Triumph Bancorp, Inc.
Form 10-Q
May 04, 2016

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 March 31, 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 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 x
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 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, 18,111,475 shares, as of May 3, 2016

TRIUMPH BANCORP, INC.

FORM 10-Q

MARCH 31, 2016

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PART I – FINANCIAL INFORMATION

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FINANCIAL STATEMENTS

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share amounts)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	$ 18,616	$ 23,447
Interest bearing deposits with other banks	105,099	81,830
Total cash and cash equivalents	123,715	105,277
Securities - available for sale	161,517	163,169
Securities - held to maturity, fair value of $26,133 and $0, respectively	25,796	—
Loans held for sale, at fair value	3,043	1,341
Loans, net of allowance for loan and lease losses of $12,093 and $12,567, respectively	1,233,747	1,279,318
Federal Home Loan Bank stock, at cost	4,234	3,818
Premises and equipment, net	19,934	22,227
Other real estate owned, net	7,478	5,177
Goodwill	15,968	15,968
Intangible assets, net	10,909	11,886
Bank-owned life insurance	29,658	29,535
Deferred tax assets, net	15,240	15,945
Other assets	36,556	37,652
Total assets	$ 1,687,795	$ 1,691,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 160,818	$ 168,264
Interest bearing	1,099,575	1,080,686
Total deposits	1,260,393	1,248,950
Customer repurchase agreements	9,641	9,317
Federal Home Loan Bank advances	110,000	130,000
Junior subordinated debentures	24,754	24,687
Other liabilities	8,893	10,321
Total liabilities	1,413,681	1,423,275
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	181
Additional paid-in-capital	194,687	194,297

Treasury stock, at cost	(597)	(560)
Retained earnings	68,909	64,097
Accumulated other comprehensive income	1,188	277
Total stockholders’ equity	274,114	268,038
Total liabilities and stockholders' equity	$ 1,687,795	$ 1,691,313

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2016	2015
Interest and dividend income:		
Loans, including fees	$16,088	$13,239
Factored receivables, including fees	7,822	7,509
Taxable securities	768	678
Tax exempt securities	7	12
Cash deposits	208	141
Total interest income	24,893	21,579
Interest expense:		
Deposits	1,993	1,570
Junior subordinated debentures	302	272
Other borrowings	109	12
Total interest expense	2,404	1,854
Net interest income	22,489	19,725
Provision for loan losses	(511)	645
Net interest income after provision for loan losses	23,000	19,080
Noninterest income:		
Service charges on deposits	659	612
Card income	546	523
Net OREO gains (losses) and valuation adjustments	(11)	26
Net gains on sale of securities	5	—
Net gains on sale of loans	12	542
Fee income	534	422
Bargain purchase gain	—	12,509
Asset management fees	1,629	958
Other	1,607	1,067
Total noninterest income	4,981	16,659
Noninterest expense:		
Salaries and employee benefits	12,252	13,269
Occupancy, furniture and equipment	1,493	1,572
FDIC insurance and other regulatory assessments	224	263
Professional fees	1,073	1,327
Amortization of intangible assets	977	764

Advertising and promotion	519	543
Communications and technology	1,432	886
Other	2,108	2,159
Total noninterest expense	20,078	20,783
Net income before income tax	7,903	14,956
Income tax expense	2,897	912
Net income	5,006	14,044
Dividends on preferred stock	(194)	(192)
Net income available to common stockholders	$4,812	$13,852
Earnings per common share		
Basic	$0.27	$0.78
Diluted	$0.27	$0.76

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net income	$5,006	$14,044
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	1,456	988
Reclassification of amount realized through sale of securities	(5)	—
Tax effect	(540)	(368)
Total other comprehensive income (loss)	911	620
Comprehensive income	$5,917	$14,664

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock – Series A		Preferred Stock – Series B		Common Stock			Treasury Stock				
	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Par Amount	Additional Paid-in-Capital	Shares Outstanding	Cost	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2015	45,500	$4,550	51,956	$5,196	17,963,783	$180	$191,049	10,984	$(161)	$35,744	$951	$237,509
Stock based compensation	—	—	—	—	—	—	696	—	—	—	—	696
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(90)	—	(90)
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(102)	—	(102)
Net income	—	—	—	—	—	—	—	—	—	14,044	—	14,044
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	620	620
Balance, March 31, 2015	45,500	$4,550	51,956	$5,196	17,963,783	$180	$191,745	10,984	$(161)	$49,596	$1,571	$252,677
Balance, January 1, 2016	45,500	$4,550	51,956	$5,196	18,018,200	$181	$194,297	34,523	$(560)	$64,097	$277	$268,038
Forfeiture of restricted stock awards	—	—	—	—	(2,777)	—	37	2,777	(37)	—	—	—
Stock based compensation	—	—	—	—	—	—	353	—	—	—	—	353
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(91)	—	(91)
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(103)	—	(103)
Net income	—	—	—	—	—	—	—	—	—	5,006	—	5,006
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	911	911

Balance, March 31, 2016	45,500	$4,550	51,956	$5,196	18,015,423	$181	$194,687	37,300	$(597)	$68,909	$1,188	$274,114

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2016	2015
Cash flows from operating activities:		
Net income	$5,006	$14,044
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	572	528
Net accretion on loans and deposits	(1,190)	(1,194)
Amortization of junior subordinated debentures	67	64
Net amortization on securities	176	160
Amortization of intangible assets	977	764
Deferred taxes	(133)	(58)
Provision for loan losses	(511)	645
Stock based compensation	353	696
Origination of loans held for sale	(891)	(19,276)
Proceeds from loan sales	2,006	19,705
Net gains on sale of securities	(5)	—
Net gains on sale of loans	(12)	(542)
Net OREO (gains) losses and valuation adjustments	11	(26)
Bargain purchase gain	—	(12,509)
(Increase) decrease in other assets	1,272	(172)
Increase (decrease) in other liabilities	(1,428)	1,493
Net cash provided by (used in) operating activities	6,270	4,322
Cash flows from investing activities:		
Purchases of securities available for sale	(3,264)	—
Proceeds from sales of securities available for sale	4,345	—
Proceeds from maturities, calls, and pay downs of securities available for sale	1,829	1,491
Purchases of securities held to maturity	(25,775)	—
Purchases of loans (shared national credits)	(995)	—
Net change in loans	45,253	(5,153)
Purchases of premises and equipment, net	(494)	(311)
Net proceeds from sale of OREO	59	1,955
Purchases of FHLB and FRB stock, net	(416)	437
Cash paid for acquisitions, net of cash acquired	—	(124,990)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765

Net cash provided by (used in) investing activities	20,542	(89,806)
Cash flows from financing activities:		
Net increase in deposits	11,496	8,530
Increase (decrease) in customer repurchase agreements	324	(616)
Increase (decrease) in Federal Home Loan Bank advances	(20,000)	(3,000)
Proceeds from the issuance of other borrowings	—	99,975
Repayment of other borrowings	—	(1,659)
Dividends on preferred stock	(194)	(192)
Net cash provided by (used in) financing activities	(8,374)	103,038
Net increase (decrease) in cash and cash equivalents	18,438	17,554
Cash and cash equivalents at beginning of period	105,277	160,888
Cash and cash equivalents at end of period	$123,715	$178,442
Supplemental cash flow information:		
Interest paid	$2,348	$1,856
Income taxes paid	$1,123	$528
Supplemental noncash disclosures:		
Loans transferred to OREO	$156	$497
Premises transferred to OREO	$2,215	
Securities transferred in satisfaction of other borrowings	$—	$98,316
Loans transferred to Loans held for sale	$2,805	$—

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 (“TIG”).

TBK Bank 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 months ended March 31, 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.

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. 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)

NOTE 2 – Business combinations

ColoEast Bankshares, Inc.

On March 6, 2016, the Company entered into an agreement to acquire ColoEast Bankshares, Inc. ("ColoEast") and its community banking subsidiary, Colorado East Bank & Trust, in an all-cash transaction for $70,000,000. Consideration could be reduced to $69,000,000 should ColoEast not achieve certain targets. ColoEast had total assets of $759,000,000, total loans of $453,000,000, and total deposits of $664,000,000 as of December 31, 2015. Colorado East Bank & Trust offers personal checking, savings, CD, money market, HSA, IRA, NOW and business accounts, as well as consumer, commercial and mortgage loans from 18 branches and one loan production office located throughout Colorado and far western Kansas. The transaction, which is expected to close during the third quarter of 2016, is subject to customary closing conditions, including approval of the merger agreement by ColoEast shareholders and receipt of required regulatory approvals.

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. ("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 for 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 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 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 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	Measurement Period Adjustments	Adjusted Values

	Acquisition Date		
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)

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company completed the acquisition via an FDIC bid process for DMI as part of the Doral Bank failure and the resulting nontaxable bargain purchase gain represents the excess of the fair value of the net assets acquired over the fair value of the net consideration transferred. The Company 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.

The Company incurred pre-tax expenses related to the acquisition of approximately $243,000 for the three months ended March 31, 2015, which are included in professional fees in the consolidated statements of income.

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. No gains or losses were recognized on the sales.

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

(Dollars in thousands) March 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 90,460	$ 1,508	$ —	$ 91,968
Mortgage-backed securities, residential	26,667	510	—	27,177
Asset backed securities	13,239	—	(396)	12,843
State and municipal	1,298	29	—	1,327
Corporate bonds	27,786	239	(2)	28,023
SBA pooled securities	177	2	—	179
Total available for sale securities	$ 159,627	$ 2,288	$ (398)	$ 161,517

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 25,796	$ 337	$ —	$ 26,133

(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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The amortized cost and estimated fair value of securities at March 31, 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	$20,707	$20,757	$—	$—
Due from one year to five years	96,606	98,273	—	—
Due from five years to ten years	1,562	1,575	—	—
Due after ten years	669	713	25,796	26,133
	119,544	121,318	25,796	26,133
Mortgage-backed securities, residential	26,667	27,177	—	—
Asset backed securities	13,239	12,843	—	—
SBA pooled securities	177	179	—	—
	$159,627	$161,517	$25,796	$26,133

During the three months ended March 31, 2016, securities were sold resulting in proceeds of $4,345,000, gross gains of $5,000, and no losses. There were no sales of securities during the three months ended March 31, 2015.

Securities with a carrying amount of approximately $82,826,000 and $100,034,000 at March 31, 2016 and December 31, 2015, respectively, were pledged to secure customer repurchase agreements, Federal Home Loan Bank advances, and for other purposes required or permitted by law.

Information pertaining to securities with gross unrealized losses at March 31, 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:

	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands) March 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
U.S. Government agency obligations	$—	$ —	$—	$ —	$—	$ —
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	12,843	(396)	—	—	12,843	(396)

State and municipal	—	—	—	—	—	—
Corporate bonds	2,704	(2)	—	—	2,704	(2)
SBA pooled securities	—	—	—	—	—	—
	$15,547	$ (398)	$—	$ —	$15,547	$ (398)

(Dollars in thousands) December 31, 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	$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)

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 March 31, 2016, management does not have the intent to sell any of the securities classified as available for sale 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 March 31, 2016, 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.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Loans at March 31, 2016 and December 31, 2015 consisted of the following:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Commercial real estate	$293,485	$291,819
Construction, land development, land	41,622	43,876
1-4 family residential properties	76,973	78,244
Farmland	33,250	33,573
Commercial	509,433	495,356
Factored receivables	199,532	215,088
Consumer	13,530	13,050
Mortgage warehouse	78,015	120,879
Total	1,245,840	1,291,885
Allowance for loan and lease losses	(12,093)	(12,567)
	$1,233,747	$1,279,318

Total loans include net deferred origination and factoring fees totaling $951,000 and $1,218,000 at March 31, 2016 and December 31, 2015, respectively.

Loans with carrying amounts of $263,680,000 and $280,289,000 at March 31, 2016 and December 31, 2015, respectively, were pledged to secure Federal Home Loan Bank advance capacity.

During the three months ended March 31, 2016, loans with a carrying amount of $2,881,000 were transferred to Loans held for sale as the Company made the decision to sell the loans. The loans were recorded in Loans held for sale at their fair value of $2,805,000, with the $76,000 decline in fair value recorded as a reduction in other noninterest income in the consolidated statements of income. No loan transfers were recorded during the three months ended March 31, 2015.

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Allowance for Loan and Lease Losses

The activity in the allowance for loan and lease losses ("ALLL") during the three months ended March 31, 2016 and 2015 is as follows:

(Dollars in thousands) Three months ended March 31, 2016	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 1,489	$ 129	$ —	$ 1	$ 1,619
Construction, land development, land	367	(169)	—	—	198
1-4 family residential properties	274	22	(16)	5	285
Farmland	134	(1)	—	—	133
Commercial	5,276	25	—	30	5,331
Factored receivables	4,509	(440)	(8)	49	4,110
Consumer	216	30	(43)	19	222
Mortgage warehouse	302	(107)	—	—	195
	$ 12,567	$ (511)	$ (67)	$ 104	$ 12,093

(Dollars in thousands) Three months ended March 31, 2015	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 533	$ 590	$ (89)	$ 41	$ 1,075
Construction, land development, land	333	11	—	—	344
1-4 family residential properties	215	90	(105)	23	223
Farmland	19	7	—	—	26
Commercial	4,003	(7)	(2)	2	3,996
Factored receivables	3,462	(45)	(67)	30	3,380
Consumer	140	(21)	(95)	60	84
Mortgage warehouse	138	20	—	—	158
	$ 8,843	$ 645	$ (358)	$ 156	$ 9,286

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

(Dollars in thousands)	Loan Evaluation				ALLL Allocations			
March 31, 2016	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$714	$287,658	$5,113	$293,485	$100	$ 1,078	$441	$ 1,619
Construction, land development, land	—	40,463	1,159	41,622	—	198	—	198
1-4 family residential properties	637	73,595	2,741	76,973	1	284	—	285
Farmland	—	33,250	—	33,250	—	133	—	133
Commercial	12,302	494,038	3,093	509,433	1,246	4,085	—	5,331
Factored receivables	4,940	194,592	—	199,532	1,574	2,536	—	4,110
Consumer	37	13,493	—	13,530	—	222	—	222
Mortgage warehouse	—	78,015	—	78,015	—	195	—	195
	$18,630	$1,215,104	$12,106	$1,245,840	$2,921	$ 8,731	$441	$ 12,093

(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

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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) March 31, 2016	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$ 532	$ 532	$ 100	$ 182	$ 218
Construction, land development, land	—	—	—	—	—
1-4 family residential properties	13	20	1	624	734
Farmland	—	—	—	—	—
Commercial	5,535	5,563	1,246	6,767	6,776
Factored receivables	4,435	4,435	1,574	505	505
Consumer	—	—	—	37	37
Mortgage warehouse	—	—	—	—	—
PCI	1,423	1,679	441	—	—
	$ 11,938	$ 12,229	$ 3,362	$ 8,115	$ 8,270

	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

The following table presents average impaired loans and interest recognized on impaired loans for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
(Dollars in thousands)	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	$719	$ —	$1,931	$ 14
Construction, land development, land	—	—	—	—
1-4 family residential properties	628	1	691	28
Farmland	—	—	—	—
Commercial	10,109	100	7,030	163
Factored receivables	4,181	—	1,271	—
Consumer	18	—	—	—
Mortgage warehouse	—	—	—	—
PCI	974	—	459	—
	$16,629	$ 101	$11,382	$ 205

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The following table presents the unpaid principal and recorded investment for loans at March 31, 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), (2) net deferred origination costs and fees, and (3) previous charge-offs.

(Dollars in thousands) March 31, 2016	Recorded Investment	Unpaid Principal	Difference
Commercial real estate	$293,485	$300,151	$(6,666)
Construction, land development, land	41,622	43,111	(1,489)
1-4 family residential properties	76,973	79,488	(2,515)
Farmland	33,250	33,208	42
Commercial	509,433	510,283	(850)
Factored receivables	199,532	200,621	(1,089)
Consumer	13,530	13,551	(21)
Mortgage warehouse	78,015	78,015	—
	$1,245,840	$1,258,428	$(12,588)

(Dollars in thousands) 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 March 31, 2016 and December 31, 2015, the Company had $21,293,000 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.

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Past Due and Nonaccrual Loans

The following is a summary of contractually past due and nonaccrual loans at March 31, 2016 and December 31, 2015:

(Dollars in thousands) March 31, 2016	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$148	$ —	$ 714	$862
Construction, land development, land	10,813	—	—	10,813
1-4 family residential properties	574	—	615	1,189
Farmland	305	—	—	305
Commercial	5,167	—	6,719	11,886
Factored receivables	9,894	2,553	—	12,447
Consumer	247	—	37	284
Mortgage warehouse	—	—	—	—
PCI	3	—	7,127	7,130
	$27,151	$ 2,553	$ 15,212	$44,916

(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)	March 31, 2016	December 31, 2015
Nonaccrual loans[1]	$15,212	$ 10,094
Factored receivables greater than 90 days past due	2,553	1,931
Troubled debt restructurings accruing interest	3,465	1,330
	$21,230	$ 13,355

[1] Includes troubled debt restructurings of $2,767,000 and $53,000 at March 31, 2016 and December 31, 2015, respectively.

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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.

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.

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

(Dollars in thousands) March 31, 2016	Pass	Substandard	Doubtful	PCI	Total
Commercial real estate	$286,997	$ 1,375	$ —	$5,113	$293,485
Construction, land development, land	40,463	—	—	1,159	41,622
1-4 family residential	73,608	624	—	2,741	76,973
Farmland	33,250	—	—	—	33,250
Commercial	478,078	28,262	—	3,093	509,433
Factored receivables	196,164	2,191	1,177	—	199,532
Consumer	13,491	39	—	—	13,530
Mortgage warehouse	78,015	—	—	—	78,015
	$1,200,066	$ 32,491	$ 1,177	$12,106	$1,245,840

(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 $6,232,000 and $1,383,000 as of March 31, 2016 and December 31, 2015, respectively.

The following table presents loans modified as troubled debt restructurings that occurred during the three months ended March 31, 2016. There were no loans modified as troubled debt restructurings during the three months ended March 31, 2015.

(Dollars in thousands) March 31, 2016	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment

Commercial	16	$ 5,730	$ 5,730

As of March 31, 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.

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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 receivable at March 31, 2016 and December 31, 2015, are as follows:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Contractually required principal and interest:		
Real estate loans	$ 17,229	$ 17,800
Commercial loans	4,407	5,335
Outstanding contractually required principal and interest	$ 21,636	$ 23,135
Gross carrying amount included in loans receivable	$ 12,106	$ 13,231

The changes in accretable yield during the three months ended March 31, 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:

(Dollars in thousands)	Three Months Ended March 31, 2016	2015
Accretable yield, beginning balance	$2,594	$4,977
Additions	—	—
Accretion	(517)	(429)
Reclassification from nonaccretable to accretable yield	—	—
Disposals	(13)	(52)
Accretable yield, ending balance	$2,064	$4,496

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Goodwill	$ 15,968	$ 15,968

	March 31, 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	$14,586	$ (6,320)	$ 8,266	$14,586	$ (5,765)	$ 8,821
Other intangible assets	4,830	(2,187)	2,643	4,830	(1,765)	3,065
	$19,416	$ (8,507)	$ 10,909	$19,416	$ (7,530)	$ 11,886

The changes in goodwill and intangible assets during the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2016	2015
Beginning balance	$27,854	$29,057
Acquired intangibles	—	1,918
Amortization of intangibles	(977)	(764)
Ending balance	$26,877	$30,211

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NOTE 6 – Variable Interest Entities

Collateralized Loan Obligation Funds - Closed

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

(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)(1)	April 26, 2012	$416,460
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 contracts as part of the DMI acquisition discussed in Note 2.

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 $1,629,000 and $958,000 for the three months ended March 31, 2016 and 2015, respectively.

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

Collateralized Loan Obligation Fund – Warehouse Phase

On July 22, 2015 and September 21, 2015, Trinitas CLO IV, Ltd. ("Trinitas IV") and Trinitas CLO V, Ltd. ("Trinitas V"), respectively, were formed to be the issuers of CLO offerings. Trinitas IV was capitalized with initial third party equity investments in the form of preference shares of $36,000,000 in addition to the Company's initial $4,000,000 preference share equity investment and Trinitas V was capitalized with initial subordinated debt issued to third parties of $9,000,000 in addition to the initial $1,000,000 of subordinated debt issued to the Company. Each entity entered into a warehouse credit agreement in order to begin acquiring senior secured loan assets that will comprise the initial collateral pool of the CLOs once issued. In October 2015, the Company made additional investments in Trinitas IV and Trinitas V of $10,000,000 and $5,500,000, respectively, and Trinitas V received additional third party investments of $4,500,000. When finalized, Trinitas IV and Trinitas V will use the proceeds of the debt and equity interests sold in the offering for the final CLO securitization structures to repay the initial warehouse phase debt and equity holders. In the final CLO securitization structures, interest and principal repayment of the leveraged loans held by Trinitas IV and Trinitas V will be used to repay debt holders with any excess cash flows used to provide a return on capital to equity investors. TCA was appointed as asset manager for these entities during their warehousing period. TCA does not earn management or other fees from Trinitas IV or Trinitas V during the warehouse phase.

At March 31, 2016, the Company’s loss exposure to Trinitas IV and Trinitas V is limited to its combined $21,870,000 investment in the entities which is classified as other assets within the Company’s consolidated balance sheets and accounted for under the equity method.

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The Company performed a consolidation analysis of Trinitas IV and Trinitas V during the warehouse phase and concluded that Trinitas IV and Trinitas V are variable interest entities and that the Company and its related persons hold variable interests in the entities that could potentially be significant to the entities in the form of equity investments in the entities. However, the Company also concluded that due to certain approval and denial powers available to the senior lender under the warehouse credit facility for Trinitas IV and Trinitas V which provide for shared decision-making powers, the Company does not have the power to direct the activities that most significantly impact the entities' economic performance. As a result, the Company is not the primary beneficiary and therefore is not required to consolidate the assets, liabilities, equity, or operations of the entities in the Company's financial statements.

NOTE 7 - Deposits

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

(Dollars in thousands)	March 31, 2016	December 31, 2015
Noninterest bearing demand	$160,818	$168,264
Interest bearing demand	227,002	238,833
Individual retirement accounts	63,265	60,971
Money market	111,578	112,214
Savings	77,969	74,759
Certificates of deposit	569,820	543,909
Brokered deposits	49,941	50,000
Total Deposits	$1,260,393	$1,248,950

At March 31, 2016, scheduled maturities of certificates of deposits, individual retirement accounts and brokered deposits are as follows:

(Dollars in thousands)	March 31, 2016
Within one year	$519,352
After one but within two years	124,619
After two but within three years	20,846
After three but within four years	12,505

After four but within five years	5,704
Total	$ 683,026

Time deposits, including individual retirement accounts, certificates of deposit, and brokered deposits, with individual balances of $250,000 and greater totaled $108,046,000 and $106,258,000 at March 31, 2016 and December 31, 2015, respectively.

NOTE 8 - Legal Contingencies

Various legal claims arise 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 the Company's 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. Discovery has commenced in the suit and a trial date is currently set for October 2016.

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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.

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

	March 31, 2016		December 31, 2015	
(Dollars in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$35,075	$739	$6,571	$2,949
Unused lines of credit	39,326	90,648	35,514	81,189
Standby letters of credit	1,050	2,212	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 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 March 31, 2016 and December 31, 2015.

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
March 31, 2016	Level 1	Level 2	Level 3	
Securities available for sale				
U.S. Government agency obligations	$—	$91,968	$ —	$91,968
Mortgage-backed securities-residential	—	27,177	—	27,177
Asset backed securities	—	12,843	—	12,843
State and municipal	—	1,327	—	1,327
Corporate bonds	—	28,023	—	28,023
SBA pooled securities	—	179	—	179
	$—	$161,517	$ —	$161,517
Loans held for sale	$—	$3,043	$ —	$3,043

(Dollars in thousands)	Fair Value Measurements Using			Total Fair Value
December 31, 2015	Level 1	Level 2	Level 3	
Securities available for sale				
U.S. Government agency obligations	$—	$91,034	$ —	$91,034
Mortgage-backed securities-residential	—	28,340	—	28,340
Asset backed securities	—	17,526	—	17,526
State and municipal	—	1,526	—	1,526
Corporate bonds	—	24,559	—	24,559
SBA pooled securities	—	184	—	184
	$—	$163,169	$ —	$163,169
Loans held for sale	$—	$1,341	$ —	$1,341

There were no transfers between levels during 2016 or 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 March 31, 2016 and December 31, 2015.

(Dollars in thousands) March 31, 2016	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Impaired loans				
Commercial real estate	$—	$ —	$432	$432
1-4 family residential properties	—	—	12	12
Commercial	—	—	4,289	4,289
Factored receivables	—	—	2,861	2,861
PCI	—	—	982	982
Other real estate owned [(1)]				
1-4 family residential properties	—	—	124	124
	$—	$ —	$8,700	$8,700

(Dollars in thousands) December 31, 2015	Fair Value Measurements Using Level 1	Level 2	Level 3	Total 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 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 primarily 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.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The estimated fair values of the Company's financial instruments not previously presented at March 31, 2016 and December 31, 2015 were as follows:

(Dollars in thousands) March 31, 2016	Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$123,715	$123,715	$—	$—	$123,715
Securities - held to maturity	25,796	—	26,133	—	26,133
Loans not previously presented, net	1,225,171	—	—	1,231,620	1,231,620
FHLB stock	4,234	N/A	N/A	N/A	N/A
Accrued interest receivable	5,254	—	5,254	—	5,254
Financial liabilities:					
Deposits	1,260,393	—	1,262,583	—	1,262,583
Customer repurchase agreements	9,641	—	9,641	—	9,641
Federal Home Loan Bank advances	110,000		110,000		110,000
Junior subordinated debentures	24,754	—	24,503	—	24,503
Accrued interest payable	1,272	—	1,272	—	1,272

(Dollars in thousands) December 31, 2015	Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$105,277	$105,277	$—	$—	$105,277
Loans not previously presented, net	1,276,853	—	—	1,281,408	1,281,408
FHLB stock	3,818	N/A	N/A	N/A	N/A
Accrued interest receivable	4,832	—	4,832	—	4,832
Financial liabilities:					
Deposits	1,248,950	—	1,249,751	—	1,249,751
Customer repurchase agreements	9,317	—	9,317	—	9,317
Federal Home Loan Bank advances	130,000	—	130,000	—	130,000
Junior subordinated debentures	24,687	—	23,153	—	23,153
Accrued interest payable	1,231	—	1,231	—	1,231

NOTE 11 - Regulatory Matters

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

The Company is subject to the Basel III regulatory capital framework. Beginning in January 2016, the implementation of the capital conservation buffer was effective for the Company starting at the 0.625% level and increasing 0.625% each year thereafter, until it reaches 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress and requires increased capital levels for the purpose of capital distributions and other payments. Failure to meet the full amount of the buffer will result in restrictions on the Company's ability to make capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses to executive officers.

Quantitative measures established by regulation to ensure capital adequacy require the Company and TBK Bank to maintain minimum amounts and ratios (set forth in the table below) of total, common equity Tier 1, and Tier 1 capital to risk weighted assets, and of Tier 1 capital to average assets. Management believes, as of March 31, 2016 and December 31, 2015, the Company and TBK Bank meet all capital adequacy requirements to which they are subject, including the capital buffer requirement.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As of March 31, 2016 and December 31, 2015, TBK Bank's capital ratios exceeded those levels necessary to be categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," TBK Bank must maintain minimum total risk based, common equity Tier 1 risk based, Tier 1 risk based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since March 31, 2016 that management believes have changed TBK Bank's category.

The actual capital amounts and ratios for the Company and TBK Bank are presented in the following table as of March 31, 2016 and December 31, 2015.

(Dollars in thousands)	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of March 31, 2016	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$280,547	19.7%	$114,218	8.0%	N/A	N/A
TBK Bank, SSB	$208,647	15.2%	$110,177	8.0%	$137,721	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$268,305	18.8%	$85,675	6.0%	N/A	N/A
TBK Bank, SSB	$196,489	14.3%	$82,674	6.0%	$110,232	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$237,317	16.6%	$64,256	4.5%	N/A	N/A
TBK Bank, SSB	$196,489	14.3%	$62,006	4.5%	$89,564	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$268,305	16.2%	$66,085	4.0%	N/A	N/A
TBK Bank, SSB	$196,489	12.4%	$63,231	4.0%	$79,038	5.0%

(Dollars in thousands)	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2015	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$276,924	19.1%	$115,929	8.0%	N/A	N/A

TBK Bank, SSB	$205,978	14.7%	$111,869	8.0%	$139,836	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$264,239	18.2%	$86,968	6.0%	N/A	N/A
TBK Bank, SSB	$193,293	13.8%	$83,919	6.0%	$111,892	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$235,253	16.2%	$65,227	4.5%	N/A	N/A
TBK Bank, SSB	$193,293	13.8%	$62,939	4.5%	$90,912	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$264,239	16.6%	$63,824	4.0%	N/A	N/A
TBK Bank, SSB	$193,293	12.7%	$61,024	4.0%	$76,280	5.0%

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – STOCKHOLDERS' EQUITY

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

	Preferred Stock							
	Series A		Series B		Common Stock		Treasury Stock	
	March 2016	December 2015	March 2016	December 2015	March 2016	December 2015	March 2016	December 2015
Number of shares authorized	50,000	50,000	115,000	115,000	50,000,000	50,000,000		
Number of shares issued	45,500	45,500	51,956	51,956	18,052,723	18,052,723		
Number of shares outstanding	45,500	45,500	51,956	51,956	18,015,423	18,018,200	37,300	34,523
Par value per share	$0.01	$ 0.01	$0.01	$0.01	$0.01	$0.01		
Liquidation preference per share	$100	$ 100	$100	$100				
Dividend rate	Prime + 2%	Prime + 2%	8.00 %	8.00 %				
Dividend rate - floor	8.00 %	8.00 %	8.00 %	8.00 %				
Subsequent dividend payment dates	Quarterly	Quarterly	Quarterly	Quarterly				
Convertible to common stock	Yes	Yes	Yes	Yes				
Conversion period	Anytime	Anytime	Anytime	Anytime				
Conversion ratio - preferred to common	6.94008	6.94008	6.94008	6.94008				

NOTE 13 – STOCK BASED COMPENSATION

Stock based compensation expense that has been charged against income was $353,000 and $696,000 for the three months ended March 31, 2016 and 2015, respectively.

2014 Omnibus Incentive Plan

In connection with the Company's initial public offering in November 2014, the Company adopted the 2014 Omnibus Incentive Plan (Omnibus Incentive Plan). The Omnibus Incentive Plan provides for the grant of nonqualified and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other awards that may be settled in, or based upon the value of, the Company's common stock. The aggregate number of shares of common stock available for issuance under the Omnibus Incentive Plan is 1,200,000 shares. RSAs granted to employees under the Omnibus Incentive Plan typically vest over two to three years.

A summary of changes in the Company's nonvested RSAs under the Omnibus Incentive Plan for the three months ended March 31, 2016 and 2015 were as follows:

Nonvested RSAs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2016	201,270	$ 14.24
Granted	—	—
Vested	—	—
Forfeited	(2,777)	14.37
Nonvested at March 31, 2016	198,493	$ 14.24
Nonvested at January 1, 2015	252,256	$ 14.71
Granted	—	—
Vested	—	—
Forfeited	—	—
Nonvested at March 31, 2015	252,256	$ 14.71

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

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As of March 31, 2016, there was $988,000 of unrecognized compensation cost related to nonvested RSAs granted under the Omnibus Incentive Plan. The cost is expected to be recognized over a remaining period of 1.20 years.

NOTE 14 – EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2016	2015
Basic		
Net income to common stockholders	$4,812	$13,852
Weighted average common shares outstanding	17,816,930	17,711,527
Basic earnings per common share	$0.27	$0.78
Diluted		
Net income to common stockholders	$4,812	$13,852
Dilutive effect of preferred stock	—	192
Net income to common stockholders - diluted	$4,812	$14,044
Weighted average common shares outstanding	17,816,930	17,711,527
Add: Dilutive effects of restricted stock	113,788	11,962
Add: Dilutive effects of assumed exercises of stock warrants	50,558	28,823
Add: Dilutive effects of assumed conversion of Preferred A	—	315,773
Add: Dilutive effects of assumed conversion of Preferred B	—	360,578
Average shares and dilutive potential common shares	17,981,276	18,428,663
Dilutive earnings per common share	$0.27	$0.76

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

	Three Months Ended March 31, 2016	2015
Shares assumed to be converted from Preferred Stock Series A	315,773	—
Shares assumed to be converted from Preferred Stock Series B	360,578	—

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – BUSINESS SEGMENT INFORMATION

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

(Dollars in thousands) Three Months Ended March 31, 2016	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$ 7,185	$ 17,426	$ 31	$ 251	$ 24,893
Intersegment interest allocations	(1,001)	1,001	—	—	—
Total interest expense	—	2,102	—	302	2,404
Net interest income (expense)	6,184	16,325	31	(51)	22,489
Provision for loan losses	(470)	(124)	—	83	(511)
Net interest income (expense) after provision	6,654	16,449	31	(134)	23,000
Noninterest income	445	2,015	1,671	850	4,981
Noninterest expense	4,573	13,582	1,346	577	20,078
Operating income (loss)	$ 2,526	$ 4,882	$ 356	$ 139	$ 7,903

(Dollars in thousands) Three Months Ended March 31, 2015	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$ 7,228	$ 14,235	$ 60	$ 56	$ 21,579
Intersegment interest allocations	(909)	909	—	—	—
Total interest expense	—	1,572	10	272	1,854
Net interest income (expense)	6,319	13,572	50	(216)	19,725
Provision for loan losses	(109)	754	—	—	645
Net interest income (expense) after provision	6,428	12,818	50	(216)	19,080
Bargain purchase gain	—	—	12,509	—	12,509
Other noninterest income	331	2,585	957	277	4,150
Noninterest expense	4,312	12,400	2,626	1,445	20,783
Operating income (loss)	$ 2,447	$ 3,003	$ 10,890	$ (1,384)	$ 14,956

(Dollars in thousands) March 31, 2016	Factoring	Banking	Asset Management	Corporate	Eliminations	Consolidated
Total assets	$176,388	$1,597,373	$ 14,568	$306,504	$ (407,038)	$ 1,687,795
Gross loans	$165,718	$1,177,071	$ 900	$15,151	$ (113,000)	$ 1,245,840

(Dollars in thousands) December 31, 2015	Factoring	Banking	Asset Management	Corporate	Eliminations	Consolidated
Total assets	$198,629	$1,601,072	$ 17,676	$303,253	$ (429,317)	$ 1,691,313
Gross loans	$186,457	$1,223,028	$ 945	$18,455	$ (137,000)	$ 1,291,885

NOTE 16 – SUBSEQUENT EVENTS

On April 1, 2016, the Company issued 101,105 shares of restricted stock with a grant date fair value of $1,605,000 and 164,175 non-qualified stock options with a grant date fair value of $961,000 to its directors and certain officers and employees in accordance with the provisions of the Omnibus Incentive Plan. These awards vest over various time periods of up to four years and were issued for Board of Director compensation and management incentives.

item 2

Management's Discussion and Analysis of

Financial Condition and Results of Operations

This section presents management's perspective on our financial condition and results of operations. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Company's interim consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q and with the consolidated financial statements and accompanying notes and other detailed information appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations. See the "Forward-Looking Statements" section of this discussion for further information on forward-looking statements.

Overview

We are a financial holding company headquartered in Dallas, Texas and registered under the Bank Holding Company Act. Through our wholly owned bank subsidiary, TBK Bank, we offer traditional banking services as well as commercial finance product lines focused on businesses that require specialized financial solutions. Our banking operations include a full suite of lending and deposit products and services focused on our local market areas. These activities generate a stable source of core deposits and a diverse asset base to support our overall operations. Our commercial finance product lines include factoring, asset-based lending, equipment lending, healthcare lending, and premium finance products offered on a nationwide basis. These product offerings supplement the asset generation capacity in our community banking markets and enhance the overall yield of our loan portfolio, enabling us to earn attractive risk-adjusted net interest margins. In addition, through our Triumph Capital Advisors asset management subsidiary, we provide investment management services currently focused on the origination and management of collateralized loan obligations. We believe our integrated business model distinguishes us from other banks and non-bank financial services companies in the markets in which we operate. As of March 31, 2016, we had consolidated total assets of $1.688 billion, total loans held for investment of $1.246 billion, total deposits of $1.260 billion and total stockholders' equity of $274.1 million.

Most of our products and services share basic processes and have similar economic characteristics. However, our factoring subsidiary operates in a highly specialized niche and earns substantially higher yields on its factored accounts receivable portfolio than our other lending products. This business also has a legacy and structure as a standalone company. In addition, through our Triumph Capital Advisors asset management subsidiary, we provide fee-based asset management services distinct from our traditional banking offerings and operations. As a result, we have determined our reportable segments are Banking, Factoring, Asset Management, and Corporate. For the three months ended March 31, 2016, our banking segment generated 64% of our total revenue (comprised of interest and noninterest income), our factoring segment generated 26% of our total revenue, our asset management segment generated 6% of our total revenue, and our corporate segment generated 4% of our total revenue.

Recent Developments

ColoEast Bankshares, Inc.

On March 6, 2016, the Company entered into an agreement to acquire ColoEast Bankshares, Inc. ("ColoEast") and its community banking subsidiary, Colorado East Bank & Trust, in an all-cash transaction for $70 million. Consideration could be reduced to $69 million should ColoEast not achieve certain targets. ColoEast had total assets of $759 million, total loans of $453 million, and total deposits of $664 million as of December 31, 2015. Colorado East Bank & Trust offers personal checking, savings, CD, money market, HSA, IRA, NOW and business accounts, as well as consumer, commercial and mortgage loans from 18 branches and one loan production office located throughout Colorado and far western Kansas. The transaction, which is expected to close during the third quarter of 2016, is subject to customary closing conditions, including approval of the merger agreement by ColoEast shareholders and receipt of required regulatory approvals.

Financial Highlights

The Company's key financial highlights as of and for the three months ended March 31, 2016, as compared to the prior period, are shown below:

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2016	2015
Income Statement Data:		
Interest income	$24,893	$21,579
Interest expense	2,404	1,854
Net interest income	22,489	19,725
Provision for loan losses	(511)	645
Net interest income after provision	23,000	19,080
Bargain purchase gain	—	12,509
Other noninterest income	4,981	4,150
Noninterest income	4,981	16,659
Noninterest expense	20,078	20,783
Net income before income taxes	7,903	14,956
Income tax expense	2,897	912
Net income	5,006	14,044
Dividends on preferred stock	(194)	(192)
Net income available to common stockholders	$4,812	$13,852
Per Share Data:		
Basic earnings per common share	$0.27	$0.78
Diluted earnings per common share	$0.27	$0.76
Weighted average shares outstanding - basic	17,816,930	17,711,527
Weighted average shares outstanding - diluted	17,981,276	18,428,663
Adjusted Per Share Data(1):		
Adjusted diluted earnings per common share	N/A	$0.14
Adjusted weighted average shares outstanding - diluted	N/A	17,752,312
Performance ratios - Annualized(2):		
Return on average assets	1.20 %	3.93 %
Return on average common equity (1)	7.37 %	23.95 %
Return on average tangible common equity (1)	8.23 %	27.38 %
Return on average total equity	7.39 %	23.31 %
Yield on loans	7.84 %	8.50 %
Adjusted yield on loans (1)	7.47 %	8.04 %
Cost of interest bearing deposits	0.74 %	0.64 %
Cost of total deposits	0.64 %	0.55 %
Cost of total funds	0.69 %	0.63 %
Net interest margin (1)	5.90 %	6.11 %
Adjusted net interest margin (1)	5.61 %	5.76 %
Efficiency ratio (1)	73.09 %	79.70 %

Net noninterest expense to average assets [1]	3.61 %	4.18 %

(Dollars in thousands, except per share amounts)	March 31, 2016		December 31, 2015	
Balance Sheet Data:				
Total assets	$1,687,795		$1,691,313	
Cash and cash equivalents	123,715		105,277	
Investment securities	187,313		163,169	
Loans held for sale	3,043		1,341	
Loans held for investment, net	1,233,747		1,279,318	
Total liabilities	1,413,681		1,423,275	
Noninterest bearing deposits	160,818		168,264	
Interest bearing deposits	1,099,575		1,080,686	
FHLB advances	110,000		130,000	
Junior subordinated debentures	24,754		24,687	
Total stockholders’ equity	274,114		268,038	
Preferred stockholders' equity	9,746		9,746	
Common stockholders' equity (1)	264,368		258,292	
Per Share Data:				
Book value per share	$14.67		$14.34	
Tangible book value per share (1)	$13.18		$12.79	
Shares outstanding end of period	18,015,423		18,018,200	
Asset Quality ratios(3):				
Past due to total loans	3.61	%	2.41	%
Nonperforming loans to total loans	1.70	%	1.03	%
Nonperforming assets to total assets	1.72	%	1.10	%
ALLL to nonperforming loans	56.96	%	94.10	%
ALLL to total loans	0.97	%	0.97	%
Net charge-offs to average loans(4)	0.00	%	0.07	%
Capital ratios :				
Tier 1 capital to average assets	16.24	%	16.56	%
Tier 1 capital to risk-weighted assets	18.79	%	18.23	%
Common equity Tier 1 capital to risk-weighted assets	16.62	%	16.23	%
Total capital to risk-weighted assets	19.65	%	19.11	%
Total stockholders' equity to total assets	16.24	%	15.85	%
Tangible common stockholders' equity ratio (1)	14.30	%	13.85	%

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

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

allow management and investors to better assess our performance in relation to our core net income by removing the volatility associated with certain acquisition-related items and other discrete items that are unrelated to our core business. Weighted average diluted common shares outstanding are adjusted as a result of changes in their dilutive properties given the gain and expense adjustments described herein.

- "Net interest margin" is defined as net interest income divided by average interest earning assets.
- "Tangible common stockholders' equity" is common stockholders' equity less goodwill and other intangible assets.

- "Total tangible assets" is defined as total assets less goodwill and other intangible assets.
- "Tangible book value per share" is defined as tangible common stockholders' equity divided by total common shares outstanding. This measure is important to investors interested in changes from period-to-period in book value per share exclusive of changes in intangible assets.
- "Tangible common stockholders' equity ratio" is defined as the ratio of tangible common stockholders' equity divided by total tangible assets. We believe that this measure is important to many investors in the marketplace who are interested in relative changes from period-to period in common equity and total assets, each exclusive of changes in intangible assets.
- "Return on Average Tangible Common Equity" is defined as net income available to common stockholders divided by average tangible common stockholders' equity.
- "Efficiency ratio" is defined as noninterest expenses divided by our operating revenue, which is equal to net interest income plus noninterest income. Also excluded are material gains and expenses related to merger and acquisition-related activities, including divestitures. In our judgment, the adjustments made to operating revenue allow management and investors to better assess our performance in relation to our core operating revenue by removing the volatility associated with certain acquisition-related items and other discrete items that are unrelated to our core business.
- "Net noninterest expense to average total assets" is defined as noninterest expenses net of noninterest income divided by total average assets. Excluded are material gains and expenses related to merger and acquisition-related activities, including divestitures. This metric is used by our management to better assess our operating efficiency.
- "Adjusted yield on loans" is our yield on loans after excluding loan accretion from our acquired loan portfolio. Our management uses this metric to better assess the impact of purchase accounting on our yield on loans, as the effect of loan discount accretion is expected to decrease as the acquired loans roll off of our balance sheet.
- "Adjusted net interest margin" is net interest margin after excluding loan accretion from the acquired loan portfolio. Our management uses this metric to better assess the impact of purchase accounting on net interest margin, as the effect of loan discount accretion is expected to decrease as the acquired loans mature or roll off of our balance sheet.

(2) Amounts have been annualized.

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

(4) Net charge-offs to average loans ratios are for the three months ended March 31, 2016 and the year ended December 31, 2015.

GAAP Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended March 31,			
(Dollars in thousands, except per share amounts)	2016		2015	
Net income available to common stockholders	N/A		$13,852	
Less: bargain purchase gain, nontaxable	N/A		12,509	
Add: merger and acquisition expenses, net of tax	N/A		158	
Add: incremental bonus related to acquisition, net of tax	N/A		1,138	
Less: escrow recovery from DHF, net of tax	N/A		195	
Adjusted net income available to common stockholders	N/A		$2,444	
Weighted average shares outstanding - diluted	N/A		18,428,663	
Less: adjusted effects of assumed preferred stock conversion	N/A		676,351	
Adjusted weighted average shares outstanding - diluted	N/A		17,752,312	
Adjusted diluted earnings per common share	N/A		$0.14	
Net income available to common stockholders	$4,812		$13,852	
Average tangible common equity	235,192		205,204	
Return on average tangible common equity	8.23	%	27.38	%
Efficiency ratio:				
Net interest income	$22,489		$19,725	
Noninterest income	4,981		16,659	
Operating revenue	27,470		36,384	
Less: bargain purchase gain, nontaxable	—		12,509	
Less: escrow recovery from DHF, pre-tax	—		300	
Adjusted operating revenue	$27,470		$23,575	
Total noninterest expense	$20,078		$20,783	
Less: merger and acquisition expenses, pre-tax	—		243	
Less: incremental bonus related to acquisition, pre-tax	—		1,750	
Adjusted noninterest expense	$20,078		$18,790	
Efficiency ratio	73.09	%	79.70	%
Net noninterest expense to average assets ratio:				
Total noninterest expense	$20,078		$20,783	
Less: merger and acquisition expenses, pre-tax	—		243	
Less: incremental bonus related to acquisition, pre-tax	—		1,750	
Adjusted noninterest expense	$20,078		$18,790	
Total noninterest income	$4,981		$16,659	
Less: bargain purchase gain, nontaxable	—		12,509	

Less: escrow recovery from DHF, pre-tax	—		300	
Adjusted noninterest income	4,981		3,850	
Adjusted net noninterest expenses	$15,097		$14,940	
Average Total Assets	1,682,640		1,449,791	
Net noninterest expense to average assets ratio	3.61	%	4.18	%
Reported yield on loans	7.84	%	8.50	%
Effect of accretion income on acquired loans	(0.37	%)	(0.46	%)
Adjusted yield on loans	7.47	%	8.04	%
Reported net interest margin	5.90	%	6.11	%
Effect of accretion income on acquired loans	(0.29	%)	(0.35	%)
Adjusted net interest margin	5.61	%	5.76	%

(Dollars in thousands, except per share amounts)	March 31, 2016	December 31, 2015
Total stockholders' equity	$274,114	$268,038
Less: Preferred stock liquidation preference	9,746	9,746
Total common stockholders' equity	264,368	258,292
Less: Goodwill and other intangibles	26,877	27,854
Tangible common stockholders' equity	$237,491	$230,438
Common shares outstanding	18,015,423	18,018,200
Tangible book value per share	$13.18	$12.79
Total assets at end of period	$1,687,795	$1,691,313
Less: Goodwill and other intangibles	26,877	27,854
Adjusted total assets at period end	$1,660,918	$1,663,459
Tangible common stockholders' equity ratio	14.30 %	13.85 %

Results of Operations

Net Income

Three months ended March 31, 2016 compared with three months ended March 31, 2015. We earned net income of $5.0 million for the three months ended March 31, 2016 compared to $14.0 million for the three months ended March 31, 2015, a decrease of $9.0 million. The decrease was the result of an $11.7 million decrease in noninterest income and a $2.0 million increase in income tax expense, offset by a $2.8 million increase in net interest income, a $1.1 million reduction in the provision for loan losses, and a $0.7 million decrease in noninterest expense. These results were most significantly impacted by our acquisition of Doral Money, Inc. (“Doral Money”) during the three months ended March 31, 2015 which resulted in a pre-tax bargain purchase gain in the amount of $12.5 million included in noninterest income offset by an additional $1.8 million bonus accrual and approximately $0.3 million of transaction costs recorded in connection with the Doral Money acquisition and reported as noninterest expense.

Excluding the impact of the Doral Money acquisition, we earned net income of $2.6 million for the three months ended March 31, 2015 compared to net income of $5.0 million for the three months ended March 31, 2016.

Details of the changes in the various components of net income are further discussed below.

Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest income on interest earning assets, including loans and securities, and interest expense incurred on interest bearing liabilities, including deposits and other borrowed funds. Interest rate fluctuations, as well as changes in the amount and type of interest earning assets and interest bearing liabilities, combine to affect net interest income. Our net interest income is affected by changes in the amount and mix of interest earning assets and interest bearing liabilities, referred to as a “volume change.” It is also affected by changes in yields earned on interest earning assets and rates paid on interest bearing deposits and other borrowed funds, referred to as a “rate change.”

Three months ended March 31, 2016 compared with three months ended March 31, 2015. The following table presents the distribution of average assets, liabilities and equity, as well as interest income and fees earned on average interest earning assets and interest expense paid on average interest bearing liabilities for the three month periods ended March 31, 2016 and 2015:

	For The Three Months Ended March 31,					
	2016			2015		
(Dollars in thousands)	Average Balance	Interest	Average Rate[4]	Average Balance	Interest	Average Rate[4]
Interest earning assets:						
Cash and cash equivalents	$129,232	$208	0.65 %	$154,615	$141	0.37 %
Taxable securities	170,695	758	1.79 %	154,810	627	1.64 %
Tax-exempt securities	1,135	7	2.48 %	5,910	12	0.82 %
FHLB and FRB stock	4,269	10	0.94 %	4,538	51	4.56 %
Loans [1]	1,226,564	23,910	7.84 %	990,450	20,748	8.50 %
Total interest earning assets	1,531,895	24,893	6.54 %	1,310,323	21,579	6.68 %
Noninterest earning assets:						
Cash and cash equivalents	25,387			26,328		
Other noninterest earning assets	125,358			113,140		
Total assets	$1,682,640			$1,449,791		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	$220,841	$57	0.10 %	$230,455	$33	0.06 %
Individual retirement accounts	61,912	191	1.24 %	55,369	156	1.14 %
Money market	112,226	65	0.23 %	119,199	67	0.23 %
Savings	76,551	10	0.05 %	72,034	9	0.05 %
Certificates of deposit	561,675	1,545	1.11 %	468,573	1,181	1.02 %
Brokered deposits	49,997	125	1.01 %	50,003	124	1.01 %
Total deposits	1,083,202	1,993	0.74 %	995,633	1,570	0.64 %
Junior subordinated debentures	24,714	302	4.91 %	24,449	272	4.51 %
Other borrowings	131,428	109	0.33 %	15,229	12	0.32 %
Total interest bearing liabilities	1,239,344	2,404	0.78 %	1,035,311	1,854	0.73 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	160,378			160,875		
Other liabilities	10,578			9,304		
Total equity	272,340			244,301		
Total liabilities and equity	$1,682,640			$1,449,791		
Net interest income		$22,489			$19,725	
Interest spread [2]			5.76 %			5.95 %
Net interest margin [3]			5.90 %			6.11 %

[1] Balance totals include respective nonaccrual assets.
[2] Net interest spread is the yield on average interest earning assets less the rate on interest bearing liabilities.
[3] Net interest margin is the ratio of net interest income to average interest earning assets.
[4] Ratios have been annualized

We earned net interest income of $22.5 million for the three months ended March 31, 2016 compared to $19.7 million for the three months ended March 31, 2015, an increase of $2.8 million. This increase in net interest income was driven by increases in average interest earning assets, which was primarily attributable to growth in our commercial finance product lines, as our factored receivables, asset-based loans, and equipment loans all increased on a period over period basis as a result of our continued execution of our growth strategy for such products. Average total interest earning assets increased to $1.532 billion for the three months ended March 31, 2016 from $1.310 billion for the three months ended March 31, 2015, an increase of $222 million.

The growth in net interest income attributable to increases in our average interest earning assets was offset in part by a decrease in our net interest margin. Net interest margin decreased to 5.90% for the three months ended March 31, 2016 from 6.11% for the three months ended March 31, 2015, a decrease of 21 basis points.

The decline in our net interest margin primarily resulted from a decrease in yields on our interest earning assets. Our average yield on earning assets decreased to 6.54% for the three months ended March 31, 2016 from 6.68% for the three months ended March 31, 2015, a decrease of 14 basis points. The decrease was partially due to change in the mix within our loan portfolio period over period as our mortgage warehouse clients had a higher utilization of their facilities during the three months ended March 31, 2016, which increased our relatively lower yielding mortgage warehouse balances as a percentage of the overall portfolio. In addition, although the average balances of factored receivables increased during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, our transportation factoring balances, which generate a higher yield than our non-transportation factoring balances, decreased as a percentage of the overall factoring portfolio to 76% at March 31, 2016 compared to 87% at March 31, 2015 as we continue to expand our non-transportation factoring product lines in 2016. Finally, we have experienced a diminishing impact of discount accretion on the loan portfolio yield period over period. These decreases within the loan portfolio yield were offset in part by the change in mix of our total interest earning assets as we held a greater concentration of our earning assets in our higher yielding loan portfolio during the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

A component of the yield on our loan portfolio consists of discount accretion on the Triumph Savings Bank legacy portfolio acquired in connection with our original acquisition of Equity Bank in 2010 and the portfolio acquired in the Triumph Community Bank acquisition in 2013. The aggregate increased yield on our loan portfolio attributable to this discount accretion was 37 basis points for the three months ended March 31, 2016 and 46 basis points for the three months ended March 31, 2015. Excluding the impact of this discount accretion, the adjusted yield on our loan portfolio was 7.47% and 8.04% for the three months ended March 31, 2016 and 2015, respectively. We anticipate that the contribution of this discount accretion to our interest income will continue to decline over time, but we expect that any resulting decreases in aggregate yield on our loan portfolio will be partially offset by continued growth in our higher yielding specialized commercial finance product lines. As of March 31, 2016, there was approximately $6.0 million of purchase discount remaining that is expected to be accreted over the remaining lives of the acquired loan portfolios.

The decrease in our net interest margin resulting from changes in the average yield in our loan portfolio discussed above was also impacted by an increase in our average cost of funds. Our average cost of interest bearing liabilities increased to 0.78% for the three months ended March 31, 2016 from 0.73% for the three months ended March 31, 2015, an increase of 5 basis points. This increase was primarily due to a change in the mix of our interest bearing deposits toward higher rate certificates of deposit as these deposit products were used to fund our growth period over period.

Our adjusted net interest margin, which excludes the impact of the acquired loan discount accretion described above, was 5.61% and 5.76% for the three months ended March 31, 2016 and 2015, respectively.

The following table shows the effects changes in average balances (volume) and average interest rates (rate) had on the interest earned on our interest earning assets and the interest incurred on our interest bearing liabilities for the three month periods ended March 31, 2016 and 2015. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to volume.

	Three Months Ended March 31, 2016 vs. 2015 Increase (Decrease) Due to:		
(Dollars in thousands)	Rate	Volume	Net Increase
Interest earning assets:			
Cash and cash equivalents	$ 108	$ (41)	$ 67
Taxable securities	60	71	131
Tax-exempt securities	24		