Triumph Bancorp, Inc.
Form 10-Q
July 31, 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 June 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, 18,041,072 shares, as of July 31, 2015

TRIUMPH BANCORP, INC.

FORM 10-Q

June 30, 2015

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PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2015 and December 31, 2014

(Dollar amounts in thousands, except per share amounts)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and due from banks	$ 27,678	$ 21,312
Interest bearing deposits with other banks	72,036	139,576
Total cash and cash equivalents	99,714	160,888
Securities - available for sale	158,693	162,024
Securities - held to maturity, fair value of $744 and $750, respectively	746	745
Loans held for sale, at fair value	4,096	3,288
Loans, net of allowance for loan and lease losses of $11,462 and $8,843, respectively	1,141,217	997,035
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	5,707	4,903
Premises and equipment, net	21,677	21,933
Other real estate owned, net	6,322	8,423
Goodwill	15,968	15,968
Intangible assets, net	14,206	13,089
Bank-owned life insurance	29,295	29,083
Deferred tax assets, net	15,582	15,956
Other assets	16,036	14,563
Total assets	$ 1,529,259	$ 1,447,898
LIABILITIES AND EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 164,560	$ 179,848
Interest bearing	1,024,699	985,381
Total deposits	1,189,259	1,165,229
Customer repurchase agreements	13,011	9,282
Federal Home Loan Bank advances	19,000	3,000
Junior subordinated debentures	24,553	24,423
Other liabilities	25,957	8,455
Total liabilities	1,271,780	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	192,605	191,049

Treasury stock, at cost	(170)	(161)
Retained earnings	54,053	35,744
Accumulated other comprehensive income	1,064	951
Total stockholders’ equity	257,479	237,509
Total liabilities and stockholders' equity	$ 1,529,259	$ 1,447,898

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three and Six Months Ended June 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest and dividend income:				
Loans, including fees	$17,158	$13,860	$30,397	$28,236
Factored receivables, including fees	8,654	6,838	16,163	12,110
Taxable securities	659	663	1,337	1,319
Tax exempt securities	16	15	28	31
Cash deposits	110	77	251	135
Total interest income	26,597	21,453	48,176	41,831
Interest expense:				
Deposits	1,667	1,141	3,237	2,249
Senior secured note	—	137	—	276
Junior subordinated debentures	278	272	550	543
Other	7	22	19	28
Total interest expense	1,952	1,572	3,806	3,096
Net interest income	24,645	19,881	44,370	38,735
Provision for loan losses	2,541	1,747	3,186	2,672
Net interest income after provision for loan losses	22,104	18,134	41,184	36,063
Noninterest income:				
Service charges on deposits	666	813	1,278	1,552
Card income	578	548	1,101	1,037
Net OREO gains (losses) and valuation adjustments	52	(252)	78	(329)
Net gains on sale of securities	242	—	242	16
Net gains on sale of loans	491	319	1,033	575
Fee income	502	421	924	819
Bargain purchase gain	—	—	12,509	—
Asset management fees	1,274	129	2,232	129
Other	964	655	2,031	1,444
Total noninterest income	4,769	2,633	21,428	5,243
Noninterest expense:				
Salaries and employee benefits	12,042	9,471	25,311	18,347
Occupancy, furniture and equipment	1,555	1,336	3,127	2,725
FDIC insurance and other regulatory assessments	271	280	534	541
Professional fees	852	793	2,179	1,385

Amortization of intangible assets	895	724	1,659	1,451
Advertising and promotion	526	683	1,069	1,126
Communications and technology	927	945	1,813	1,834
Other	2,567	1,928	4,726	3,647
Total noninterest expense	19,635	16,160	40,418	31,056
Net income before income tax	7,238	4,607	22,194	10,250
Income tax expense	2,586	1,626	3,498	3,542
Net income	4,652	2,981	18,696	6,708
Income attributable to noncontrolling interests	—	(500)	—	(887)
Net income attributable to Triumph Bancorp, Inc.	4,652	2,481	18,696	5,821
Dividends on preferred stock	(195)	(196)	(387)	(388)
Net income available to common stockholders	$4,457	$2,285	$18,309	$5,433
Earnings per common share				
Basic	$0.25	$0.23	$1.03	$0.55
Diluted	$0.25	$0.23	$1.01	$0.55

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Six Months Ended June 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$4,652	$2,981	$18,696	$6,708
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(557)	574	431	1,159
Reclassification of amount realized through sale of securities	(242)	—	(242)	(16)
Tax effect	292	(218)	(76)	(435)
Total other comprehensive income (loss)	(507)	356	113	708
Comprehensive income	4,145	3,337	18,809	7,416
Income attributable to noncontrolling interests	—	(500)	—	(887)
Comprehensive income attributable to Triumph Bancorp, Inc.	$4,145	$2,837	$18,809	$6,529

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 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 Equit
ace, ry 1, 2014	45,500	$4,550	51,956	$5,196	9,832,585	$98	$104,631	—	$—	$18,992	$133	$26,997	$160.
ng of cted stock	—	—	—	—	13,511	—	—	—	—	—	—	—	—
based ensation	—	—	—	—	—	—	196	—	—	—	—	—	196
ase of ry stock	—	—	—	—	(277)	—	—	277	(4)	—	—	—	(4
s T-1 and ividends	—	—	—	—	—	—	—	—	—	(730)	—	—	(730
s A rred ends	—	—	—	—	—	—	—	—	—	(182)	—	—	(182
s B rred ends	—	—	—	—	—	—	—	—	—	(206)	—	—	(206
Class B butions	—	—	—	—	—	—	—	—	—	(63)	—	—	(63
Class B nption	—	—	—	—	—	—	—	—	—	—	—	(1,100)	(1,1
ncome	—	—	—	—	—	—	—	—	—	6,708	—	—	6,70
rehensive ne	—	—	—	—	—	—	—	—	—	—	708	—	708
ace, 30, 2014	45,500	$4,550	51,956	$5,196	9,845,819	$98	$104,827	277	$(4)	$24,519	$841	$25,897	$165.
ace, ry 1, 2015	45,500	$4,550	51,956	$5,196	17,963,783	$180	$191,049	10,984	$(161)	$35,744	$951	$—	$237.

nce of cted stock ds	—	—	—	—	77,956	1	(1)	—	—	—	—	—	—
iture of cted stock ds	—	—	—	—	(667)	—	9	667	(9)	—	—	—	—
based ensation	—	—	—	—	—	—	1,548	—	—	—	—	—	1,54
s A rred ends	—	—	—	—	—	—	—	—	—	(181)	—	—	(181
s B rred ends	—	—	—	—	—	—	—	—	—	(206)	—	—	(206
ncome	—	—	—	—	—	—	—	—	—	18,696	—	—	18,6
rehensive ne	—	—	—	—	—	—	—	—	—	—	113	—	113
ce, 30, 2015	45,500	$4,550	51,956	$5,196	18,041,072	$181	$192,605	11,651	$(170)	$54,053	$1,064	$—	$257.

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$18,696	$6,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,069	934
Net accretion on loans and deposits	(2,720)	(5,780)
Amortization of junior subordinated debentures	130	125
Net amortization on securities	301	144
Amortization of intangible assets	1,659	1,451
Deferred taxes	(366)	(8)
Provision for loan losses	3,186	2,672
Stock based compensation	1,548	196
Origination of loans held for sale	(36,220)	(24,127)
Proceeds from loan sales	36,445	26,007
Net gains on sale of securities	(242)	(16)
Net gains on sale of loans	(1,033)	(575)
Net OREO (gains) losses and valuation adjustments	(78)	329
Bargain purchase gain	(12,509)	—
(Increase) decrease in other assets	(543)	(3,270)
Increase (decrease) in other liabilities	3,888	(2,373)
Net cash provided by (used in) operating activities	13,211	2,417
Cash flows from investing activities:		
Purchases of securities available for sale	(15,072)	(12,560)
Proceeds from sales of securities available for sale	12,559	6,794
Proceeds from maturities, calls, and pay downs of securities available for sale	5,973	22,687
Purchases of loans (shared national credits)	(16,685)	—
Net change in loans	(115,935)	(85,963)
Purchases of premises and equipment, net	(813)	(508)
Net proceeds from sale of OREO	2,926	2,722
Net proceeds from CLO warehouse investments	2,450	2,500
Purchases of FHLB and FRB stock, net	(804)	(2,174)
Cash paid for acquisitions, net of cash acquired	(127,591)	(49,482)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	36,765	—
Net cash provided by (used in) investing activities	(216,227)	(115,984)
Cash flows from financing activities:		

Net increase in deposits	24,184	63,417
Increase (decrease) in customer repurchase agreements	3,729	3,983
Increase (decrease) in Federal Home Loan Bank advances	16,000	49,000
Repayment of senior secured note	—	(629)
Proceeds from the issuance of other borrowings	99,975	—
Repayment of other borrowings	(1,659)	—
Purchase of treasury stock	—	(4)
Distributions on noncontrolling interest and preferred stock	(387)	(1,181)
Redemption of TCF Class B units	—	(1,100)
Net cash provided by financing activities	141,842	113,486
Net increase in cash and cash equivalents	(61,174)	(81)
Cash and cash equivalents at beginning of period	160,888	85,797
Cash and cash equivalents at end of period	$99,714	$85,716
Supplemental cash flow information:		
Interest paid	$3,629	$4,962
Income taxes paid	$2,488	$1,536
Supplemental noncash disclosures:		
Loans transferred to OREO	$747	$379
Securities transferred in satisfaction of other borrowings	$98,316	$—
Loan purchases, not yet settled (shared national credits)	$12,929	$—
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.

The Company has received regulatory approval to merge its subsidiary banks, Triumph Community Bank, N.A. and Triumph Savings Bank, SSB, into a single bank. The combined bank will be named TBK Bank, SSB, 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.

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 six months ended June 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.

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.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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, at its July 9, 2015 meeting the FASB agreed to defer the mandatory effective date the new standard would take effect for 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.

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)

Assets acquired:	
Cash	$8,273
CLO Securities	98,316
Intangible asset - CLO management contracts	1,918
Loans	36,765
Prepaid corporate income tax	3,014
Other assets	772
	149,058
Liabilities assumed:	
Deferred tax liability	663
Other liabilities	22
	685
Fair value of net assets acquired	148,373
Net consideration transferred	135,864
Bargain purchase gain	$(12,509)

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

consideration transferred. As of June 30, 2015, the accounting for income taxes and contingent liabilities 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.

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.

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

(Dollars in thousands)	
Assets acquired:	
Loans	$45,334
Customer relationship intangible	2,029
Premises and equipment	50
Other assets	276

	47,689
Liabilities assumed:	
Customer deposits	128
Fair value of net assets acquired	47,561
Cash paid	49,482
Goodwill	$1,921

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 June 30, 2015 and December 31, 2014 are as follows:

(Dollars in thousands) June 30, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 95,749	$ 944	$ (21)	$ 96,672
Mortgage-backed securities, residential	25,742	525	—	26,267
Asset backed securities	18,437	121	(25)	18,533
State and municipal	3,387	26	—	3,413
Corporate bonds	13,510	117	(15)	13,612
SBA pooled securities	194	2	—	196
Total available for sale securities	$ 157,019	$ 1,735	$ (61)	$ 158,693

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
Other debt securities	$ 746	$ 4	$ (6)	$ 744

(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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The amortized cost and estimated fair value of securities at June 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.

	Securities Available for Sale		Held to Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,270	$ 1,272	$ —	$ —
Due from one year to five years	109,156	110,187	746	744
Due from five years to ten years	1,550	1,548	—	—
Due after ten years	670	690	—	—
	112,646	113,697	746	744
Mortgage-backed securities, residential	25,742	26,267	—	—
Asset backed securities	18,437	18,533	—	—
SBA pooled securities	194	196	—	—
	$ 157,019	$ 158,693	$ 746	$ 744

For the three and six months ended June 30, 2015, securities were sold resulting in proceeds of $12,559,000, gross gains of $242,000, and no losses. For the six months ended June 30, 2014, securities were sold resulting in proceeds of $6,794,000, gross gains of $25,000, and gross losses of $9,000. There were no sales of securities for the three months ended June 30, 2014.

Securities with a carrying amount of approximately $104,878,000 and $113,980,000 at June 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.

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Information pertaining to securities with gross unrealized losses at June 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) June 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	$7,539	$ (21)	$—	$ —	$7,539	$ (21)
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	4,875	(12)	4,971	(13)	9,846	(25)
State and municipal	—	—	—	—	—	—
Corporate bonds	1,769	(15)	—	—	1,769	(15)
SBA pooled securities	—	—	—	—	—	—
	$14,183	$ (48)	$4,971	$ (13)	$19,154	$ (61)
Held to maturity securities:						
Other debt securities	$219	$ (6)	$—	$ —	$219	$ (6)

(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 June 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 any of the securities are impaired due to reasons of credit quality. Accordingly, as of June 30, 2015, management believes 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.

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NOTE 4 - LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

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

(Dollars in thousands)	June 30, 2015	December 31, 2014
Commercial real estate	$234,090	$249,164
Construction, land development, land	46,743	42,914
1-4 family residential properties	75,588	78,738
Farmland	25,701	22,496
Commercial	454,161	364,567
Factored receivables	199,716	180,910
Consumer	10,993	11,941
Mortgage warehouse	105,687	55,148
Total	1,152,679	1,005,878
Allowance for loan and lease losses	(11,462)	(8,843)
	$1,141,217	$997,035

Total loans include net deferred origination fees and costs and deferred factoring fees totaling $878,000 and $906,000 at June 30, 2015 and December 31, 2014, respectively.

Loans with carrying amounts of $168,232,000 and $141,427,000 at June 30, 2015 and December 31, 2014, respectively, were pledged to secure Federal Home Loan Bank advance capacity.

Allowance for Loan and Lease Losses

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

(Dollars in thousands) Three months ended June 30, 2015	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 1,075	$ 183	$ (54)	$ 10	$1,214
Construction, land development, land	344	2	—	—	346

1-4 family residential properties	223	29	(78)	77	251
Farmland	26	2	—	—	28
Commercial	3,996	1,109	(45)	4	5,064
Factored receivables	3,380	1,049	(312)	18	4,135
Consumer	84	61	(52)	67	160
Mortgage warehouse	158	106	—	—	264
	$ 9,286	$ 2,541	$ (541)	$ 176	$11,462

(Dollars in thousands) Three months ended June 30, 2014	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 402	$ 60	$ —	$ 1	$463
Construction, land development, land	194	48	—	—	242
1-4 family residential properties	203	35	(44)	3	197
Farmland	7	4	—	—	11
Commercial	1,519	811	(1)	3	2,332
Factored receivables	2,173	779	(136)	22	2,838
Consumer	75	(6)	(74)	101	96
Mortgage warehouse	58	16	—	—	74
	$ 4,631	$ 1,747	$ (255)	$ 130	$6,253

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(Dollars in thousands) Six months ended June 30, 2015	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 533	$ 773	$ (143)	$ 51	$ 1,214
Construction, land development, land	333	13	—	—	346
1-4 family residential properties	215	119	(183)	100	251
Farmland	19	9	—	—	28
Commercial	4,003	1,102	(47)	6	5,064
Factored receivables	3,462	1,004	(379)	48	4,135
Consumer	140	40	(147)	127	160
Mortgage warehouse	138	126	—	—	264
	$ 8,843	$ 3,186	$ (899)	$ 332	$ 11,462

(Dollars in thousands) Six months ended June 30, 2014	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 348	$ 113	$ —	$ 2	$ 463
Construction, land development, land	110	132	—	—	242
1-4 family residential properties	100	184	(189)	102	197
Farmland	7	4	—	—	11
Commercial	1,145	985	(13)	215	2,332
Factored receivables	1,842	1,136	(176)	36	2,838
Consumer	49	88	(215)	174	96
Mortgage warehouse	44	30	—	—	74
	$ 3,645	$ 2,672	$ (593)	$ 529	$ 6,253

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			
June 30, 2015	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$ 1,923	$ 224,697	$ 7,470	$ 234,090	$ 100	$ 759	$ 355	$ 1,214
Construction, land development, land	—	45,337	1,406	46,743	—	346	—	346
1-4 family residential properties	389	73,155	2,044	75,588	2	249	—	251
Farmland	—	25,701	—	25,701	—	28	—	28
Commercial	2,795	446,904	4,462	454,161	747	4,317	—	5,064
Factored receivables	2,644	197,072	—	199,716	1,513	2,622	—	4,135
Consumer	—	10,993	—	10,993	—	160	—	160

Mortgage warehouse	—	105,687	—	105,687	—	264	—	264
	$7,751	$1,129,546	$15,382	$1,152,679	$2,362	$ 8,745	$355	$ 11,462

(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

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The following is a summary of information pertaining to impaired loans at June 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) June 30, 2015	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$532	$ 532	$ 100	$1,391	$ 1,414
Construction, land development, land	—	—	—	—	—
1-4 family residential properties	16	23	2	373	479
Farmland	—	—	—	—	—
Commercial	2,189	2,218	747	606	606
Factored receivables	2,344	2,344	1,513	300	300
Consumer	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—
PCI	525	525	355	—	—
	$5,606	$ 5,642	$ 2,717	$2,670	$ 2,799

	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

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(Dollars in thousands)	Three Months Ended June 30, 2015 Average Impaired Loans	Three Months Ended June 30, 2015 Interest Recognized	Three Months Ended June 30, 2014 Average Impaired Loans	Three Months Ended June 30, 2014 Interest Recognized
Commercial real estate	$1,926	$ 1	$1,992	$ 180
Construction, land development, land	—	—	—	—
1-4 family residential properties	433	9	842	142
Farmland	—	—	—	—
Commercial	4,833	80	5,761	27
Factored receivables	1,957	—	665	—
Consumer	—	—	—	—
Mortgage warehouse	—	—	—	—
PCI	721	—	13	(3)
	$9,870	$ 90	$9,273	$ 346

(Dollars in thousands)	Six Months Ended June 30, 2015 Average Impaired Loans	Six Months Ended June 30, 2015 Interest Recognized	Six Months Ended June 30, 2014 Average Impaired Loans	Six Months Ended June 30, 2014 Interest Recognized
Commercial real estate	$1,928	$ 4	$2,113	$ 181
Construction, land development, land	—	—	—	—
1-4 family residential properties	647	32	1,018	145
Farmland	—	—	—	—
Commercial	4,992	119	5,642	40
Factored receivables	1,958	—	381	9
Consumer	—	—	—	—
Mortgage warehouse	—	—	—	—
PCI	263	—	13	9
	$9,788	$ 155	$9,167	$ 384

Loans included in the above 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 the tables above.

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The following table presents the unpaid principal and recorded investment for loans at June 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) June 30, 2015	Recorded Investment	Unpaid Principal	Difference
Commercial real estate	$234,090	$244,743	$(10,653)
Construction, land development, land	46,743	48,263	(1,520)
1-4 family residential properties	75,588	78,626	(3,038)
Farmland	25,701	25,611	90
Commercial	454,161	456,220	(2,059)
Factored receivables	199,716	200,721	(1,005)
Consumer	10,993	11,054	(61)
Mortgage warehouse	105,687	105,687	—
	$1,152,679	$1,170,925	$(18,246)

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 June 30, 2015 and December 31, 2014, the Company had $19,672,000 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.

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Past Due and Nonaccrual Loans

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

(Dollars in thousands) June 30, 2015	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$224	$ —	$ 1,992	$2,216
Construction, land development, land	1,168	—	—	1,168
1-4 family residential properties	310	—	445	755
Farmland	—	—	—	—
Commercial	4,887	—	2,407	7,294
Factored receivables	7,022	2,211	—	9,233
Consumer	280	—	—	280
Mortgage warehouse	—	—	—	—
PCI	—	—	5,895	5,895
	$13,891	$ 2,211	$ 10,739	$26,841

(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.

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

(Dollars in thousands) June 30, 2015	Pass	Special Mention	Substandard	Doubtful	PCI	Total
Commercial real estate	$216,720	$2,297	$ 7,603	$ —	$7,470	$234,090
Construction, land development, land	45,337	—	—	—	1,406	46,743
1-4 family residential	73,080	—	464	—	2,044	75,588
Farmland	25,701	—	—	—	—	25,701
Commercial	430,782	8,442	10,475	—	4,462	454,161
Factored receivables	197,072	—	1,850	794	—	199,716
Consumer	10,993	—	—	—	—	10,993
Mortgage warehouse	105,687	—	—	—	—	105,687
	$1,105,372	$10,739	$ 20,392	$ 794	$15,382	$1,152,679

(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 June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014.

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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 June 30, 2015 and December 31, 2014, are as follows:

	June 30, 2015	December 31, 2014
Contractually required principal and interest:		
Real estate loans	$19,482	$ 23,457
Commercial loans	6,221	6,293
Outstanding contractually required principal and interest	$25,703	$ 29,750
Gross carrying amount included in loans receivable	$15,382	$ 16,500

The changes in accretable yield during the three and six months ended June 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Accretable yield, beginning balance	$4,496	$6,662	$4,977	$4,587
Additions	—	482	—	482
Accretion	(1,031)	(199)	(1,460)	(1,957)
Reclassification from nonaccretable to accretable yield	585	—	585	3,922
Disposals	(147)	(61)	(199)	(150)
Accretable yield, ending balance	$3,903	$6,884	$3,903	$6,884

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

June 30,

(Dollars in thousands)	2015	December 31, 2014
Goodwill	$15,968	$ 15,968
Core deposit intangibles	9,984	11,218
Other intangible assets	4,222	1,871
	$30,174	$ 29,057

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2015	2014	2015	2014
Beginning balance	$30,211	$27,791	$29,057	$28,518
Acquired goodwill	—	1,921	—	1,921
Acquired intangibles	858	2,055	2,776	2,055
Amortization of intangibles	(895)	(724)	(1,659)	(1,451)
Ending balance	$30,174	$31,043	$30,174	$31,043

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NOTE 6 – Variable Interest Entities

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 $1,274,000 and $2,232,000 for the three and six months ended June 30, 2015, respectively, and $129,000 for the three and six months ended June 30, 2014.

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.

At December 31, 2014, Trinitas III was in a "warehouse" phase whereby it was acquiring senior secured corporate loans in anticipation of the securities offering that completed the final CLO securitization structure. The purchases of these warehouse assets were funded by initial third party equity investments, the Company's initial equity investment, and the proceeds from third party debt financing. On June 9, 2015, Trinitas III completed its CLO securities offering and issued $409,375,000 face amount of CLO securities. In connection with the offering, Trinitas III redeemed the equity securities issued as part of its warehouse phase and repaid and terminated its warehouse credit facility. The Company performed a consolidation analysis of Trinitas III during the warehouse phase and concluded that Trinitas III was a variable interest entity and that the Company and its related persons held variable interests in the entity that could have potentially been significant to the entity in the form of equity investments in the entity. However, the Company also concluded that due to certain approval and denial powers available to the lender under the warehouse credit facility for Trinitas III which provided for shared decision-making powers, the Company was not the primary beneficiary of Trinitas III during the warehouse phase and therefore did not consolidate the assets, liabilities, equity, or operations of the entity in the Company's financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

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(Unaudited)

NOTE 7 - Deposits

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

(Dollars in thousands)	June 30, 2015	December 31, 2014
Noninterest bearing demand	$164,560	$179,848
Interest bearing demand	228,909	236,525
Individual retirement accounts	56,285	55,034
Money market	116,019	117,514
Savings	73,016	70,407
Certificates of deposit	500,451	455,901
Brokered deposits	50,019	50,000
Total Deposits	$1,189,259	$1,165,229

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

(Dollars in thousands)	June 30, 2015
Within one year	$386,320
After one but within two years	151,393
After two but within three years	44,538
After three but within four years	13,794
After four but within five years	10,710
Total	$606,755

Time deposits, including individual retirement accounts, certificates of deposit, and brokered deposits, with individual balances of $250,000 and greater totaled $92,044,000 and $66,366,000 at June 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.

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	June 30, 2015		December 31, 2014	
(Dollars in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$8,382	$15,588	$5,192	$14,600
Unused lines of credit	35,178	186,520	30,369	197,594
Standby letters of credit	1,385	1,984	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 June 30, 2015 and December 31, 2014.

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
June 30, 2015	Level 1	Level 2	Level 3	
Securities available for sale				
U.S. Government agency obligations	$—	$96,672	$—	$96,672
Mortgage-backed securities-residential	—	26,267	—	26,267
Asset backed securities	—	18,533	—	18,533
State and municipal	—	3,413	—	3,413
Corporate bonds	—	13,612	—	13,612
SBA pooled securities	—	196	—	196
	$—	$158,693	$—	$158,693
Loans held for sale	$—	$4,096	$—	$4,096

(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 six months ended June 30, 2015.

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(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 June 30, 2015 and December 31, 2014.

(Dollars in thousands)	Fair Value Measurements Using			Total
June 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	—	—	1,442	1,442
Factored receivables	—	—	831	831
PCI	—	—	170	170
Other real estate owned [1]				
1-4 family residential properties	—	—	92	92
Construction, land development, land	—	—	411	411
	$—	$ —	$3,392	$3,392

(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]				
1-4 family residential properties	—	—	97	97
Commercial	—	—	2,163	2,163
Construction, land development, land	—	—	1,487	1,487
	$—	$ —	$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

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

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
June 30, 2015	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$99,714	$99,714	$—	$—	$99,714
Securities - held to maturity	746	—	744	—	744
Loans not previously presented, net	1,138,328	—	—	1,144,194	1,144,194
FHLB and FRB stock	5,707	N/A	N/A	N/A	N/A
Accrued interest receivable	4,328	—	4,328	—	4,328
Financial liabilities:					
Deposits	1,189,259	—	1,191,279	—	1,191,279
Customer repurchase agreements	13,011	—	13,011	—	13,011
Federal Home Loan Bank advances	19,000		19,000		19,000
Junior subordinated debentures	24,553	—	24,553	—	24,553
Accrued interest payable	1,149	—	1,149	—	1,149

(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.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

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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 June 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. There are no conditions or events since June 30, 2015 that management believes would change either institution’s category.

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The actual capital amounts and ratios for the Company, TSB, and TCB are presented in the following table as of June 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) As of June 30, 2015	Actual Amount	Ratio	To Be Adequately Capitalized Under Prompt Corrective Action Provisions Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$263,293	20.0%	$105,102	8.0%	N/A	N/A
Triumph Savings Bank, SSB	$62,464	15.5%	$32,232	8.0%	$40,291	10.0%
Triumph Community Bank	$132,191	15.3%	$69,035	8.0%	$86,293	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$251,691	19.2%	$78,826	6.0%	N/A	N/A
Triumph Savings Bank, SSB	$57,595	14.3%	$24,174	6.0%	$32,232	8.0%
Triumph Community Bank	$125,552	14.6%	$51,774	6.0%	$69,032	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$223,046	17.0%	$59,120	4.5%	N/A	N/A
Triumph Savings Bank, SSB	$57,595	14.3%	$18,131	4.5%	$26,189	6.5%
Triumph Community Bank	$125,552	14.6%	$38,831	4.5%	$56,089	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$251,691	17.0%	$59,181	4.0%	N/A	N/A
Triumph Savings Bank, SSB	$57,595	13.3%	$17,321	4.0%	$21,651	5.0%
Triumph Community Bank	$125,552	12.6%	$39,880	4.0%	$49,850	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%	$	