Triumph Bancorp, Inc.
Form 10-Q
October 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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 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 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 (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

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, 18,104,543 shares, as of October 25, 2016

TRIUMPH BANCORP, INC.

FORM 10-Q

September 30, 2016

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	$ 26,212	$ 23,447
Interest bearing deposits with other banks	78,513	81,830
Total cash and cash equivalents	104,725	105,277
Securities - available for sale	286,574	163,169
Securities - held to maturity, fair value of $30,849 and $0, respectively	29,316	—
Loans held for sale, at fair value	9,623	1,341
Loans, net of allowance for loan and lease losses of $14,912 and $12,567, respectively	1,944,943	1,279,318
Federal Home Loan Bank stock, at cost	8,397	3,818
Premises and equipment, net	45,050	22,227
Other real estate owned, net	8,061	5,177
Goodwill	28,598	15,968
Intangible assets, net	18,851	11,886
Bank-owned life insurance	36,347	29,535
Deferred tax assets, net	20,042	15,945
Other assets	34,963	37,652
Total assets	$ 2,575,490	$ 1,691,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 339,999	$ 168,264
Interest bearing	1,610,678	1,080,686
Total deposits	1,950,677	1,248,950
Customer repurchase agreements	15,329	9,317
Federal Home Loan Bank advances	230,000	130,000
Junior subordinated debentures	32,640	24,687
Subordinated notes	48,676	—
Other liabilities	13,647	10,321
Total liabilities	2,290,969	1,423,275
Commitments and contingencies - See Note 9 and Note 10		
Stockholders' equity - See Note 13		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196

Common stock	182	181
Additional paid-in-capital	196,306	194,297
Treasury stock, at cost	(751)	(560)
Retained earnings	77,846	64,097
Accumulated other comprehensive income	1,192	277
Total stockholders’ equity	284,521	268,038
Total liabilities and stockholders' equity	$ 2,575,490	$ 1,691,313

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, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest and dividend income:				
Loans, including fees	$23,123	$15,716	$57,758	$46,113
Factored receivables, including fees	9,021	8,829	25,482	24,992
Taxable securities	1,154	649	2,887	1,987
Tax exempt securities	80	17	93	45
Cash deposits	93	92	498	342
Total interest income	33,471	25,303	86,718	73,479
Interest expense:				
Deposits	2,408	1,764	6,421	5,001
Junior subordinated debentures	382	283	996	833
Other borrowings	263	25	487	44
Total interest expense	3,053	2,072	7,904	5,878
Net interest income	30,418	23,231	78,814	67,601
Provision for loan losses	2,819	165	4,247	3,351
Net interest income after provision for loan losses	27,599	23,066	74,567	64,250
Noninterest income:				
Service charges on deposits	984	710	2,338	1,988
Card income	767	574	1,890	1,675
Net OREO gains (losses) and valuation adjustments	63	(58)	(1,152)	20
Net gains (losses) on sale of securities	(68)	15	(63)	257
Net gains on sale of loans	—	363	16	1,396
Fee income	655	542	1,693	1,466
Bargain purchase gain	—	1,708	—	14,217
Asset management fees	1,553	1,744	4,787	3,976
Other	2,145	700	5,239	2,731
Total noninterest income	6,099	6,298	14,748	27,726
Noninterest expense:				
Salaries and employee benefits	14,699	12,416	39,180	37,727
Occupancy, furniture and equipment	1,921	1,575	4,948	4,702
FDIC insurance and other regulatory assessments	143	252	648	786
Professional fees	1,874	1,344	4,048	3,523

Amortization of intangible assets	958	1,179	2,652	2,838
Advertising and promotion	779	618	1,926	1,687
Communications and technology	1,966	951	4,661	2,764
Other	3,452	2,210	8,138	6,936
Total noninterest expense	25,792	20,545	66,201	60,963
Net income before income tax	7,906	8,819	23,114	31,013
Income tax expense	3,099	2,891	8,675	6,389
Net income	4,807	5,928	14,439	24,624
Dividends on preferred stock	(301)	(196)	(690)	(583)
Net income available to common stockholders	$4,506	$5,732	$13,749	$24,041
Earnings per common share				
Basic	$0.25	$0.32	$0.77	$1.36
Diluted	$0.25	$0.32	$0.76	$1.33

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, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$4,807	$5,928	$14,439	$24,624
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(597)	(204)	1,396	226
Reclassification of amount realized through sale of securities	68	(15)	63	(257)
Tax effect	196	81	(544)	6
Total other comprehensive income (loss)	(333)	(138)	915	(25)
Comprehensive income	$4,474	$5,790	$15,354	$24,599

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock Liquidation Preference Amount	Common Stock Shares Outstanding	Common Stock Par Amount	Additional Paid-in-Capital	Treasury Stock Shares Outstanding	Treasury Stock Cost	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2015	$ 9,746	17,963,783	$ 180	$ 191,049	10,984	$ (161)	$ 35,744	$ 951	$ 237,509
Issuance of restricted stock awards	—	77,956	1	(1)	—	—	—	—	—
Forfeiture of restricted stock awards	—	(1,667)	—	23	1,667	(23)	—	—	—
Stock based compensation	—	—	—	2,394	—	—	—	—	2,394
Series A Preferred dividends	—	—	—	—	—	—	(273)	—	(273)
Series B Preferred dividends	—	—	—	—	—	—	(310)	—	(310)
Net income	—	—	—	—	—	—	24,624	—	24,624
Other comprehensive income	—	—	—	—	—	—	—	(25)	(25)
Balance, September 30, 2015	$ 9,746	18,040,072	$ 181	$ 193,465	12,651	$ (184)	$ 59,785	$ 926	$ 263,919
Balance, January 1, 2016	$ 9,746	18,018,200	$ 181	$ 194,297	34,523	$ (560)	$ 64,097	$ 277	$ 268,038
Issuance of restricted stock awards	—	101,105	1	(1)	—	—	—	—	—
Forfeiture of restricted stock awards	—	(7,274)	—	111	7,274	(111)	—	—	—

Excess tax benefit on restricted stock vested	—	—	—	35	—	—	—	—	35
Stock based compensation	—	—	—	1,864	—	—	—	—	1,864
Purchase of treasury stock	—	(5,053)	—	—	5,053	(80)	—	—	(80)
Series A Preferred dividends	—	—	—	—	—	—	(274)	—	(274)
Series B Preferred dividends	—	—	—	—	—	—	(312)	—	(312)
TARP Preferred Stock assumed in acquisition	10,500	—	—	—	—	—	—	—	10,500
TARP Preferred dividends	—	—	—	—	—	—	(104)	—	(104)
Redemption of TARP Preferred Stock	(10,500)	—	—	—	—	—	—	—	(10,500)
Net income	—	—	—	—	—	—	14,439	—	14,439
Other comprehensive income	—	—	—	—	—	—	—	915	915
Balance, September 30, 2016	$ 9,746	18,106,978	$ 182	$ 196,306	46,850	$ (751)	$ 77,846	$ 1,192	$ 284,521

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$14,439	$24,624
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,905	1,608
Net accretion on loans and deposits	(4,833)	(3,905)
Amortization of junior subordinated debentures	225	197
Net amortization on securities	1,242	458
Amortization of intangible assets	2,652	2,838
Deferred taxes	(427)	(540)
Provision for loan losses	4,247	3,351
Stock based compensation	1,864	2,394
Origination of loans held for sale	(891)	(50,482)
Proceeds from sale of loans originated for sale	2,248	52,992
Net (gains) losses on sale of securities	63	(257)
Net (gain) loss on transfer of loans to loans held for sale	(167)	—
Net gains on sale of loans	(16)	(1,396)
Net OREO (gains) losses and valuation adjustments	1,152	(20)
Bargain purchase gain	—	(14,217)
Income from CLO warehouse investments	(2,415)	(444)
(Increase) decrease in other assets	3,746	146
Increase (decrease) in other liabilities	(3,458)	3,625
Net cash provided by (used in) operating activities	21,576	20,972
Cash flows from investing activities:		
Purchases of securities available for sale	(3,414)	(20,560)
Proceeds from sales of securities available for sale	24,327	17,635
Proceeds from maturities, calls, and pay downs of securities available for sale	17,330	7,896
Purchases of securities held to maturity	(29,117)	—
Purchases of loans (shared national credits)	(995)	(25,597)
Proceeds from sale of loans	9,057	—
Net change in loans	(222,326)	(147,556)
Purchases of premises and equipment, net	(3,003)	(1,482)
Net proceeds from sale of OREO	1,709	2,989
Net cash paid for CLO warehouse investments	(15,000)	(5,000)
Net proceeds from CLO warehouse investments	25,500	2,450

Purchases of FHLB and FRB stock, net	(4,029)	(3,089)
Cash paid for acquisitions, net of cash acquired	(14,479)	(127,591)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765
Net cash provided by (used in) investing activities	(214,440)	(263,140)
Cash flows from financing activities:		
Net increase in deposits	48,894	35,028
Increase (decrease) in customer repurchase agreements	6,012	6,302
Increase (decrease) in Federal Home Loan Bank advances	100,000	58,000
Proceeds from issuance of subordinated notes, net	48,676	—
Proceeds from the issuance of other borrowings	—	99,975
Repayment of other borrowings	—	(1,659)
Redemption of TARP preferred stock	(10,500)	—
Purchase of treasury stock	(80)	—
Dividends on preferred stock	(690)	(583)
Net cash provided by (used in) financing activities	192,312	197,063
Net increase (decrease) in cash and cash equivalents	(552)	(45,105)
Cash and cash equivalents at beginning of period	105,277	160,888
Cash and cash equivalents at end of period	$104,725	$115,783
Supplemental cash flow information:		
Interest paid	$7,415	$5,757
Income taxes paid, net	$7,478	$5,002
Supplemental noncash disclosures:		
Loans transferred to OREO	$425	$747
Premises transferred to OREO	$2,215	$—
Securities transferred in satisfaction of other borrowings	$—	$98,316
Loan purchases, not yet settled (shared national credits)	$—	$3,983
Loans transferred to loans held for sale at fair value	$18,680	$—

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”), TBK Bank, SSB (“TBK Bank”), TBK Bank’s wholly owned subsidiary Advance Business Capital LLC, which currently operates under the d/b/a of Triumph Business Capital (“TBC”), and TBK Bank’s wholly owned subsidiary Triumph Insurance Group, Inc. (“TIG”).

TBK Bank also does business under the following names: (i) Triumph Community Bank (“TCB”) and Triumph Savings Bank (“TSB”) with respect to its community banking business in respective markets; (ii) Triumph Commercial Finance (“TCF”) with respect to its asset-based lending, equipment lending and general factoring commercial finance products; (iii) Triumph Healthcare Finance (“THF”) with respect to its healthcare asset-based lending business; and (iv) Triumph Premium Finance (“TPF”) with respect to its insurance premium financing business.

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, 2015. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

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.

Newly Issued, But Not Yet Effective Accounting Standards

In May 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.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the effect that ASU 2016-01 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. The Company is currently assessing the impact that the adoption of this standard will have on the financial condition and results of operations of the Company.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The FASB issued this ASU to improve the accounting for share-based payments. ASU 2016-09 simplifies several aspects of the accounting for share-based payment award transactions, including: the presentation of income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and calculation of diluted earnings per share. The amendments in this ASU are effective for fiscal years beginning after December 31, 2016, and interim periods within those years for public business entities. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. Adoption of ASU 2016-09 is not expected to have a material impact on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). Among other things, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better form their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 31, 2019, and interim periods within those years for public business entities that are SEC filers. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the impact that the adoption of this standard will have on the financial condition and results of operations of the Company.

NOTE 2 – Business combinations

Southern Transportation Insurance Agency

On September 1, 2016, the Company acquired Southern Transportation Insurance Agency, Ltd. in an all-cash transaction for $2,150,000. The purpose of the acquisition was to expand the Company's product offerings for clients in the transportation industry. The Company recognized an intangible asset of $1,580,000 and goodwill of $570,000, which were allocated to the Company's Banking segment. Goodwill resulted from expected enhanced product offerings and will be amortized for tax purposes.

ColoEast Bankshares, Inc.

On August 1, 2016, the Company acquired 100% of the outstanding common stock of ColoEast Bankshares, Inc. ("ColoEast") and its community banking subsidiary, Colorado East Bank & Trust, in an all-cash transaction for $70,000,000. The Company also assumed $10,500,000 of ColoEast preferred stock issued in conjunction with the U.S. Government's Treasury Asset Relief Program ("TARP Preferred Stock"). Colorado East Bank & Trust, which was merged into TBK Bank upon closing, offers personal checking, savings, CD, money market, HSA, IRA, NOW and business accounts, as well as commercial and consumer loans from 18 branches and one loan production office located throughout Colorado and far western Kansas. The acquisition expands the Company’s market into Colorado and Kansas and further diversifies the Company’s loan, customer, and deposit base.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(Dollars in thousands)	
Assets acquired:	
Cash and cash equivalents	$57,671
Securities	161,693
Loans	460,775
FHLB and Federal Reserve Bank stock	550
Premises and equipment	23,940
Other real estate owned	3,105
Intangible assets	7,238
Bank-owned life insurance	6,400
Deferred income taxes	4,511
Other assets	10,022
	735,905
Liabilities assumed:	
Deposits	652,952
Junior subordinated debentures	7,728
Other liabilities	6,784
	667,464
Fair value of net assets acquired	68,441
Cash paid	70,000
TARP Preferred Stock assumed	10,500
Consideration transferred	80,500
Goodwill	$12,059

The consideration transferred was comprised of a combination of cash and the assumption of ColoEast's TARP Preferred Stock. The Company has recognized goodwill of $12,059,000, which was calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable net assets acquired and was allocated to the Company's Banking segment. The goodwill in this acquisition resulted from expected synergies and expansion into the Colorado and Kansas markets. The goodwill will not be amortized for tax purposes. The initial accounting for the ColoEast acquisition has not been completed because the fair value of certain assets acquired and income taxes associated with the transaction have not yet been finalized.

The TARP Preferred Stock assumed in the acquisition was redeemed by the Company at par on August 31, 2016.

In connection with the ColoEast acquisition, the Company acquired loans both with and without evidence of credit quality deterioration since origination. The acquired loans were initially recorded at fair value with no carryover of any allowance for loan losses. Acquired loans were segregated between those considered to be purchased credit impaired ("PCI") loans and those without credit impairment at acquisition. The following table presents details on acquired loans at the acquisition date:

	PCI	Total

(Dollars in thousands)	Loans, Excluding PCI Loans	Loans	Loans
Commercial real estate	$ 86,569	$ 10,907	$ 97,476
Construction, land development, land	58,718	2,933	61,651
1-4 family residential properties	36,412	91	36,503
Farmland	100,977	233	101,210
Commercial	151,605	5,129	156,734
Factored receivables	694	—	694
Consumer	6,507	—	6,507
	$ 441,482	$ 19,293	$ 460,775

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following presents information at the acquisition date for non-purchase credit impaired loans acquired in the transaction:

(Dollars in thousands)	
Contractually required principal and interest payments	$530,404
Contractual cash flows not expected to be collected	$21,272
Fair value at acquisition	$441,482

Information about the acquired loan portfolio subject to purchase credit impaired accounting guidance as of August 1, 2016 is as follows

(Dollars in thousands)	
Contractually required principal and interest payments	$25,124
Contractual cash flows not expected to be collected (nonaccretable difference)	1,707
Expected cash flows at acquisition	23,417
Interest component of expected cash flows (accretable difference)	4,124
Fair value of loans acquired with deterioration of credit quality	$19,293

The following table presents pro forma information for the three and nine months ended September 30, 2016 and 2015 as if the ColoEast acquisition had occurred at the beginning of 2015. The pro forma information includes adjustments for interest income on loans acquired, interest expense on junior subordinated debentures assumed, depreciation expense on property acquired, amortization of intangibles arising from the transaction, and the related income tax effects. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the transaction been completed on the assumed date.

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net interest income	$32,792	$ 29,941	$94,778	$ 87,443
Noninterest income	$6,131	$ 7,098	$16,463	$ 28,507
Net income	$4,677	$ 6,809	$14,959	$ 25,740
Basic earnings per common share	$0.25	$ 0.37	$0.80	$ 1.42
Diluted earnings per common share	$0.24	$ 0.37	$0.79	$ 1.39

The operations of ColoEast are included in the Company’s operating results beginning August 1, 2016.

Expenses related to the acquisition, including professional fees and integration costs, totaling $1,618,000 were recorded in noninterest expense in the consolidated statements of income during the three and nine months ended September 30, 2016.

Doral Money Acquisition

On February 27, 2015, the Company 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.

("Doral Money"), 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 of $135,864,000. The primary purpose of the acquisition was to expand the CLO assets under management at TCA.

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 Doral Money 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 Doral Money 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 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	900	37,665
Prepaid corporate income tax	3,014	1,688	4,702
Other assets	772	—	772
	149,058	2,588	151,646
Liabilities assumed:			
Deferred tax liability	663	—	663
Other liabilities	22	(20)	2
	685	(20)	665
Fair value of net assets acquired	148,373	2,608	150,981
Net consideration transferred	135,864	—	135,864
Bargain purchase gain	$ (12,509)	$ (2,608)	$ (15,117)

The Company completed the acquisition via an FDIC bid process for Doral Money 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 subsequently recorded measurement period adjustments related to the finalization of income taxes associated with the transaction and the valuation of loans acquired in the transaction, which increased the bargain purchase gain by $1,708,000 and $900,000 during the three months ended September 30, 2015 and the three months ended December 31, 2015, respectively.

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, 2016 and December 31, 2015 are as follows:

(Dollars in thousands) September 30, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 189,313	$ 1,374	$ (117)	$ 190,570
Mortgage-backed securities, residential	25,834	596	(17)	26,413
Asset backed securities	13,111	33	(181)	12,963
State and municipal	28,933	40	(109)	28,864
Corporate bonds	27,323	277	—	27,600
SBA pooled securities	162	2	—	164
Total available for sale securities	$ 284,676	$ 2,322	$ (424)	$ 286,574

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 29,316	$ 1,595	$ (62)	$ 30,849

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands) December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 90,533	$ 518	$ (17)	$ 91,034
Mortgage-backed securities, residential	28,006	361	(27)	28,340
Asset backed securities	17,957	24	(455)	17,526
State and municipal	1,509	17	—	1,526
Corporate bonds	24,542	74	(57)	24,559
SBA pooled securities	183	1	—	184
Total available for sale securities	$ 162,730	$ 995	$ (556)	$ 163,169

The amortized cost and estimated fair value of securities at September 30, 2016, 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	$ 83,649	$ 83,724	$ —	$ —
Due from one year to five years	135,401	136,797	—	—
Due from five years to ten years	5,443	5,449	8,454	9,011
Due after ten years	21,076	21,064	20,862	21,838
	245,569	247,034	29,316	30,849
Mortgage-backed securities, residential	25,834	26,413	—	—
Asset backed securities	13,111	12,963	—	—
SBA pooled securities	162	164	—	—
	$ 284,676	$ 286,574	$ 29,316	$ 30,849

For the three and nine months ended September 30, 2016, securities were sold resulting in proceeds of $19,982,000 and $24,327,000, respectively, gross gains of $5,000 and $10,000, respectively, and gross losses of $73,000 and $73,000, respectively. 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.

Securities with a carrying amount of approximately $191,801,000 and $100,034,000 at September 30, 2016 and December 31, 2015, respectively, were pledged to secure public deposits, customer repurchase agreements, 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, 2016 and December 31, 2015, 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)	Less than 12 Months		12 Months or More		Total	
September 30, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
U.S. Government agency obligations	$81,449	$ (117)	$—	$ —	$81,449	$ (117)
Mortgage-backed securities, residential	2,169	(17)	—	—	2,169	(17)
Asset backed securities	—	—	8,019	(181)	8,019	(181)
State and municipal	23,506	(109)	—	—	23,506	(109)
Corporate bonds	—	—	—	—	—	—
SBA pooled securities	—	—	—	—	—	—
	$107,124	$ (243)	$8,019	$ (181)	$115,143	$ (424)
Held to maturity securities:						
CLO securities	$1,634	$ (62)	$—	$ —	$1,634	$ (62)

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
December 31, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency obligations	$10,029	$ (17)	$—	$ —	$10,029	$ (17)
Mortgage-backed securities, residential	4,948	(27)	—	—	4,948	(27)
Asset backed securities	8,031	(416)	4,605	(39)	12,636	(455)
State and municipal	—	—	—	—	—	—
Corporate bonds	10,434	(57)	—	—	10,434	(57)
SBA pooled securities	—	—	—	—	—	—
	$33,442	$ (517)	$4,605	$ (39)	$38,047	$ (556)

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, 2016, 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, 2016, 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, 2016 and December 31, 2015 consisted of the following:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Commercial real estate	$ 420,742	$ 291,819
Construction, land development, land	101,169	43,876
1-4 family residential properties	108,721	78,244
Farmland	139,109	33,573
Commercial	777,806	495,356
Factored receivables	213,955	215,088
Consumer	25,602	13,050
Mortgage warehouse	172,751	120,879
Total	1,959,855	1,291,885
Allowance for loan and lease losses	(14,912)	(12,567)
	$ 1,944,943	$ 1,279,318

Total loans include net deferred origination and factoring fees totaling $2,070,000 and $1,218,000 at September 30, 2016 and December 31, 2015, respectively.

Loans with carrying amounts of $470,565,000 and $280,289,000 at September 30, 2016 and December 31, 2015, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity.

During the three and nine months ended September 30, 2016, loans with a carrying amount of $14,394,000 and $18,513,000, respectively, were transferred to loans held for sale at their fair value of $14,642,000 and $18,680,000, respectively, as the Company made the decision to sell the loans. The gains on transfer of loans to loans held for sale of $248,000 and $167,000 for the three and nine months ended September 30, 2016, respectively, were recorded as other noninterest income in the consolidated statements of income. These loans were subsequently sold or are pending final settlement, resulting in proceeds equal to their fair values at the time of transfer. No loan transfers were recorded during the nine months ended September 30, 2015.

14

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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, 2016 and 2015 is as follows:

(Dollars in thousands) Three months ended September 30, 2016	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 1,792	$ 123	$ (4)	$ 1	$ 1,912
Construction, land development, land	181	44	—	7	232
1-4 family residential properties	259	(10)	—	6	255
Farmland	143	(22)	—	—	121
Commercial	6,697	2,521	(1,615)	217	7,820
Factored receivables	4,204	(7)	(285)	33	3,945
Consumer	293	114	(68)	29	368
Mortgage warehouse	203	56	—	—	259
	$ 13,772	$ 2,819	$ (1,972)	$ 293	$ 14,912

(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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands) Nine months ended September 30, 2016	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 1,489	$ 413	$ (5)	$ 15	$ 1,912
Construction, land development, land	367	(142)	—	7	232
1-4 family residential properties	274	(38)	(63)	82	255
Farmland	134	(13)	—	—	121
Commercial	5,276	3,680	(1,784)	648	7,820
Factored receivables	4,509	77	(743)	102	3,945
Consumer	216	313	(223)	62	368
Mortgage warehouse	302	(43)	—	—	259
	$ 12,567	$ 4,247	$ (2,818)	$ 916	$ 14,912

(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

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, 2016	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$ 676	$ 405,812	$ 14,254	$ 420,742	$ 100	$ 1,371	$ 441	$ 1,912
Construction, land development, land	276	96,943	3,950	101,169	25	207	—	232
1-4 family residential properties	1,139	105,114	2,468	108,721	1	254	—	255
Farmland	—	139,109	—	139,109	—	121	—	121
Commercial	30,059	738,076	9,671	777,806	2,851	4,969	—	7,820
Factored receivables	3,812	210,143	—	213,955	1,520	2,425	—	3,945
Consumer	55	25,547	—	25,602	—	368	—	368
Mortgage warehouse	—	172,751	—	172,751	—	259	—	259
	$ 36,017	$ 1,893,495	$ 30,343	$ 1,959,855	$ 4,497	$ 9,974	$ 441	$ 14,912

(Dollars in thousands)	Loan Evaluation				ALLL Allocations			
December 31, 2015	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$724	$286,006	$5,089	$291,819	$100	$ 1,034	$355	$ 1,489
Construction, land development, land	—	42,499	1,377	43,876	—	367	—	367
1-4 family residential properties	618	74,714	2,912	78,244	1	273	—	274
Farmland	—	33,573	—	33,573	—	134	—	134
Commercial	7,916	483,587	3,853	495,356	796	4,480	—	5,276
Factored receivables	3,422	211,666	—	215,088	1,694	2,815	—	4,509
Consumer	—	13,050	—	13,050	—	216	—	216
Mortgage warehouse	—	120,879	—	120,879	—	302	—	302
	$12,680	$1,265,974	$13,231	$1,291,885	$2,591	$ 9,621	$355	$ 12,567

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following is a summary of information pertaining to impaired loans. Loans included in these tables 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 these tables.

	Impaired Loans and Purchased Credit				
	Impaired Loans With a Valuation Allowance			Impaired Loans Without a Valuation Allowance	
(Dollars in thousands) September 30, 2016	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$517	$517	$ 100	$159	$196
Construction, land development, land	276	276	25	—	—
1-4 family residential properties	9	16	1	1,130	1,295
Farmland	—	—	—	—	—
Commercial	7,029	7,116	2,851	23,030	23,000
Factored receivables	3,015	3,015	1,520	797	797
Consumer	—	—	—	55	55
Mortgage warehouse	—	—	—	—	—
PCI	1,442	1,154	441	—	—
	$12,288	$12,094	$ 4,938	$25,171	$25,343

	Impaired Loans and Purchased Credit				
	Impaired Loans With a Valuation Allowance			Impaired Loans Without a Valuation Allowance	
(Dollars in thousands) December 31, 2015	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$531	$532	$ 100	$193	$229
Construction, land development, land	—	—	—	—	—
1-4 family residential properties	14	21	1	604	793
Farmland	—	—	—	—	—
Commercial	1,491	1,520	796	6,425	6,433
Factored receivables	2,850	2,850	1,694	572	572
Consumer	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—
PCI	525	525	355	—	—
	$5,411	$5,448	$ 2,946	$7,794	$8,027

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents average impaired loans and interest recognized on impaired loans for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
(Dollars in thousands)	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	$682	$ —	$1,926	$ 1
Construction, land development, land	276	—	—	—
1-4 family residential properties	1,030	1	433	9
Farmland	—	—	—	—
Commercial	21,648	163	4,833	80
Factored receivables	3,509	—	1,957	—
Consumer	43	—	—	—
Mortgage warehouse	—	—	—	—
PCI	1,442	—	721	—
	$28,630	$ 164	$9,870	$ 90

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
(Dollars in thousands)	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	$700	$ —	$1,928	$ 4
Construction, land development, land	138	2	—	—
1-4 family residential properties	879	9	647	32
Farmland	—	—	—	—
Commercial	18,987	677	4,992	119
Factored receivables	3,617	—	1,958	—
Consumer	26	2	—	—
Mortgage warehouse	—	—	—	—
PCI	983	—	263	—
	$25,330	$ 690	$9,788	$ 155

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, 2016 and December 31, 2015. 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) and (2) net deferred origination costs and fees.

(Dollars in thousands) September 30, 2016	Recorded Investment	Unpaid Principal	Difference
Commercial real estate	$420,742	$426,843	$(6,101)
Construction, land development, land	101,169	104,591	(3,422)
1-4 family residential properties	108,721	110,729	(2,008)
Farmland	139,109	140,117	(1,008)
Commercial	777,806	784,494	(6,688)
Factored receivables	213,955	215,242	(1,287)
Consumer	25,602	25,742	(140)
Mortgage warehouse	172,751	172,751	—
	$1,959,855	$1,980,509	$(20,654)

December 31, 2015	Recorded Investment	Unpaid Principal	Difference
Commercial	$291,819	$299,272	$(7,453)
Construction, land development, land	43,876	45,376	(1,500)
1-4 family residential properties	78,244	81,141	(2,897)
Farmland	33,573	33,533	40
Commercial	495,356	496,719	(1,363)
Factored receivables	215,088	216,201	(1,113)
Consumer	13,050	13,072	(22)
Mortgage warehouse	120,879	120,879	—
	$1,291,885	$1,306,193	$(14,308)

At September 30, 2016 and December 31, 2015, the Company had $22,629,000 and $21,188,000, 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, 2016 and December 31, 2015:

(Dollars in thousands) September 30, 2016	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$625	$ 210	$ 676	$1,511
Construction, land development, land	199	156	276	631
1-4 family residential properties	1,043	24	1,083	2,150
Farmland	996	—	—	996
Commercial	18,411	556	25,019	43,986
Factored receivables	10,185	2,063	—	12,248
Consumer	628	45	55	728
Mortgage warehouse	—	—	—	—
PCI	2,127	150	11,101	13,378
	$34,214	$ 3,204	$ 38,210	$75,628

(Dollars in thousands) December 31, 2015	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$693	$ —	$ 673	$1,366
Construction, land development, land	—	—	—	—
1-4 family residential properties	909	9	533	1,451
Farmland	—	—	—	—
Commercial	3,704	—	2,021	5,725
Factored receivables	12,379	1,931	—	14,310
Consumer	286	—	—	286
Mortgage warehouse	—	—	—	—
PCI	1,092	—	6,867	7,959
	$19,063	$ 1,940	$ 10,094	$31,097

The following table presents information regarding nonperforming loans at the dates indicated:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Nonaccrual loans[1]	$ 38,210	$ 10,094
Factored receivables greater than 90 days past due	2,063	1,931
Troubled debt restructurings accruing interest	3,876	1,330
	$ 44,149	$ 13,355

(1) Includes troubled debt restructurings of $12,179,000 and $53,000 at September 30, 2016 and December 31, 2015, respectively.

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 substandard or doubtful.

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, 2016 and December 31, 2015, based on the most recent analysis performed, the risk category of loans is as follows:

(Dollars in thousands) September 30, 2016	Pass	Substandard	Doubtful	PCI	Total
Commercial real estate	$400,044	$ 6,444	$ —	$14,254	$420,742
Construction, land development, land	96,943	276	—	3,950	101,169
1-4 family residential	104,888	1,365	—	2,468	108,721
Farmland	130,687	8,422	—	—	139,109
Commercial	728,675	39,460	—	9,671	777,806
Factored receivables	211,271	1,303	1,381	—	213,955
Consumer	25,545	57	—	—	25,602
Mortgage warehouse	172,751	—	—	—	172,751
	$1,870,804	$ 57,327	$ 1,381	$30,343	$1,959,855

(Dollars in thousands) December 31, 2015	Pass	Substandard	Doubtful	PCI	Total
Commercial real estate	$284,753	$ 1,977	$ —	$5,089	$291,819
Construction, land development, land	42,499	—	—	1,377	43,876
1-4 family residential	73,838	1,494	—	2,912	78,244
Farmland	33,573	—	—	—	33,573
Commercial	470,208	21,295	—	3,853	495,356

Factored receivables	212,588	1,019	1,481	—	215,088
Consumer	13,050	—	—	—	13,050
Mortgage warehouse	120,879	—	—	—	120,879
	$1,251,388	$ 25,785	$ 1,481	$13,231	$1,291,885

Troubled Debt Restructurings

The Company had a recorded investment in troubled debt restructurings of $16,055,000 and $1,383,000 as of September 30, 2016 and December 31, 2015, respectively.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents loans modified as troubled debt restructurings that occurred during the nine months ended September 30, 2016 and 2015:

(Dollars in thousands) September 30, 2016	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	24	$ 15,663	$ 15,663

(Dollars in thousands) September 30, 2015	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	2	$ 841	$ 841

As of September 30, 2016, there have been no defaults on any loans that were modified as troubled debt restructurings during the preceding twelve months. Default is determined at 90 or more days past due. The modifications primarily related to extending the amortization periods of the loans. The Company did not grant principal reductions on any restructured loans.

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, 2016 and December 31, 2015, are as follows:

	September 30, 2016	December 31, 2015
Contractually required principal and interest:		
Real estate loans	$ 29,571	$ 17,800
Commercial loans	11,564	5,335
Outstanding contractually required principal and interest	$ 41,135	$ 23,135
Gross carrying amount included in loans receivable	$ 30,343	$ 13,231

The changes in accretable yield during the three and nine months ended September 30, 2016 and 2015 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, 2016	2015	Nine Months Ended September 30, 2016	2015
Accretable yield, beginning balance	$1,192	$3,349	$2,593	$4,977
Additions	4,124	—	4,124	—
Accretion	(417)	(1,056)	(2,451)	(3,070)
Reclassification from nonaccretable to accretable yield	—	195	646	780
Disposals	—	—	(13)	(199)
Accretable yield, ending balance	$4,899	$2,488	$4,899	$2,488

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Goodwill	$ 28,598	$ 15,968

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	September 30, 2016			December 31, 2015		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$21,825	$ (7,593)	$ 14,232	$14,586	$ (5,765)	$ 8,821
Other intangible assets	7,208	(2,589)	4,619	4,830	(1,765)	3,065
	$29,033	$ (10,182)	$ 18,851	$19,416	$ (7,530)	$ 11,886

The changes in goodwill and intangible assets during the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2016	2015	2016	2015
Beginning balance	$26,160	$30,174	$27,854	$29,057
Acquired intangibles	9,618	—	9,618	2,776
Acquired goodwill	12,629	—	12,629	—
Amortization of intangibles	(958)	(1,179)	(2,652)	(2,838)
Ending balance	$47,449	$28,995	$47,449	$28,995

NOTE 6 – Variable Interest Entities

Collateralized Loan Obligation Funds – Closed

The Company, through its subsidiary TCA, acts as the asset manager or provides certain middle- and back-office services to the asset manager of various CLO funds. TCA earns asset management fees in accordance with the terms of its asset management or staff and services agreements associated with the CLO funds. TCA earned asset management fees totaling $1,553,000 and $4,787,000 for the three and nine months ended September 30, 2016, respectively, and $1,744,000 and $3,976,000 for the three and nine months ended September 30, 2015, respectively.

The following table summarizes the closed CLO offerings with assets managed 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 III, LTD (Doral III)(1)	December 17, 2012	$310,800
Trinitas CLO III, LTD (Trinitas III)	June 9, 2015	$409,375

(1) Acquired management contract as part of the Doral Money acquisition discussed in Note 2.

The securities sold in the above 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 these CLO offerings. A related party of the Company holds insignificant interests in Trinitas II and Trinitas III.

The Company performed a consolidation analysis to determine whether the Company was required to consolidate the assets, liabilities, equity or operations of the above 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 these CLO funds in its financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes the closed CLO offerings for which TCA is not the asset manager, but provides certain middle- and back-office services to the asset manager:

(Dollars in thousands)	Offering Date	Offering Amount
Trinitas CLO IV, LTD (Trinitas IV)	June 2, 2016	$406,650
Trinitas CLO V, LTD (Trinitas V)	September 22, 2016	$409,000

The securities sold in the above 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 holds investments in the subordinated notes of Trinitas IV and Trinitas V with a carrying amount of $3,405,000, which are classified as held to maturity securities within the Company's consolidated balance sheet at September 30, 2016.

The Company performed a consolidation analysis to confirm whether the Company was required to consolidate the assets, liabilities, equity or operations of the above closed CLO funds in its financial statements. The Company concluded that the closed CLO funds are variable interest entities and that the Company holds variable interests in the entities in the form of its investment in the subordinated notes of entities. However, the Company also concluded that as TCA is not the asset manager of the CLO funds, 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 closed CLO funds in the Company's financial statements.

Collateralized Loan Obligation Funds – Warehouse Phase

On June 17, 2016, Trinitas CLO VI, Ltd. ("Trinitas VI") was formed to be the issuer of a CLO offering. Trinitas VI is capitalized with subordinated debt issued to the Company and third party investors. The 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 VI will use the proceeds of the debt and equity interests sold in the offering for the final CLO securitization structure to repay the initial warehouse phase debt and equity holders. In the final CLO securitization structure, interest and principal repayment of the leveraged loans held by Trinitas VI will be used to repay debt holders with any excess cash flows used to provide a return on capital to equity investors. During its warehousing period, TCA provides middle- and back-office support as a staff and services provider for Trinitas VI. TCA does not earn management or other fees from Trinitas VI during the warehouse phase.

At September 30, 2016, the Company's loss exposure to Trinitas VI is limited to its $10,448,000 investment in the entity which is classified as other assets within the Company's consolidated balance sheet.

The Company performed a consolidation analysis of Trinitas VI during the warehouse phase and concluded that Trinitas VI is a variable interest entity and that the Company holds a variable interest in the entity that could potentially be significant to the entity in the form of its investment in the subordinated notes of the entity. However, the Company also concluded that as the Company is not the portfolio manager for Trinitas VI, but only acts as staff and services provider, the Company does not have the power to direct the activities that most significantly impact the entity's 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 entity in the Company's financial statements.

NOTE 7 - Deposits

Deposits at September 30, 2016 and December 31, 2015 are summarized as follows:

(Dollars in thousands)	September 30, 2016	December 31, 2015
Noninterest bearing demand	$ 339,999	$ 168,264
Interest bearing demand	311,351	238,833
Individual retirement accounts	103,007	60,971
Money market	209,572	112,214
Savings	171,665	74,759
Certificates of deposit	765,093	543,909
Brokered deposits	49,990	50,000
Total Deposits	$ 1,950,677	$ 1,248,950

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

At September 30, 2016, scheduled maturities of certificates of deposits, individual retirement accounts and brokered deposits are as follows:

(Dollars in thousands)	September 30, 2016
Within one year	$ 718,056
After one but within two years	141,490
After two but within three years	39,459
After three but within four years	11,812
After four but within five years	7,273
Total	$ 918,090

Time deposits, including individual retirement accounts, certificates of deposit, and brokered deposits, with individual balances of $250,000 and greater totaled $148,302,000 and $106,258,000 at September 30, 2016 and December 31, 2015, respectively.

NOTE 8 – BORROWINGS

Junior Subordinated Debentures

The following provides a summary of the Company's junior subordinated debentures as of September 30, 2016:

(Dollars in thousands)	Face Value	Carrying Value	Maturity Date	Interest Rate
National Bancshares Capital Trust II	$15,464	$12,728	September 2033	LIBOR + 3.00%
National Bancshares Capital Trust III	$17,526	$12,165	July 2036	LIBOR + 1.64%
ColoEast Capital Trust I	$5,155	$3,344	September 2035	LIBOR + 1.60%
ColoEast Capital Trust II	$6,700	$4,403	March 2037	LIBOR + 1.79%

These debentures are unsecured obligations and were issued to trusts that are unconsolidated subsidiaries. The trusts in turn issued trust preferred securities with identical payment terms to unrelated investors. The debentures may be called at par plus any accrued but unpaid interest. Interest on the debentures is calculated quarterly. As part of the purchase accounting adjustments made with the Triumph Community Bank acquisition on October 15, 2013 and the ColoEast acquisition on August 1, 2016, the Company adjusted the carrying value of the junior subordinated debentures to fair value as of the respective acquisition dates. The discount on the debentures will continue to be amortized through maturity and recognized as a component of interest expense.

The debentures are included on the consolidated balance sheet as liabilities; however, for regulatory purposes, these obligations are eligible for inclusion in regulatory capital, subject to certain limitations. All of the carrying value of $32,640,000 and $24,687,000 was allowed in the calculation of Tier I capital as of September 30, 2016 and December 31, 2015, respectively.

Subordinated Notes

In September 2016, the Company issued $50,000,000 of Fixed-to-Floating Rate Subordinated Notes due 2026 (the "Notes"). The Notes will initially bear interest at 6.50% per annum, payable semi-annually in arrears, to, but excluding, September 30, 2021, and, thereafter and to, but excluding, the maturity date or earlier redemption, interest shall be payable quarterly in arrears, at an annual floating rate equal to three-month LIBOR as determined for the applicable quarterly period, plus 5.345%. The Company may, at its option, beginning on September 30, 2021 and on any scheduled interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to the outstanding principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the date of redemption.

The Notes are included on the consolidated balance sheet as liabilities; however, for regulatory purposes, the carrying value of these obligations are eligible for inclusion in Tier 2 regulatory capital.

Issuance costs related to the Notes totaled $1,324,000, including an underwriting discount of 1.5%, or $750,000, and have been netted against the subordinated notes liability on the balance sheet. The underwriting discount and other debt issuance costs are being amortized using the effective interest method through maturity as a component of interest expense.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 9 - Legal Contingencies

Various legal claims have arisen from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

NOTE 10 - OFF-BALANCE SHEET LOAN COMMITMENTS

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

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

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

	September 30, 2016		December 31, 2015	
(Dollars in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$8,985	$12,852	$6,571	$2,949
Unused lines of credit	100,056	106,090	35,514	81,189
Standby letters of credit	2,342	4,182	1,030	1,999

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 11 - Fair Value Disclosures

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

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

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

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

The methods of determining the fair value of assets and liabilities presented in this note are consistent with 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, 2016 and December 31, 2015.

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
September 30, 2016	Level 1	Level 2	Level 3	
Securities available for sale	$—	$286,574	$ —	$286,574
Loans held for sale	—	9,623	—	9,623

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
December 31, 2015	Level 1	Level 2	Level 3	
Securities available for sale	$—	$163,169	$ —	$163,169
Loans held for sale	—	1,341	—	1,341

There were no transfers between levels during 2016 or 2015.

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, 2016 and December 31, 2015.

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
September 30, 2016	Level 1	Level 2	Level 3	
Impaired loans				
Commercial real estate	$—	$ —	$417	$417
Construction, land development, land	—	—	251	251
1-4 family residential properties	—	—	8	8
Commercial	—	—	4,178	4,178
Factored receivables	—	—	1,495	1,495
PCI	—	—	1,001	1,001
Other real estate owned (1)				
Commercial	—	—	698	698
Construction, land development, land	—	—	253	253
1-4 family residential properties	—	—	254	254

	$—	$ —	$8,555	$8,555

(Dollars in thousands)	Fair Value Measurements Using			Total
December 31, 2015	Level 1	Level 2	Level 3	Fair Value
Impaired loans				
Commercial real estate	$—	$ —	$431	$431
1-4 family residential properties	—	—	13	13
Commercial	—	—	695	695
Factored receivables	—	—	1,156	1,156
PCI	—	—	170	170
Other real estate owned [1]				
1-4 family residential properties	—	—	128	128
Construction, land development, land	—	—	1,377	1,377
	$—	$ —	$3,970	$3,970

[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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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.

The estimated fair values of the Company’s financial instruments not measured at fair value on a recurring or non-recurring basis at September 30, 2016 and December 31, 2015 were as follows:

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
September 30, 2016	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$104,725	$104,725	$—	$—	$104,725
Securities - held to maturity	29,316	—	27,506	3,343	30,849
Loans not previously presented, net	1,937,593	—			