, 2014:

(Dollars in thousands) September 30, 2015	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$230	$ —	$ 678	$908
Construction, land development, land	160	—	—	160
1-4 family residential properties	789	8	533	1,330
Farmland	—	—	—	—
Commercial	4,267	878	2,331	7,476
Factored receivables	8,050	1,311	—	9,361
Consumer	281	—	—	281
Mortgage warehouse	—	—	—	—
PCI	141	—	5,681	5,822
	$13,918	$ 2,197	$ 9,223	$25,338

(Dollars in thousands) December 31, 2014	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$643	$ —	$ 1,995	$2,638
Construction, land development, land	—	—	—	—
1-4 family residential properties	584	49	638	1,271
Farmland	—	—	—	—
Commercial	114	—	7,188	7,302
Factored receivables	7,202	651	—	7,853
Consumer	296	—	—	296
Mortgage warehouse	—	—	—	—
PCI	260	—	6,206	6,466
	$9,099	$ 700	$ 16,027	$25,826

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. This analysis includes every loan and is performed 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:

Loans classified as pass are loans with low to average risk and not otherwise classified as special mention, substandard or doubtful.

Special Mention:

Loans classified as special mention have low to acceptable risks. Liquidity, asset quality, and debt service coverage are as a whole satisfactory and performance is generally as agreed.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Substandard:

Loans classified as substandard 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.

Doubtful:

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with 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.

PCI:

At acquisition, PCI loans had the characteristics of substandard loans and it was probable, at acquisition, that all contractually required principal and interest payments would not be collected. The Company evaluates these loans on a projected cash flow basis with this evaluation performed quarterly.

As of September 30, 2015 and December 31, 2014 based on the most recent analysis performed, the risk category of loans is as follows:

(Dollars in thousands) September 30, 2015	Pass	Special Mention	Substandard	Doubtful	PCI	Total
Commercial real estate	$233,839	$2,073	$ 5,704	$ —	$5,559	$247,175
Construction, land development, land	51,061	—	—	—	1,385	52,446
1-4 family residential	74,462	—	550	—	2,031	77,043
Farmland	25,784	—	—	—	—	25,784
Commercial	444,461	3,581	15,855	—	4,158	468,055
Factored receivables	200,498	—	621	684	—	201,803
Consumer	10,632	—	—	—	—	10,632
Mortgage warehouse	102,363	—	—	—	—	102,363
	$1,143,100	$5,654	$ 22,730	$ 684	$13,133	$1,185,301

(Dollars in thousands) December 31, 2014	Pass	Special Mention	Substandard	Doubtful	PCI	Total
Commercial real estate	$231,627	$2,344	$ 6,603	$ —	$8,590	$249,164
Construction, land development, land	41,431	—	—	—	1,483	42,914
1-4 family residential	75,781	77	810	—	2,070	78,738
Farmland	22,496	—	—	—	—	22,496
Commercial	347,534	2,435	10,241	—	4,357	364,567

Factored receivables	179,639	—	350	921	—	180,910
Consumer	11,941	—	—	—	—	11,941
Mortgage warehouse	55,148	—	—	—	—	55,148
	$965,597	$ 4,856	$ 18,004	$ 921	$ 16,500	$ 1,005,878

Troubled Debt Restructurings

Troubled debt restructurings and their effects were immaterial as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Purchased Credit Impaired Loans

The Company has loans that were acquired, for which there was, at acquisition, evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected. The outstanding contractually required principal and interest and the carrying amount of these loans included in the balance sheet amounts of loans at September 30, 2015 and December 31, 2014, are as follows:

	September 30, 2015	December 31, 2014
Contractually required principal and interest:		
Real estate loans	$ 17,572	$ 23,457
Commercial loans	5,815	6,293
Outstanding contractually required principal and interest	$ 23,387	$ 29,750
Gross carrying amount included in loans receivable	$ 13,133	$ 16,500

The changes in accretable yield during the three and nine months ended September 30, 2015 and 2014 in regard to loans transferred at acquisition for which it was probable that all contractually required payments would not be collected are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Accretable yield, beginning balance	$3,349	$6,662	$4,977	$4,587
Additions	—	482	—	482
Accretion	(1,056)	(199)	(3,070)	(1,957)
Reclassification from nonaccretable to accretable yield	195	—	780	3,922
Disposals	—	(61)	(199)	(150)
Accretable yield, ending balance	$2,488	$6,884	$2,488	$6,884

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Goodwill	$ 15,968	$ 15,968
Core deposit intangibles	9,393	11,218
Other intangible assets	3,634	1,871
	$ 28,995	$ 29,057

The changes in goodwill and intangible assets during the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Beginning balance	$30,174	$31,043	$29,057	$28,518
Acquired goodwill	—	—	—	1,921
Acquired intangibles	—	—	2,776	2,054
Divestiture	—	(514)	—	(514)
Amortization of intangibles	(1,179)	(746)	(2,838)	(2,196)
Ending balance	$28,995	$29,783	$28,995	$29,783

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 6 – Variable Interest Entities

Collateralized Loan Obligation Funds – Closed

The Company, through its subsidiary, TCA, acts as asset manager to various CLO funds. TCA earns asset management fees in accordance with the terms of its asset management agreements with the CLO funds.

The following table summarizes the closed CLO offerings with assets under management by TCA:

(Dollars in thousands)	Offering Date	Offering Amount
Trinitas CLO I, LTD (Trinitas I)	May 1, 2014	$400,000
Trinitas CLO II, LTD (Trinitas II)	August 4, 2014	$416,000
Doral CLO II, LTD (Doral II)	April 26, 2012	$416,460
Doral CLO III, LTD (Doral III)	December 17, 2012	$310,800
Trinitas CLO III, LTD (Trinitas III)	June 9, 2015	$409,375

The securities sold in the CLO offerings were issued in a series of tranches ranging from an AAA rated debt tranche to an unrated tranche of subordinated notes. The Company does not hold any of the securities issued in the CLO offerings. A related party of the Company holds insignificant interests in Trinitas II and Trinitas III.

TCA earned asset management fees totaling $1,744,000 and $3,976,000 for the three and nine months ended September 30, 2015, respectively, and $374,000 and $503,000 for the three and nine months ended September 30, 2014, respectively.

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 are variable interest entities; however, the Company, through TCA, does not hold variable interests in the entities as the Company's interest in the CLO funds is limited to the asset management fees payable to TCA under their asset management agreements and the interests of its related parties are insignificant. The Company concluded that the asset management fees were not variable interests in the CLO funds as (a) the asset management fees are commensurate with the services provided, (b) the asset management agreements include only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated on an arm's-length basis, and (c) the Company does not hold other interests in the CLO funds (including interests held through related parties) that individually or in the aggregate absorb more than an insignificant amount of the CLO funds' expected losses or receive more than an insignificant amount of the CLO funds' expected residual returns. Consequently, the Company concluded that it was not required to consolidate the assets, liabilities, equity or operations of the closed CLO funds in its financial statements.

Collateralized Loan Obligation Funds – Warehouse Phase

On July 22, 2015 and September 21, 2015, Trinitas CLO IV, Ltd. (Trinitas IV) and Trinitas CLO V, Ltd. (Trinitas V), respectively, were formed to be the issuers of CLO offerings. Trinitas IV was capitalized with initial third party equity investments of $36,000,000 in addition to the Company's initial $4,000,000 equity investment and Trinitas V was capitalized with initial third party equity investments of $9,000,000 in addition to the Company's initial $1,000,000 investment. Each entity entered into a warehouse credit agreement in order to begin acquiring senior secured loan assets that will comprise the initial collateral pool of the CLOs once issued. When finalized, Trinitas IV and Trinitas V will use the proceeds of the debt and equity interests sold in the offering for the final CLO securitization structures to repay the initial warehouse phase debt and equity holders. In the final CLO securitization structures, interest and principal repayment of the leveraged loans held by Trinitas IV and Trinitas V will be used to repay debt holders with any excess cash flows used to provide a return on capital to equity investors. TCA was appointed as asset manager for these entities during their warehousing period. TCA does not earn management or other fees from Trinitas IV or Trinitas V during the warehouse phase.

At September 30, 2015, the Company's loss exposure to Trinitas IV and Trinitas V is limited to its combined $5,049,000 equity investment in the entities which is classified as other assets within the Company's consolidated balance sheets and accounted for under the equity method.

The Company performed a consolidation analysis of Trinitas IV and Trinitas V during the warehouse phase and concluded that Trinitas IV and Trinitas V are variable interest entities and that the Company and its related persons hold variable interests in the entities that could potentially be significant to the entities in the form of equity investments in the entities. However, the Company also concluded that due to certain approval and denial powers available to the lender under the warehouse credit facility for Trinitas

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

IV and Trinitas V which provide for shared decision-making powers, the Company does not have the power to direct the activities that most significantly impact the entities' economic performance. As a result, the Company is not the primary beneficiary and therefore is not required to consolidate the assets, liabilities, equity, or operations of the entities in the Company's financial statements.

NOTE 7 - Deposits

Deposits at September 30, 2015 and December 31, 2014 are summarized as follows:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Noninterest bearing demand	$ 167,931	$ 179,848
Interest bearing demand	206,603	236,525
Individual retirement accounts	58,619	55,034
Money market	117,888	117,514
Savings	72,244	70,407
Certificates of deposit	526,732	455,901
Brokered deposits	50,019	50,000
Total Deposits	$ 1,200,036	$ 1,165,229

At September 30, 2015, scheduled maturities of certificates of deposits, individual retirement accounts and brokered deposits are as follows:

(Dollars in thousands)	September 30, 2015
Within one year	$ 444,022
After one but within two years	144,099
After two but within three years	23,886
After three but within four years	14,385
After four but within five years	8,978
Total	$ 635,370

Time deposits, including individual retirement accounts, certificates of deposit, and brokered deposits, with individual balances of $250,000 and greater totaled $99,218,000 and $66,366,000 at September 30, 2015 and December 31, 2014, respectively.

NOTE 8 - Legal Contingencies

Various legal claims have arisen from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company’s consolidated financial statements. The Company does not anticipate any material losses as a result of commitments and contingent liabilities.

Trademark Infringement Lawsuit

On February 18, 2015, a trademark infringement suit was filed in the United States District Court for the Western District of Tennessee Western Division against the Company and certain subsidiaries by Triumph Bancshares, Inc. and Triumph Bank, N.A., asserting that the Company’s use of “Triumph” as part of their trademarks and domain names causes a likelihood of confusion, has caused actual confusion, and infringes plaintiffs’ trademarks. The suit seeks damages as well as an injunction to prevent the use of the name “Triumph” and certain other matters with respect to the Company and its subsidiaries. The Company disagrees with the allegations in the complaint and will defend it vigorously.

NOTE 9 - 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.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

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

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$10,313	$11,500	$5,192	$14,600
Unused lines of credit	30,782	214,734	30,369	197,594
Standby letters of credit	1,338	2,000	1,840	1,915

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.

NOTE 10 - 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 our methodologies disclosed in our annual financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Assets measured at fair value on a recurring basis are summarized in the table below. There were no liabilities measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014.

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
September 30, 2015	Level 1	Level 2	Level 3	
Securities available for sale				
U.S. Government agency obligations	$—	$92,011	$—	$92,011
Mortgage-backed securities-residential	—	24,523	—	24,523
Asset backed securities	—	17,804	—	17,804
State and municipal	—	3,396	—	3,396
Corporate bonds	—	18,897	—	18,897
SBA pooled securities	—	189	—	189
	$—	$156,820	$—	$156,820
Loans held for sale	$—	$2,174	$—	$2,174

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
December 31, 2014	Level 1	Level 2	Level 3	
Securities available for sale				
U.S. Government agency obligations	$—	$93,841	$—	$93,841
Mortgage-backed securities-residential	—	28,878	—	28,878
Asset backed securities	—	18,598	—	18,598
State and municipal	—	3,592	3,269	6,861
Corporate bonds	—	13,636	—	13,636
SBA pooled securities	—	210	—	210
	$—	$158,755	$3,269	$162,024
Loans held for sale	$—	$3,288	$—	$3,288

There were no transfers between levels during 2015 or 2014.

At December 31, 2014, the Company classified $3,269,000 of municipal securities as level 3. These securities were called during the nine months ended September 30, 2015.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Assets measured at fair value on a non-recurring basis are summarized in the table below. There were no liabilities measured at fair value on a non-recurring basis at September 30, 2015 and December 31, 2014.

(Dollars in thousands)	Fair Value Measurements Using			Total
September 30, 2015	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans				
Commercial real estate	$—	$ —	$432	$432
1-4 family residential properties	—	—	14	14
Commercial	—	—	1,114	1,114
Factored receivables	—	—	391	391
PCI	—	—	170	170
Other real estate owned (1)				
Commercial	—	—	299	299
Construction, land development, land	—	—	713	713
1-4 family residential properties	—	—	92	92
	$—	$ —	$3,225	$3,225

(Dollars in thousands)	Fair Value Measurements Using			Total
December 31, 2014	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans				
Commercial	$—	$ —	$1,129	$1,129
Factored receivables	—	—	238	238
Other real estate owned (1)				
Commercial	—	—	2,163	2,163
Construction, land development, land	—	—	1,487	1,487
1-4 family residential properties	—	—	97	97
	$—	$ —	$5,114	$5,114

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

Impaired Loans with Specific Allocation of ALLL: A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due pursuant to the contractual terms of the loan agreement. Impairment 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. Fair value of the impaired 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 of the underlying collateral.

OREO: OREO is comprised of real estate acquired in partial or full satisfaction of loans. OREO is recorded at its estimated fair value less estimated selling and closing costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs is charged to the ALLL. Subsequent changes in fair value are reported as adjustments to the carrying amount and are recorded against earnings. The Company outsources the valuation of OREO with material balances to third party appraisers. For this asset class, the actual valuation methods (income, sales comparable, or cost) vary based on the status of the project or property. For example, land is generally based on the sales comparable method while construction is based on the income and/or sales comparable methods. The unobservable inputs may vary depending on the individual assets with no one of the three methods being the predominant approach. The Company reviews the third party appraisal for appropriateness and adjusts the value downward to consider selling and closing costs, which typically range from 5% to 8% of the appraised value.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The estimated fair values of the Company’s financial instruments at September 30, 2015 and December 31, 2014 were as follows:

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
September 30, 2015	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$115,783	$115,783	$—	$—	$115,783
Securities - held to maturity	747	—	745	—	745
Loans not previously presented, net	1,171,636	—	—	1,177,106	1,177,106
FHLB and FRB stock	7,992	N/A	N/A	N/A	N/A
Accrued interest receivable	4,962	—	4,962	—	4,962
Financial liabilities:					
Deposits	1,200,036	—	1,202,716	—	1,202,716
Customer repurchase agreements	15,584	—	15,584	—	15,584
Federal Home Loan Bank advances	61,000		61,000		61,000
Junior subordinated debentures	24,620	—	24,620	—	24,620
Accrued interest payable	1,092	—	1,092	—	1,092

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
December 31, 2014	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$160,888	$160,888	$—	$—	$160,888
Securities - held to maturity	745	—	750	—	750
Loans not previously presented, net	995,668	—	—	1,001,548	1,001,548
FHLB and FRB stock	4,903	N/A	N/A	N/A	N/A
Accrued interest receivable	3,727	—	3,727	—	3,727
Financial liabilities:					
Deposits	1,165,229	—	1,167,479	—	1,167,479
Customer repurchase agreements	9,282	—	9,282	—	9,282
Federal Home Loan Bank advances	3,000	—	3,000	—	3,000
Junior subordinated debentures	24,423	—	24,423	—	24,423
Accrued interest payable	971	—	971	—	971

NOTE 11 - Regulatory Matters

The Company (on a consolidated basis), TSB and TCB 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, TSB’s, or TCB’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company, TSB, and TCB 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 regulations to ensure capital adequacy require the Company, TSB, and TCB to maintain minimum amounts and ratios of total and Tier 1 capital to risk weighted assets, common equity Tier 1 capital to total risk weighted assets, and of Tier 1 capital to average assets.

In July 2013, the U.S. banking regulators adopted a final rule which implements the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision, and certain changes required by the Dodd-Frank Act. The final rule established an integrated regulatory capital framework and introduces the “Standardized Approach” for risk-weighted assets, which replaces the Basel I risk-based guidance for determining risk-weighted assets as of January 1, 2015, the date the Company became subject to the new rules. Based on the Company's current capital composition and levels, the Company believes it is in compliance with the requirements as set forth in the final rules.

The rules include new risk-based capital and leverage ratios, which will be phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Company, TSB and TCB are set forth in the table below. The final rules also establish a "capital conservation buffer" of 2.5% above the new regulatory minimum capital requirements. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016 and becoming fully effective on January 1, 2019. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions if their capital levels begin to show signs of weakness. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are now required to meet the new capital level requirements set forth in the table below in order to qualify as "well capitalized." As of September 30, 2015, TSB's and TCB's capital ratios exceeded those levels necessary to be categorized as "well capitalized" under the regulatory framework for prompt corrective action.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The actual capital amounts and ratios for the Company, TSB, and TCB are presented in the following table as of September 30, 2015 and December 31, 2014. For periods beginning on or after January 1, 2015, capital ratios are calculated and presented in accordance with the requirements of Basel III.

(Dollars in thousands)	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of September 30, 2015	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$270,749	20.2%	$107,166	8.0%	N/A	N/A
Triumph Savings Bank, SSB	$64,540	13.4%	$38,470	8.0%	$48,088	10.0%
Triumph Community Bank	$136,625	16.5%	$66,194	8.0%	$82,742	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$259,068	19.3%	$80,375	6.0%	N/A	N/A
Triumph Savings Bank, SSB	$59,728	12.4%	$28,853	6.0%	$38,470	8.0%
Triumph Community Bank	$129,848	15.7%	$49,645	6.0%	$66,194	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$230,116	17.2%	$60,275	4.5%	N/A	N/A
Triumph Savings Bank, SSB	$59,728	12.4%	$21,639	4.5%	$31,257	6.5%
Triumph Community Bank	$129,848	15.7%	$37,234	4.5%	$53,782	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$259,068	16.9%	$61,436	4.0%	N/A	N/A
Triumph Savings Bank, SSB	$59,728	11.8%	$20,307	4.0%	$25,384	5.0%
Triumph Community Bank	$129,848	13.2%	$39,340	4.0%	$49,175	5.0%
As of December 31, 2014						
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$229,509	20.4%	$90,213	8.0%	N/A	N/A
Triumph Savings Bank, SSB	$56,013	16.5%	$27,118	8.0%	$33,898	10.0%
Triumph Community Bank	$117,254	15.0%	$62,547	8.0%	$78,184	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$220,550	19.6%	$45,107	4.0%	N/A	N/A

Triumph Savings Bank, SSB	$52,020	15.3%	$13,559	4.0%	$20,339	6.0%
Triumph Community Bank	$112,289	14.4%	$31,273	4.0%	$46,910	6.0%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$220,550	15.9%	$55,412	4.0%	N/A	N/A
Triumph Savings Bank, SSB	$52,020	13.0%	$15,982	4.0%	$19,978	5.0%
Triumph Community Bank	$112,289	11.9%	$37,812	4.0%	$47,265	5.0%

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – STOCKHOLDERS' EQUITY

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

	Preferred Stock				Common Stock		Treasury Stock	
	Series A		Series B					
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014
Number of shares authorized	50,000	50,000	115,000	115,000	50,000,000	50,000,000		
Number of shares issued	45,500	45,500	51,956	51,956	18,052,723	17,974,767		
Number of shares outstanding	45,500	45,500	51,956	51,956	18,040,072	17,963,783	12,651	10,984
Par value per share	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01		
Liquidation preference per share	$100	$100	$100	$100				
Dividend rate	Prime + 2%	Prime + 2%	8.00 %	8.00 %				
Dividend rate - floor	8.00 %	8.00 %	8.00 %	8.00 %				
Initial dividend payment date	3/31/2013	3/31/2013	12/31/2013	12/31/2013				
Subsequent dividend payment dates	Quarterly	Quarterly	Quarterly	Quarterly				
Convertible to common stock	Yes	Yes	Yes	Yes				
Conversion period	Anytime	Anytime	Anytime	Anytime				
Conversion ratio - preferred to common	6.94008	6.94008	6.94008	6.94008				

NOTE 13 – STOCK BASED COMPENSATION

Stock based compensation expense that has been charged against income was $846,000 and $2,394,000 for the three and nine month periods ended September 30, 2015, respectively, and $417,000 and $613,000 for the three and nine month periods ended September 30, 2014, respectively.

2014 Omnibus Incentive Plan

In connection with the Company's initial public offering in November 2014, the Company adopted the 2014 Omnibus Incentive Plan (Omnibus Incentive Plan). The 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 aggregate number of shares of common stock available for issuance under the Omnibus Incentive Plan is 1,200,000 shares. RSAs granted to employees under the Omnibus Incentive Plan typically vest over two to three years.

A summary of changes in the Company's nonvested RSAs under the Omnibus Incentive Plan for the nine months ended September 30, 2015 were as follows:

Nonvested RSAs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2015	252,256	$ 14.71
Granted	77,956	13.50
Vested	—	—
Forfeited	(1,667)	14.63
Nonvested at September 30, 2015	328,545	$ 14.42

Compensation expense for RSAs granted under the Omnibus Incentive Program will be recognized over the vesting period of the awards based on the fair value of the stock at the issue date.

As of September 30, 2015, there was $2,113,000 of unrecognized compensation cost related to nonvested RSAs granted under the Omnibus Incentive Plan. The cost is expected to be recognized over a remaining period of 1.48 years.

Amended and Restricted Stock Plan

The Company's Amended and Restricted Stock Plan (the Terminated Plan) provided for the issuance of up to 750,000 shares of restricted common stock to officers, directors and employees of the Company and its subsidiaries. In August 2014, the Company terminated the plan and approved the immediate and full acceleration of vesting on all remaining nonvested RSUs in anticipation of its

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

contemplated initial public offering. As a result, the Company recognized all remaining unrecognized compensation cost of $417,000 associated with these shares during the third quarter of 2014.

A summary of changes in the Company's nonvested RSUs under the Terminated Plan for the nine months ended September 30, 2014 were as follows:

Nonvested RSUs	Units	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2014	26,120	$ 10.77
Granted	32,275	14.08
Vested	(58,395)	12.60
Forfeited	—	—
Nonvested at September 30, 2014	—	$ —

NOTE 14 – EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Basic				
Net income to common stockholders	$5,732	$9,495	$24,041	$14,928
Weighted average common shares outstanding	17,711,527	9,872,923	17,711,527	9,850,640
Basic earnings per common share	$0.32	$0.96	$1.36	$1.52
Diluted				
Net income to common stockholders	$5,732	$9,495	$24,041	$14,928
Dilutive effect of preferred stock	196	197	583	583
Net income to common stockholders - diluted	$5,928	$9,692	$24,624	$15,511
Weighted average common shares outstanding	17,711,527	9,872,923	17,711,527	9,850,640
Add: Dilutive effects of restricted stock	149,790	—	77,591	6,059
Add: Dilutive effects of assumed exercises of stock warrants	50,153	52,881	36,751	52,881
Add: Dilutive effects of assumed conversion of Preferred A	315,773	315,773	315,773	315,773
Add: Dilutive effects of assumed conversion of Preferred B	360,578	360,578	360,578	360,578
Average shares and dilutive potential common shares	18,587,821	10,602,155	18,502,220	10,585,931

Dilutive earnings per common share	$0.32	$0.91	$1.33	$1.47

30

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 15 – BUSINESS SEGMENT INFORMATION

The following table presents the Company's operating segments. Transactions between segments consist primarily of borrowed funds. Intersegment interest expense is allocated to the Factoring segment based on the Company's prime rate. The provision for loan loss is allocated based on the segment's allowance for loan and lease losses determination which considers the effects of charge-offs. Noninterest income and expense directly attributable to a segment are assigned to it. Taxes are paid on a consolidated basis but not allocated for segment purposes The Factoring segment includes only factoring originated by ABC. General factoring services not originated through ABC are included in the Banking segment.

(Dollars in thousands) Three Months Ended September 30, 2015	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$ 8,274	$ 16,743	$ 21	$ 265	$ 25,303
Intersegment interest allocations	(1,085)	1,085	—	—	—
Total interest expense	—	1,789	—	283	2,072
Net interest income (expense)	7,189	16,039	21	(18)	23,231
Provision for loan losses	35	130	—	—	165
Net interest income after provision	7,154	15,909	21	(18)	23,066
Bargain purchase gain	—	—	1,708	—	1,708
Other noninterest income	445	2,345	1,778	22	4,590
Noninterest expense	4,618	12,680	1,617	1,630	20,545
Operating income (loss)	$ 2,981	$ 5,574	$ 1,890	$ (1,626)	$ 8,819
Total assets	$ 189,430	$ 1,309,873	$ 16,209	$ 65,951	$ 1,581,463
Gross loans	$ 175,689	$ 991,032	$ 45	$ 18,535	$ 1,185,301

(Dollars in thousands) Three Months Ended September 30, 2014	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$ 7,423	$ 14,690	$ —	$ 5	$ 22,118
Intersegment interest allocations	(990)	990	—	—	—
Total interest expense	—	1,312	—	411	1,723
Net interest income (expense)	6,433	14,368	—	(406)	20,395
Provision for loan losses	452	923	—	—	1,375
Net interest income after provision	5,981	13,445	—	(406)	19,020
Gain on branch sale	—	12,619	—	—	12,619
Other noninterest income	431	2,345	374	35	3,185
Noninterest expense	4,125	12,344	626	1,366	18,461
Operating income (loss)	$ 2,287	$ 16,065	$ (252)	$ (1,737)	$ 16,363
Total assets	$ 170,088	$ 1,155,434	$ 801	$ 21,475	$ 1,347,798

Gross loans	$158,129	$819,010	$ —	$—	$977,139

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands) Nine Months Ended September 30, 2015	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$23,777	$49,166	$ 87	$ 449	$ 73,479
Intersegment interest allocations	(3,011)	3,011	—	—	—
Total interest expense	—	5,035	10	833	5,878
Net interest income (expense)	20,766	47,142	77	(384)	67,601
Provision for loan losses	402	2,856	—	93	3,351
Net interest income after provision	20,364	44,286	77	(477)	64,250
Bargain purchase gain	—	—	14,217	—	14,217
Other noninterest income	1,227	7,637	4,087	558	13,509
Noninterest expense	13,380	37,786	5,053	4,744	60,963
Operating income (loss)	$8,211	$14,137	$ 13,328	$ (4,663)	$ 31,013
Total assets	$189,430	$1,309,873	$ 16,209	$ 65,951	$ 1,581,463
Gross loans	$175,689	$991,032	$ 45	$ 18,535	$ 1,185,301

(Dollars in thousands) Nine Months Ended September 30, 2014	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$19,165	$44,753	$ —	$ 32	$ 63,950
Intersegment interest allocations	(2,262)	2,262	—	—	—
Total interest expense	—	3,590	—	1,229	4,819
Net interest income	16,903	43,425	—	(1,197)	59,131
Provision for loan losses	1,354	2,693	—	—	4,047
Net interest income after provision	15,549	40,732	—	(1,197)	55,084
Gain on branch sale	—	12,619	—	—	12,619
Other noninterest income	1,218	6,256	503	450	8,427
Noninterest expense	10,570	34,234	1,700	3,013	49,517
Operating income (loss)	$6,197	$25,373	$ (1,197)	$ (3,760)	$ 26,613
Total assets	$170,088	$1,155,434	$ 801	$ 21,475	$ 1,347,798
Gross loans	$158,129	$819,010	$ —	$ —	$ 977,139

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, 2014. 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. Through our two wholly owned bank subsidiaries, Triumph Savings Bank and Triumph Community Bank, we offer traditional banking services as well as commercial finance product lines focused on businesses that require specialized financial solutions. Effective October 1, 2015, we completed the merger of our two subsidiary banks into a single bank. The combined bank is named TBK Bank, SSB and will continue doing business under the Triumph Savings Bank and Triumph Community Bank names in the markets where we currently operate under such names. Our banking operations include a full suite of lending and deposit products and services focused on our local market areas. These activities generate a stable source of core deposits and a diverse asset base to support our overall operations. Our commercial finance product lines include factoring, asset-based lending, equipment lending and healthcare lending products offered on a nationwide basis. These product offerings supplement the asset generation capacity in our community banking markets and enhance the overall yield of our loan portfolio, enabling us to earn attractive risk-adjusted net interest margins. In addition, through our Triumph Capital Advisors subsidiary, we provide investment management services currently focused on the origination and management of collateralized loan obligations. We believe our integrated business model distinguishes us from other banks and non-bank financial services companies in the markets in which we operate. As of September 30, 2015, we had consolidated total assets of $1.581 billion, total loans held for investment of $1.185 billion, total deposits of $1.200 billion and total stockholders' equity of $263.9 million.

Most of our products and services share basic processes and have similar economic characteristics. However, our factoring subsidiary operates in a highly specialized niche and earns substantially higher yields on its factored accounts receivable portfolio than our other lending products. This business also has a legacy and structure as a standalone company. In addition, through our Triumph Capital Advisors asset management subsidiary, we provide fee-based asset management services distinct from our traditional banking offerings and operations. As a result, we have determined our reportable segments are Banking, Factoring, Asset Management, and Corporate. For the nine months ended September 30, 2015, our Banking segment generated 65% of our total revenue (comprised of interest and noninterest income, excluding bargain purchase gains), our Factoring segment generated 29% of our total revenue, our Asset Management segment generated 5% of our total revenue, and our Corporate segment generated 1% of our total revenue.

Doral Money, Inc. Acquisition

On February 27, 2015, Triumph Capital Advisors entered into a Purchase and Sale Agreement with the Federal Deposit Insurance Corporation, in its capacity as receiver of Doral Bank, to acquire 100% of the equity of Doral Money, Inc., a subsidiary of Doral Bank, and the management contracts associated with two active collateralized loan obligations with approximately $700 million in assets under management. The consideration transferred in the acquisition consisted of cash paid of $135.9 million and resulted in the recognition of a preliminary pre-tax bargain purchase gain in the amount of $12.5 million. The purpose of the acquisition was to expand our asset management operations.

On February 26, 2015, we entered into a $100.0 million secured term loan credit facility payable to a third party, with an interest rate equal to LIBOR plus 3.5%, and a maturity date of March 31, 2015. We used the proceeds from the loan to partially fund the Doral Money, Inc. acquisition.

The acquisition was completed on March 3, 2015, at which time we repaid the $100.0 million third party secured term loan credit facility in full by delivering the securities issued by the collateralized loan obligations that were acquired from Doral Money, Inc. with an acquisition date fair value of $98.3 million and cash representing security payments received in the amount of $1.7 million.

We recorded measurement period adjustments during the three months ended September 2015 related to the finalization of income taxes associated with the acquisition. As a result, the overall bargain purchase gain was increased by $1.7 million to $14.2 million, which is reflected in the consolidated statements of income for the three and nine months ended September 30, 2015.

Financial Highlights

The Company's key financial highlights as of and for the three and nine months ended September 30, 2015, as compared to the prior period, are shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share amounts)	2015	2014	2015	2014
Income Statement Data:				
Interest income	$25,303	$22,118	$73,479	$63,950
Interest expense	2,072	1,723	5,878	4,819
Net interest income	23,231	20,395	67,601	59,131
Provision for loan losses	165	1,375	3,351	4,047
Net interest income after provision	23,066	19,020	64,250	55,084
Bargain purchase gain	1,708	—	14,217	—
Gain on branch sale	—	12,619	—	12,619
Other noninterest income	4,590	3,185	13,509	8,427
Noninterest income	6,298	15,804	27,726	21,046
Noninterest expense	20,545	18,461	60,963	49,517
Net income before income taxes	8,819	16,363	31,013	26,613
Income tax expense	2,891	6,089	6,389	9,631
Net income	5,928	10,274	24,624	16,982
Income attributable to noncontrolling interests	—	(582)	—	(1,471)
Dividends on preferred stock	(196)	(197)	(583)	(583)
Net income available to common stockholders	$5,732	$9,495	$24,041	$14,928
Per Share Data:				
Basic earnings per common share	$0.32	$0.96	$1.36	$1.52
Diluted earnings per common share	$0.32	$0.91	$1.33	$1.47
Weighted average shares outstanding - basic	17,711,527	9,872,923	17,711,527	9,850,640
Weighted average shares outstanding - diluted	18,587,821	10,602,155	18,502,220	10,585,931
Adjusted Per Share Data(1):				
Adjusted diluted earnings per common share	$0.22	$0.16	$0.61	$0.71
Adjusted weighted average shares outstanding - diluted	17,911,470	9,925,804	17,825,869	9,909,580
Performance ratios - Annualized(2):				
Return on average assets	1.50 %	3.01 %	2.18 %	1.71 %
Return on average common equity (1)	9.00 %	26.84 %	13.15 %	15.08 %
Return on average tangible common equity (1)	10.20 %	34.26 %	14.97 %	19.32 %
Return on average total equity	8.96 %	23.16 %	12.95 %	13.46 %

Yield on loans	8.34	%	8.66	%	8.77	%	8.88	%
Adjusted yield on loans [1]	7.96	%	8.03	%	8.32	%	7.84	%
Cost of interest bearing deposits	0.69	%	0.56	%	0.66	%	0.52	%
Cost of total deposits	0.59	%	0.48	%	0.57	%	0.44	%
Cost of total funds	0.64	%	0.59	%	0.63	%	0.56	%
Net interest margin [1]	6.45	%	6.69	%	6.59	%	6.71	%
Adjusted net interest margin [1]	6.14	%	6.19	%	6.23	%	5.89	%
Efficiency ratio [1]	73.85	%	78.29	%	72.97	%	73.30	%
Net noninterest expense to average assets [1]	4.04	%	4.48	%	4.05	%	4.14	%

(Dollars in thousands, except per share amounts)	September 30, 2015		December 31, 2014	
Balance Sheet Data:				
Total assets	$ 1,581,463		$ 1,447,898	
Cash and cash equivalents	115,783		160,888	
Investment securities	157,567		162,769	
Loans held for sale	2,174		3,288	
Loans held for investment, net	1,173,757		997,035	
Total liabilities	1,317,544		1,210,389	
Noninterest bearing deposits	167,931		179,848	
Interest bearing deposits	1,032,105		985,381	
Junior subordinated debentures	24,620		24,423	
Total stockholders’ equity	263,919		237,509	
Preferred stockholders' equity	9,746		9,746	
Common stockholders' equity [(1)]	254,173		227,763	
Per Share Data:				
Book value per share	$ 14.09		$ 12.68	
Tangible book value per share [(1)]	$ 12.48		$ 11.06	
Shares outstanding end of period	18,040,072		17,963,783	
Asset Quality ratios[(3)]:				
Past due to total loans	2.14	%	2.57	%
Nonperforming loans to total loans	0.97	%	1.66	%
Nonperforming assets to total assets	1.12	%	1.73	%
ALLL to nonperforming loans	100.00	%	53.02	%
ALLL to total loans	0.97	%	0.88	%
Net charge-offs to average loans[(4)]	0.06	%	0.07	%
Capital ratios [(5)]:				
Tier 1 capital to average assets	16.87	%	15.92	%
Tier 1 capital to risk-weighted assets	19.34	%	19.56	%
Common equity Tier 1 capital to risk-weighted assets	17.18	%	N/A	
Total capital to risk-weighted assets	20.21	%	20.35	%
Total stockholders' equity to total assets	16.69	%	16.40	%
Tangible common stockholders' equity ratio [(1)]	14.50	%	14.00	%

(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:

- “Common stockholders’ equity” is defined as total stockholders’ equity at end of period less the liquidation preference value of the preferred stock.
- “Adjusted diluted earnings per common share” is defined as adjusted net income available to common stockholders divided by adjusted weighted average diluted common shares outstanding. Excluded from net income available to common stockholders are material gains and expenses related to merger and acquisition-related activities, including divestitures, net of tax. In our judgment, the adjustments made to net income available to common stockholders allow management and investors to better assess our performance in relation to our core net income by removing the

volatility associated with certain acquisition-related items and other discrete items that are unrelated to our core business. Weighted average diluted common shares outstanding are adjusted as a result of changes in their dilutive properties given the gain and expense adjustments described herein.

- "Net interest margin" is defined as net interest income divided by average interest earning assets.
- "Tangible common stockholders' equity" is 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.
- "Efficiency ratio" is defined as noninterest expenses divided by our operating revenue, which is equal to net interest income plus noninterest income. Also excluded are material gains and expenses related to merger and acquisition-related activities, including divestitures. In our judgment, the adjustments made to operating revenue allow management and investors to better assess our performance in relation to our core operating revenue by removing the volatility associated with certain acquisition-related items and other discrete items that are unrelated to our core business.
- "Net noninterest expense to average total assets" is defined as noninterest expenses net of noninterest income divided by total average assets. Excluded are material gains and expenses related to merger and acquisition-related activities, including divestitures. This metric is used by our management to better assess our operating efficiency.
- "Adjusted yield on loans" is our yield on loans after excluding loan accretion from our acquired loan portfolio. Our management uses this metric to better assess the impact of purchase accounting on our yield on loans, as the effect of loan discount accretion is expected to decrease as the acquired loans roll off of our balance sheet.
- "Adjusted net interest margin" is net interest margin after excluding loan accretion from the acquired loan portfolio. Our management uses this metric to better assess the impact of purchase accounting on net interest margin, as the effect of loan discount accretion is expected to decrease as the acquired loans mature or roll off of our balance sheet.

(2) Amounts have been annualized.

(3) Asset quality ratios exclude loans held for sale.

(4) Net charge-offs to average loans ratios are for the nine months ended September 30, 2015 and the year ended December 31, 2014.

(5) Effective January 1, 2015, capital ratios are calculated under the requirements of Basel III.

GAAP Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share amounts)	2015	2014	2015	2014
Net income available to common stockholders	$5,732	$9,495	$24,041	$14,928
Less: gain on branch sale, net of tax	—	7,892	—	7,892
Less: bargain purchase gain, nontaxable	1,708	—	14,217	—
Add: merger and acquisition expenses, net of tax	—	—	158	—
Add: incremental bonus related to acquisition, net of tax	—	—	1,138	—
Less: escrow recovery from DHF, net of tax	—	—	195	—
Adjusted net income available to common stockholders	$4,024	$1,603	$10,925	$7,036
Weighted average shares outstanding - diluted	18,587,821	10,602,155	18,502,220	10,585,931
Less: adjusted effects of assumed preferred stock conversion	676,351	676,351		