Triumph Bancorp, Inc.
Form 10-Q
April 26, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

OR

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

Commission File Number 001-36722

TRIUMPH BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

12700 Park Central Drive, Suite 1700

Dallas, Texas 75251

(Address of principal executive offices)

(214) 365-6900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

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

Common Stock — $0.01 par value, 18,105,038 shares, as of April 19, 2017

TRIUMPH BANCORP, INC.

FORM 10-Q

March 31, 2017

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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, 2017 and December 31, 2016

(Dollar amounts in thousands, except per share amounts)

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Cash and due from banks	$ 32,252	$ 38,613
Interest bearing deposits with other banks	93,832	75,901
Total cash and cash equivalents	126,084	114,514
Securities - available for sale	254,452	275,029
Securities - held to maturity, fair value of $30,072 and $30,821, respectively	28,882	29,352
Loans, net of allowance for loan and lease losses of $19,093 and $15,405, respectively	2,016,143	2,012,219
Federal Home Loan Bank stock, at cost	7,167	8,430
Premises and equipment, net	44,630	45,460
Other real estate owned, net	11,638	6,077
Goodwill	28,810	28,810
Intangible assets, net	15,423	17,721
Bank-owned life insurance	36,679	36,509
Deferred tax assets, net	15,678	18,825
Other assets	49,772	48,121
Total assets	$ 2,635,358	$ 2,641,067
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 382,009	$ 363,351
Interest bearing	1,642,279	1,652,434
Total deposits	2,024,288	2,015,785
Customer repurchase agreements	10,468	10,490
Federal Home Loan Bank advances	200,000	230,000
Subordinated notes	48,757	48,734
Junior subordinated debentures	32,840	32,740
Other liabilities	18,580	13,973
Total liabilities	2,334,933	2,351,722
Commitments and contingencies - See Note 8 and Note 9		
Stockholders' equity - See Note 12		
Preferred Stock	9,746	9,746
Common stock	182	182
Additional paid-in-capital	197,866	197,157
Treasury stock, at cost	(1,494)	(1,374)

Retained earnings	94,191	83,910
Accumulated other comprehensive income (loss)	(66)	(276)
Total stockholders’ equity	300,425	289,345
Total liabilities and stockholders' equity	$ 2,635,358	$ 2,641,067

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2017 and 2016

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Interest and dividend income:		
Loans, including fees	$25,185	$16,088
Factored receivables, including fees	9,167	7,822
Securities	1,611	765
FHLB stock	42	10
Cash deposits	327	208
Total interest income	36,332	24,893
Interest expense:		
Deposits	2,869	1,993
Subordinated notes	835	—
Junior subordinated debentures	465	302
Other borrowings	344	109
Total interest expense	4,513	2,404
Net interest income	31,819	22,489
Provision for loan losses	7,678	(511)
Net interest income after provision for loan losses	24,141	23,000
Noninterest income:		
Service charges on deposits	980	659
Card income	827	546
Net OREO gains (losses) and valuation adjustments	11	(11)
Net gains (losses) on sale of securities	—	5
Net gains on sale of loans	—	12
Fee income	583	534
Asset management fees	1,717	1,629
Gain on sale of subsidiary	20,860	—
Other	2,307	1,607
Total noninterest income	27,285	4,981
Noninterest expense:		
Salaries and employee benefits	21,958	12,252
Occupancy, furniture and equipment	2,359	1,493
FDIC insurance and other regulatory assessments	226	224
Professional fees	1,968	1,073

Amortization of intangible assets	1,111	977
Advertising and promotion	938	519
Communications and technology	2,174	1,432
Other	4,103	2,108
Total noninterest expense	34,837	20,078
Net income before income tax	16,589	7,903
Income tax expense	6,116	2,897
Net income	10,473	5,006
Dividends on preferred stock	(192)	(194)
Net income available to common stockholders	$10,281	$4,812
Earnings per common share		
Basic	$0.57	$0.27
Diluted	$0.55	$0.27

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, 2017 and 2016

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net income	$10,473	$5,006
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	335	1,456
Reclassification of amount realized through sale of securities	—	(5)
Tax effect	(125)	(540)
Total other comprehensive income (loss)	210	911
Comprehensive income	$10,683	$5,917

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 2017 and 2016

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock	Common Stock		Additional	Treasury Stock			Accumulated Other	Total
	Liquidation Preference Amount	Shares Outstanding	Par Amount	Paid-in-Capital	Shares Outstanding	Cost	Retained Earnings	Comprehensive Income (Loss)	Stockholders' Equity
Balance, January 1, 2016	$ 9,746	18,018,200	$ 181	$ 194,297	34,523	$ (560)	$ 64,097	$ 277	$ 268,038
Stock based compensation	—	—	—	353	—	—	—	—	353
Forfeiture of restricted stock awards	—	(2,777)	—	37	2,777	(37)	—	—	—
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	$ 9,746	18,015,423	$ 181	$ 194,687	37,300	$ (597)	$ 68,909	$ 1,188	$ 274,114
Balance, January 1, 2017	$ 9,746	18,078,247	$ 182	$ 197,157	76,118	$ (1,374)	$ 83,910	$ (276)	$ 289,345
Issuance of restricted stock awards	—	5,174	—	—	—	—	—	—	—
Stock based compensation	—	—	—	702	—	—	—	—	702
Forfeiture of restricted stock awards	—	(251)	—	7	251	(7)	—	—	—
	—	(4,401)	—	—	4,401	(113)	—	—	(113)

Purchase of treasury stock									
Series A Preferred dividends	—	—	—	—	—	—	(90)	—	(90)
Series B Preferred dividends	—	—	—	—	—	—	(102)	—	(102)
Net income	—	—	—	—	—	—	10,473	—	10,473
Other comprehensive income	—	—	—	—	—	—	—	210	210
Balance, March 31, 2017	$ 9,746	18,078,769	$ 182	$ 197,866	80,770	$ (1,494)	$ 94,191	$ (66)	$ 300,425

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, 2017 and 2016

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	$10,473	$5,006
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	958	572
Net accretion on loans and deposits	(1,080)	(1,190)
Amortization of subordinated notes issuance costs	23	—
Amortization of junior subordinated debentures	100	67
Net amortization on securities	644	176
Amortization of intangible assets	1,111	977
Deferred taxes	3,023	(133)
Provision for loan losses	7,678	(511)
Stock based compensation	702	353
Net (gain) loss on loans transferred to loans held for sale	46	76
Net gains on sale of loans	—	(12)
Net OREO (gains) losses and valuation adjustments	(11)	11
Gain on sale of subsidiary	(20,860)	—
Income from CLO warehouse investments	(964)	(984)
(Increase) decrease in other assets	509	3,366
Increase (decrease) in other liabilities	1,262	(1,428)
Net cash provided by (used in) operating activities	3,614	6,346
Cash flows from investing activities:		
Purchases of securities available for sale	(4,817)	(3,264)
Proceeds from sales of securities available for sale	—	4,345
Proceeds from maturities, calls, and pay downs of securities available for sale	24,706	1,829
Purchases of securities held to maturity	—	(25,775)
Proceeds from maturities, calls, and pay downs of securities held to maturity	4,109	—
Purchases of loans (shared national credits)	—	(995)
Proceeds from sale of loans	1,919	—
Net change in loans	(7,947)	45,177
Purchases of premises and equipment, net	(405)	(494)
Net proceeds from sale of OREO	683	59
(Purchases) redemptions of FHLB stock, net	1,263	(416)
Proceeds from sale of subsidiary, net	10,269	—
Net cash provided by (used in) investing activities	29,780	20,466
Cash flows from financing activities:		
Net increase in deposits	8,503	11,496

Increase (decrease) in customer repurchase agreements	(22)	324
Increase (decrease) in Federal Home Loan Bank advances	(30,000)	(20,000)
Purchase of treasury stock	(113)	—
Dividends on preferred stock	(192)	(194)
Net cash provided by (used in) financing activities	(21,824)	(8,374)
Net increase (decrease) in cash and cash equivalents	11,570	18,438
Cash and cash equivalents at beginning of period	114,514	105,277
Cash and cash equivalents at end of period	$126,084	$123,715

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, 2017 and 2016

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Supplemental cash flow information:		
Interest paid	$5,269	$2,348
Income taxes paid (refunds received), net	$(917)	$1,123
Supplemental noncash disclosures:		
Loans transferred to OREO	$5,960	$156
Premises transferred to OREO	$273	$2,215
Loans transferred to loans held for sale	$1,919	$2,805
Securities held to maturity purchased, not settled	$3,260	$—
Consideration received from sale of subsidiary	$12,123	$—

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Triumph Bancorp, Inc. (collectively with its subsidiaries, “Triumph”, or the “Company” as applicable) is a financial holding company headquartered in Dallas, Texas. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Triumph Capital Advisors, LLC (“TCA”), Triumph CRA Holdings, LLC (“TCRA”), TBK Bank, SSB (“TBK Bank”), TBK Bank’s wholly owned subsidiary Advance Business Capital LLC, which currently operates under the d/b/a of Triumph Business Capital (“TBC”), and TBK Bank’s wholly owned subsidiary Triumph Insurance Group, Inc. (“TIG”).

TBK Bank also does business under the following names: (i) Triumph Community Bank (“TCB”) with respect to its community banking business in certain 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.

On March 31, 2017 the Company sold its membership interests in TCA. See Note 2 – Business Combinations and Divestitures for details of the TCA sale and its impact on our consolidated financial statements.

Principles of Consolidation and 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, 2016. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The Company has four reportable segments consisting of Banking, Factoring, Asset Management, and Corporate. The Company’s Chief Executive Officer uses segment results to make operating and strategic decisions. On March 31, 2017 the Company sold its membership interests in TCA, which comprised the entirety of the Asset Management segment’s operations. See Note 2 – Business Combinations and Divestitures for details of the TCA sale and its impact on our consolidated financial statements.

Adoption of New Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 new standard was effective for the Company on January 1, 2017. Adoption of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, "Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"). These amendments shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. As permitted by the amendment, the Company elected to early adopt the provisions of this ASU as of January 1, 2017. Adoption of ASU 2017-08 did not have a material impact on the Company's consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Newly Issued, But Not Yet Effective Accounting Standards

In May 2014, the FASB issued ASU 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 is effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the full effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures, however, adoption of the ASU is not expected to have a significant impact. The Company's primary sources of revenues are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of ASU 2014-09.

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. ASU 2016-01 will be effective for the Company on January 1, 2018 and is not expected to have a significant impact on our 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. Adoption of ASU 2016-02 is not expected to have a material impact on the Company's consolidated financial statements. The Company leases certain properties and equipment under operating leases that will result in the recognition of lease assets and lease liabilities on the Company's balance sheet under the ASU, however, the majority of the Company's properties and equipment are owned, not leased.

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

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – Business combinations AND DIVESTITURES

Triumph Capital Advisors, LLC

On March 31, 2017, the Company sold its wholly owned asset management subsidiary, Triumph Capital Advisors, LLC, to an unrelated third party. The transaction was completed to enhance shareholder value and provide a platform for TCA to operate without the impact of regulations intended for depository institutions.

A summary of the consideration received and the gain on sale is as follows:

(Dollars in thousands)	
Consideration received (fair value):	
Cash	$10,554
Loan receivable	10,500
Revenue share	1,623
Total consideration received	22,677
Carrying value of TCA membership interest	1,417
Gain on sale of subsidiary	21,260
Transaction costs	400
Gain on sale of subsidiary, net of transaction costs	$20,860

The Company financed a portion of the consideration received with a $10,500,000 term credit facility. Terms of the floating rate credit facility provide for quarterly principal and interest payments with an interest rate floor of 5.50%, maturing on March 31, 2023. The Company received a $25,000 origination fee associated with the term credit facility that was deferred and will be accreted over the contractual life of the loan as a yield adjustment.

In addition, the Company is entitled to receive an annual earn-out payment representing 3% of TCA’s future annual gross revenue, with a total maximum earn-out amount of $2,500,000. The revenue share earn-out is considered contingent consideration which the Company elected to record as an asset at its estimated fair value of $1,623,000 on the date of sale.

The Company incurred pre-tax expenses related to the transaction, including professional fees and other direct transaction costs, totaling $400,000 which were netted against the gain on sale of subsidiary in the consolidated statements of income during the three months ended March 31, 2017.

Southern Transportation Insurance Agency

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

ColoEast Bankshares, Inc.

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(Dollars in thousands)	Initial Values Recorded at Acquisition Date	Measurement Period Adjustments	Adjusted Values
Assets acquired:			
Cash and cash equivalents	$ 57,671	$ —	$ 57,671
Securities	161,693	—	161,693
Loans	460,775	—	460,775
FHLB and Federal Reserve Bank stock	550	—	550
Premises and equipment	23,940	—	23,940
Other real estate owned	3,105	(143)	2,962
Intangible assets	7,238	—	7,238
Bank-owned life insurance	6,400	—	6,400
Deferred income taxes	4,511	(70)	4,441
Other assets	10,022	—	10,022
	735,905	(213)	735,692
Liabilities assumed:			
Deposits	652,952	—	652,952
Junior subordinated debentures	7,728	—	7,728
Other liabilities	6,784	—	6,784
	667,464	—	667,464
Fair value of net assets acquired	68,441	(213)	68,228
Cash paid	70,000	—	70,000
TARP Preferred Stock assumed	10,500	—	10,500
Consideration transferred	80,500	—	80,500
Goodwill	$ 12,059	$ 213	$ 12,272

The consideration was comprised of a combination of cash and the assumption of ColoEast’s TARP Preferred Stock. The Company recognized goodwill of $12,272,000, which included measurement period adjustments related to the final valuation of other real estate owned acquired in the transaction and the finalization of income taxes associated with the transaction. Goodwill was calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable net assets acquired and was allocated to the Company’s Banking segment. The goodwill in this acquisition resulted from expected synergies and expansion into the Colorado and Kansas markets. The goodwill will not be amortized for tax purposes.

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

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

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

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

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, 2017 and December 31, 2016 are as follows:

(Dollars in thousands) March 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 158,212	$ 565	$ (561)	$ 158,216
U.S. Treasury notes	4,820	29	—	4,849
Mortgage-backed securities, residential	23,580	417	(157)	23,840
Asset backed securities	12,966	—	(126)	12,840
State and municipal	25,580	11	(405)	25,186
Corporate bonds	27,250	115	(4)	27,361
SBA pooled securities	148	1	—	149
Mutual fund	2,000	11	—	2,011
Total available for sale securities	$ 254,556	$ 1,149	$ (1,253)	$ 254,452

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 28,882	$ 1,284	$ (94)	$ 30,072

(Dollars in thousands) December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	$ 180,945	$ 640	$ (643)	$ 180,942
Mortgage-backed securities, residential	24,710	453	(173)	24,990
Asset backed securities	13,031	30	(159)	12,902
State and municipal	27,339	6	(708)	26,637
Corporate bonds	27,287	106	(3)	27,390

SBA pooled securities	156	1	—	157
Mutual fund	2,000	11	—	2,011
Total available for sale securities	$ 275,468	$ 1,247	$ (1,686)	$ 275,029

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	$ 29,352	$ 1,527	$ (58)	$ 30,821

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The amortized cost and estimated fair value of securities at March 31, 2017, 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	$57,965	$57,950	$—	$—
Due from one year to five years	133,213	133,274	—	—
Due from five years to ten years	5,858	5,794	9,491	10,015
Due after ten years	18,826	18,594	19,391	20,057
	215,862	215,612	28,882	30,072
Mortgage-backed securities, residential	23,580	23,840	—	—
Asset backed securities	12,966	12,840	—	—
SBA pooled securities	148	149	—	—
Mutual fund	2,000	2,011	—	—
	$254,556	$254,452	$28,882	$30,072

Proceeds from sales of securities and the associated gross gains and losses for the three months ended March 31, 2017 and 2016 are as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2017	2016
Proceeds	$—	$4,345
Gross gains	$—	$5
Gross losses	$—	$—

Securities with a carrying amount of approximately $167,322,000 and $194,571,000 at March 31, 2017 and December 31, 2016, respectively, were pledged to secure public deposits, customer repurchase agreements, and for other purposes required or permitted by law.

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Information pertaining to securities with gross unrealized and unrecognized losses at March 31, 2017 and December 31, 2016, 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, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
U.S. Government agency obligations	$82,730	$ (561)	$—	$ —	$82,730	$ (561)
U.S. Treasury notes	—	—	—	—	—	—
Mortgage-backed securities, residential	6,520	(157)	—	—	6,520	(157)
Asset backed securities	4,863	(79)	7,977	(47)	12,840	(126)
State and municipal	24,119	(405)	—	—	24,119	(405)
Corporate bonds	371	(4)	—	—	371	(4)
SBA pooled securities	—	—	—	—	—	—
Mutual fund	—	—	—	—	—	—
	$118,603	$ (1,206)	$7,977	$ (47)	$126,580	$ (1,253)

	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands) March 31, 2017	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Held to maturity securities:						
CLO securities	$6,532	$ (94)	$—	$ —	$6,532	$ (94)

	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands) December 31, 2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
U.S. Government agency obligations	$95,362	$ (643)	$—	$ —	$95,362	$ (643)
Mortgage-backed securities, residential	6,594	(173)	—	—	6,594	(173)
Asset backed securities	—	—	7,946	(159)	7,946	(159)
State and municipal	25,771	(708)	—	—	25,771	(708)
Corporate bonds	372	(3)	—	—	372	(3)
SBA pooled securities	—	—	—	—	—	—
Mutual funds	—	—	—	—	—	—
	$128,099	$ (1,527)	$7,946	$ (159)	$136,045	$ (1,686)

	Less than 12 Months		12 Months or More		Total	

(Dollars in thousands) December 31, 2016	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Held to maturity securities:						
CLO securities	$3,323	$ (58)	$—	$ —	$3,323	$ (58)

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.

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At March 31, 2017, the Company had 91 securities in an unrealized loss position. Management does not have the intent to sell any of these securities 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 securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe that any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2017, management believes that the unrealized losses detailed in the previous table are temporary and no other than temporary impairment loss has been recognized in the Company's consolidated statements of income.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The following table presents the recorded investment and unpaid principal for loans at March 31, 2017 and December 31, 2016:

	March 31, 2017			December 31, 2016		
(Dollars in thousands)	Recorded Investment	Unpaid Principal	Difference	Recorded Investment	Unpaid Principal	Difference
Commercial real estate	$498,099	$503,659	$(5,560)	$442,237	$447,926	$(5,689)
Construction, land development, land	109,849	113,173	(3,324)	109,812	113,211	(3,399)
1-4 family residential properties	105,230	106,979	(1,749)	104,974	106,852	(1,878)
Farmland	136,537	137,587	(1,050)	141,615	142,673	(1,058)
Commercial	792,764	796,712	(3,948)	778,643	783,349	(4,706)
Factored receivables	242,098	243,535	(1,437)	238,198	239,432	(1,234)
Consumer	28,415	28,425	(10)	29,764	29,782	(18)
Mortgage warehouse	122,244	122,244	—	182,381	182,381	—
Total	2,035,236	$2,052,314	$(17,078)	2,027,624	$2,045,606	$(17,982)
Allowance for loan and lease losses	(19,093)			(15,405)		
	$2,016,143			$2,012,219		

The difference between the recorded investment and the unpaid principal is primarily associated with (1) premiums and discounts associated with acquisition date fair value adjustments on acquired loans (both PCI and non-PCI) totaling $14,072,000 and $15,210,000 at March 31, 2017 and December 31, 2016, respectively, and (2) net deferred origination and factoring fees totaling $3,006,000 and $2,772,000 at March 31, 2017 and December 31, 2016, respectively.

At March 31, 2017 and December 31, 2016, the Company had $23,573,000 and $23,597,000, 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.

Loans with carrying amounts of $450,654,000 and $497,573,000 at March 31, 2017 and December 31, 2016, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity.

During the three months ended March 31, 2017 and 2016, loans with carrying amounts of $1,965,000 and $2,881,000, respectively, were transferred to loans held for sale as the Company made the decision to sell the loans. These loans were subsequently sold resulting in proceeds of $1,919,000 and $2,805,000, respectively, and losses on sale of loans of $46,000 and $76,000, respectively, which were recorded as other noninterest income in the consolidated statements of income.

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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, 2017 and 2016 is as follows:

(Dollars in thousands) Three months ended March 31, 2017	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial real estate	$ 1,813	$ 567	$ (137)	$ —	$ 2,243
Construction, land development, land	465	513	(419)	7	566
1-4 family residential properties	253	(70)	(28)	5	160
Farmland	170	44	—	—	214
Commercial	8,014	5,793	(2,852)	222	11,177
Factored receivables	4,088	519	(580)	37	4,064
Consumer	420	372	(299)	54	547
Mortgage warehouse	182	(60)	—	—	122
	$ 15,405	$ 7,678	$ (4,315)	$ 325	$ 19,093

(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

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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 ALLL allocations:

(Dollars in thousands)	Loan Evaluation				ALLL Allocations			
March 31, 2017	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$724	$486,621	$10,754	$498,099	$—	$ 1,888	$355	$ 2,243
Construction, land development, land	415	105,846	3,588	109,849	25	541	—	566
1-4 family residential properties	1,266	101,671	2,293	105,230	—	160	—	160
Farmland	2,920	133,380	237	136,537	—	214	—	214
Commercial	25,159	763,025	4,580	792,764	2,034	8,143	1,000	11,177
Factored receivables	3,728	238,370	—	242,098	1,732	2,332	—	4,064
Consumer	133	28,282	—	28,415	—	547	—	547
Mortgage warehouse	—	122,244	—	122,244	—	122	—	122
	$34,345	$1,979,439	$21,452	$2,035,236	$3,791	$ 13,947	$1,355	$ 19,093

(Dollars in thousands)	Loan Evaluation				ALLL Allocations			
December 31, 2016	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	$1,456	$427,918	$12,863	$442,237	$100	$ 1,358	$355	$ 1,813
Construction, land development, land	362	105,493	3,957	109,812	25	440	—	465
1-4 family residential properties	1,095	101,551	2,328	104,974	1	252	—	253
Farmland	1,333	140,045	237	141,615	—	170	—	170
Commercial	33,033	738,088	7,522	778,643	2,101	5,913	—	8,014
Factored receivables	3,176	235,022	—	238,198	1,546	2,542	—	4,088
Consumer	73	29,691	—	29,764	—	420	—	420
Mortgage warehouse	—	182,381	—	182,381	—	182	—	182
	$40,528	$1,960,189	$26,907	$2,027,624	$3,773	$ 11,277	$355	$ 15,405

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The following is a summary of information pertaining to impaired loans. 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, 2017	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$—	$—	$ —	$724	$757
Construction, land development, land	281	279	25	134	136
1-4 family residential properties	—	—	—	1,266	1,391
Farmland	—	—	—	2,920	2,980
Commercial	15,118	15,261	2,034	10,041	10,131
Factored receivables	3,728	3,728	1,732	—	—
Consumer	—	—	—	133	132
Mortgage warehouse	—	—	—	—	—
PCI	2,702	3,006	1,355	—	—
	$21,829	$22,274	$ 5,146	$15,218	$15,527

	Impaired Loans and Purchased Credit				
	Impaired Loans With a Valuation Allowance			Impaired Loans Without a Valuation Allowance	
(Dollars in thousands) December 31, 2016	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
Commercial real estate	$517	$517	$ 100	$939	$1,011
Construction, land development, land	277	275	25	85	86
1-4 family residential properties	8	14	1	1,087	1,215
Farmland	—	—	—	1,333	1,364
Commercial	15,022	15,018	2,101	18,011	18,096
Factored receivables	3,176	3,176	1,546	—	—
Consumer	—	—	—	73	73
Mortgage warehouse	—	—	—	—	—
PCI	525	525	355	—	—
	$19,525	$19,525	$ 4,128	$21,528	$21,845

The following table presents average impaired loans and interest recognized on impaired loans for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
(Dollars in thousands)	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	$1,090	$ —	$719	$ —
Construction, land development, land	389	—	—	—
1-4 family residential properties	1,180	1	628	1
Farmland	2,127	9	—	—
Commercial	29,096	122	10,109	100
Factored receivables	3,452	—	4,181	—
Consumer	103	—	18	—
Mortgage warehouse	—	—	—	—
PCI	1,613	—	974	—
	$39,050	$ 132	$16,629	$ 101

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Past Due and Nonaccrual Loans

The following is a summary of contractually past due and nonaccrual loans at March 31, 2017 and December 31, 2016:

(Dollars in thousands) March 31, 2017	Past Due 30-89 Days Still Accruing	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$ 2,399	$ —	$ 724	$ 3,123
Construction, land development, land	—	—	415	415
1-4 family residential properties	1,075	—	1,213	2,288
Farmland	3,672	—	2,128	5,800
Commercial	10,448	371	19,984	30,803
Factored receivables	12,438	2,470	—	14,908
Consumer	620	—	133	753
Mortgage warehouse	—	—	—	—
PCI	219	—	5,913	6,132
	$ 30,871	$ 2,841	$ 30,510	$ 64,222

(Dollars in thousands) December 31, 2016	Past Due 30-89 Days Still Accruing	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
Commercial real estate	$ 699	$ 144	$ 1,163	$ 2,006
Construction, land development, land	619	—	362	981
1-4 family residential properties	956	—	1,039	1,995
Farmland	3,583	141	541	4,265
Commercial	11,060	1,077	26,619	38,756
Factored receivables	11,921	2,153	—	14,074
Consumer	667	2	73	742
Mortgage warehouse	—	—	—	—
PCI	2,020	104	8,233	10,357
	$ 31,525	$ 3,621	$ 38,030	$ 73,176

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

(Dollars in thousands)	March 31, 2017	December 31, 2016
Nonaccrual loans[1]	$ 30,510	$ 38,030
Factored receivables greater than 90 days past due	2,470	2,153
Troubled debt restructurings accruing interest	3,611	5,123
	$ 36,591	$ 45,306

(1) Includes troubled debt restructurings of $8,973,000 and $13,263,000 at March 31, 2017 and December 31, 2016, respectively.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current collateral and financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes every loan and is performed on a regular basis. Large groups of smaller balance homogeneous loans, such as consumer loans, are analyzed primarily based on payment status. The Company uses the following definitions for risk ratings:

Pass:

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

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Substandard:

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful:

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

PCI:

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

As of March 31, 2017 and December 31, 2016, based on the most recent analysis performed, the risk category of loans is as follows:

(Dollars in thousands) March 31, 2017	Pass	Substandard	Doubtful	PCI	Total
Commercial real estate	$485,653	$ 1,692	$ —	$10,754	$498,099
Construction, land development, land	105,846	415	—	3,588	109,849
1-4 family residential	101,350	1,587	—	2,293	105,230
Farmland	129,763	6,537	—	237	136,537
Commercial	746,554	41,630	—	4,580	792,764
Factored receivables	239,754	930	1,414	—	242,098
Consumer	28,280	135	—	—	28,415
Mortgage warehouse	122,244	—	—	—	122,244
	$1,959,444	$ 52,926	$ 1,414	$21,452	$2,035,236

(Dollars in thousands) December 31, 2016	Pass	Substandard	Doubtful	PCI	Total
Commercial real estate	$422,423	$ 6,951	$ —	$12,863	$442,237
Construction, land development, land	105,493	362	—	3,957	109,812
1-4 family residential	101,339	1,307	—	2,328	104,974
Farmland	136,474	4,904	—	237	141,615
Commercial	729,634	41,487	—	7,522	778,643

Factored receivables	236,084	1,029	1,085	—	238,198
Consumer	29,688	76	—	—	29,764
Mortgage warehouse	182,381	—	—	—	182,381
	$1,943,516	$ 56,116	$ 1,085	$26,907	$2,027,624

Troubled Debt Restructurings

The Company had a recorded investment in troubled debt restructurings of $12,584,000 and $18,386,000 as of March 31, 2017 and December 31, 2016, respectively. The Company had allocated specific allowances for these loans of $435,000 and $1,911,000 at March 31, 2017 and December 31, 2016, respectively, and had not committed to lend additional amounts. Troubled debt restructurings are the result of extending amortization periods, reducing contractual interest rates, or a combination thereof. The Company did not grant principal reductions on any restructured loans.

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The following table presents loans modified as troubled debt restructurings that occurred during the three months ended March 31, 2017 and 2016:

(Dollars in thousands) March 31, 2017	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	4	$ 186	$ 186

(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

During the three months ended March 31, 2017, the company had three loans modified as troubled debt restructurings with a recorded investment of $2,987,000 for which there were payment defaults within twelve months following the modification. The full recorded investment in one of these loans of $2,702,000 was charged off during the period. During the three months ended March 31, 2016, there were 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.

Purchased Credit Impaired Loans

The Company has loans that were acquired, for which there was, at acquisition, evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected. The outstanding contractually required principal and interest and the carrying amount of these loans included in the balance sheet amounts of loans at March 31, 2017 and December 31, 2016, are as follows:

	March 31, 2017	December 31, 2016
Contractually required principal and interest:		
Real estate loans	$ 22,085	$ 25,013
Commercial loans	6,706	9,703
Outstanding contractually required principal and interest	$ 28,791	$ 34,716
Gross carrying amount included in loans receivable	$ 21,452	$ 26,907

The changes in accretable yield during the three months ended March 31, 2017 and 2016 in regard to loans transferred at acquisition for which it was probable that all contractually required payments would not be collected are as follows:

	Three Months Ended March 31,	
	2017	2016
Accretable yield, beginning balance	$4,261	$2,594
Additions	—	—
Accretion	(472)	(517)
Reclassification from nonaccretable to accretable yield	83	—
Disposals	(440)	(13)
Accretable yield, ending balance	$3,432	$2,064

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(Dollars in thousands)	March 31, 2017	December 31, 2016
Goodwill	$ 28,810	$ 28,810

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	March 31, 2017			December 31, 2016		
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$21,825	$ (9,234)	$ 12,591	$21,825	$ (8,423)	$ 13,402
Other intangible assets	3,793	(961)	2,832	6,006	(1,687)	4,319
	$25,618	$ (10,195)	$ 15,423	$27,831	$ (10,110)	$ 17,721

The changes in goodwill and intangible assets during the three months ended March 31, 2017 and 2016 are as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2017	2016
Beginning balance	$46,531	$27,854
Acquired intangibles	152	—
Divestiture	(1,339)	—
Amortization of intangibles	(1,111)	(977)
Ending balance	$44,233	$26,877

NOTE 6 – Variable Interest Entities

Collateralized Loan Obligation Funds – Closed

The Company, through its subsidiary TCA, acted as the asset manager or provided certain middle and back office staffing and services to the asset manager of various CLO funds. TCA earned asset management fees in accordance with the terms of its asset management or staffing and services agreements associated with the CLO funds. TCA earned asset management fees totaling $1,717,000 and $1,629,000 for the three months ended March 31, 2017 and 2016, respectively. On March 31, 2017 the Company sold its membership interests in TCA as discussed in Note 2 – Business Combinations and Divestitures. As a result of the TCA sale, as of March 31, 2017 the Company no longer acted as asset manager or staffing and services provider for any CLO funds.

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

(Dollars in thousands)	Offering Date	Offering Amount

Trinitas CLO I, LTD (Trinitas I)	May 1, 2014	$400,000
Trinitas CLO II, LTD (Trinitas II)	August 4, 2014	$416,000
Doral CLO III, LTD (Doral III)	December 17, 2012	$310,800
Trinitas CLO III, LTD (Trinitas III)	June 9, 2015	$409,375

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

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The Company performed a consolidation analysis for the period prior to the TCA sale to determine whether the Company was required to consolidate the assets, liabilities, equity or operations of the above closed CLO funds in its financial statements. The Company concluded that the closed CLO funds were variable interest entities; however, the Company, through TCA, did not hold variable interests in the entities as the Company's interest in the CLO funds was limited to the asset management fees payable to TCA under their asset management agreements and the interests of its related parties were insignificant. The Company concluded that the asset management fees were not variable interests in the CLO funds as (a) the asset management fees were commensurate with the services provided, (b) the asset management agreements included only terms, conditions, or amounts that were customarily present in arrangements for similar services negotiated on an arm's-length basis, and (c) the Company did not hold other interests in the CLO funds (including interests held through related parties) that individually or in the aggregate would absorb more than an insignificant amount of the CLO funds' expected losses or receive more than an insignificant amount of the CLO funds' expected residual returns. Consequently, the Company concluded that it was not required to consolidate the assets, liabilities, equity or operations of these CLO funds in its financial statements. Upon the sale of TCA on March 31, 2017, the Company's interest in the CLOs through the TCA asset management fees was terminated. The sale of TCA did not change the results of the consolidation analysis.

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

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

The securities sold in the above CLO offerings were issued in a series of tranches ranging from an AAA rated debt tranche to an unrated tranche of subordinated notes. The Company holds investments in the subordinated notes of Trinitas IV and Trinitas V with a carrying amount of $6,626,000, which are classified as held to maturity securities within the Company's consolidated balance sheet at March 31, 2017.

The Company performed a consolidation analysis for the period prior to the TCA sale to confirm whether the Company was required to consolidate the assets, liabilities, equity or operations of the above closed CLO funds in its financial statements. The Company concluded that the closed CLO funds were variable interest entities and that the Company holds variable interests in the entities in the form of its investment in the subordinated notes of entities. However, the Company also concluded that as TCA was not the asset manager of the CLO funds, the Company did not have the power to direct the activities that most significantly impact the entities' economic performance. As a result, the Company was not the primary beneficiary and therefore was not required to consolidate the assets, liabilities, equity, or operations of the closed CLO funds in the Company's financial statements. Upon the sale of TCA on March 31, 2017, the Company is no longer providing staffing and services and the only remaining interest in the CLOs is the Company's investment in the subordinated notes of the entities. The sale of TCA did not change the results of the consolidation analysis.

Collateralized Loan Obligation Funds – Warehouse Phase

On June 17, 2016, Trinitas CLO VI, Ltd. (“Trinitas VI”) was formed to be the issuer of a CLO offering. Trinitas VI is capitalized with subordinated debt issued to the Company and third party investors. The entity entered into a warehouse credit agreement in order to begin acquiring senior secured loan assets that will comprise the initial collateral pool of the CLOs once issued. When finalized, Trinitas VI will use the proceeds of the debt and equity interests sold in the offering for the final CLO securitization structure to repay the initial warehouse phase debt and equity holders. In the final CLO securitization structure, interest and principal repayment of the leveraged loans held by Trinitas VI will be used to repay debt holders with any excess cash flows used to provide a return on capital to equity investors. During its warehousing period, TCA provides middle and back office support as a staffing and services provider for Trinitas VI. TCA does not earn staffing and services fees from Trinitas VI during the warehouse phase.

At March 31, 2017, the Company’s loss exposure to Trinitas VI is limited to its $22,181,000 investment in the entity which is classified as other assets within the Company’s consolidated balance sheet. Income from the Company’s investment in CLO warehouse entities totaled $964,000 and $984,000 during the three months ended March 31, 2017 and 2016, respectively, and is included in other noninterest income within the Company’s consolidated statements of income.

The Company performed a consolidation analysis of Trinitas VI during the warehouse phase and concluded that Trinitas VI is a variable interest entity and that the Company holds a variable interest in the entity that could potentially be significant to the entity in the form of its investment in the subordinated notes of the entity. However, the Company also concluded that since the Company is

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not the portfolio manager for Trinitas VI, the Company does not have the power to direct the activities that most significantly impact the entity's economic performance. As a result, the Company is not the primary beneficiary and therefore is not required to consolidate the assets, liabilities, equity, or operations of the entity in the Company's financial statements. The sale of TCA did not change the results of the consolidation analysis.

NOTE 7 - Deposits

Deposits at March 31, 2017 and December 31, 2016 are summarized as follows:

(Dollars in thousands)	March 31, 2017	December 31, 2016
Noninterest bearing demand	$382,009	$363,351
Interest bearing demand	329,201	340,362
Individual retirement accounts	100,436	103,022
Money market	203,686	213,253
Savings	173,258	171,354
Certificates of deposit	767,602	756,351
Brokered deposits	68,096	68,092
Total Deposits	$2,024,288	$2,015,785

At March 31, 2017, scheduled maturities of certificates of deposits, individual retirement accounts and brokered deposits are as follows:

(Dollars in thousands)	March 31, 2017
Within one year	$678,352
After one but within two years	175,164
After two but within three years	46,520
After three but within four years	16,504
After four but within five years	19,343
After five years	251
Total	$936,134

Time deposits, including individual retirement accounts, certificates of deposit, and brokered deposits, with individual balances of $250,000 and greater totaled $161,317,000 and $149,258,000 at March 31, 2017 and December 31, 2016, respectively.

NOTE 8 - Legal Contingencies

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

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 financial instruments.

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

	March 31, 2017		December 31, 2016	
(Dollars in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$15,985	$22,925	$7,345	$7,580
Unused lines of credit	98,047	150,182	109,611	145,475
Standby letters of credit	2,371	5,128	2,547	4,706

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 Note 15 of the Company's 2016 Form 10-K.

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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, 2017 and December 31, 2016.

(Dollars in thousands) March 31, 2017	Fair Value Measurements Using Level 1	 Level 2	 Level 3	Total Fair Value
Securities available for sale				
U.S. Government agency obligations	$—	$158,216	$ —	$158,216
U.S. Treasury notes	—	4,849	—	4,849
Mortgage-backed securities, residential	—	23,840	—	23,840
Asset backed securities	—	12,840	—	12,840
State and municipal	—	25,186	—	25,186
Corporate bonds	—	27,361	—	27,361
SBA pooled securities	—	149	—	149
Mutual fund	2,011	—	—	2,011
	$2,011	$252,441	$ —	$254,452

(Dollars in thousands) December 31, 2016	Fair Value Measurements Using Level 1	 Level 2	 Level 3	Total Fair Value
Securities available for sale				
U.S. Government agency obligations	$—	$180,942	$ —	$180,942
Mortgage-backed securities, residential	—	24,990	—	24,990
Asset backed securities	—	12,902	—	12,902
State and municipal	—	26,637	—	26,637
Corporate bonds	—	27,390	—	27,390
SBA pooled securities	—	157	—	157
Mutual fund	2,011	—	—	2,011
	$2,011	$273,018	$ —	$275,029

There were no transfers between levels during 2017 or 2016.

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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, 2017 and December 31, 2016.

(Dollars in thousands)	Fair Value Measurements Using			Total
March 31, 2017	Level 1	Level 2	Level 3	Fair Value
Impaired loans				
Commercial real estate	$—	$ —	$—	$—
Construction, land development, land	—	—	256	256
1-4 family residential properties	—	—	—	—
Commercial	—	—	13,084	13,084
Factored receivables	—	—	1,996	1,996
PCI	—	—	1,347	1,347
Other real estate owned [1]				
Commercial	—	—	92	92
	$—	$ —	$16,775	$16,775

(Dollars in thousands)	Fair Value Measurements Using			Total
December 31, 2016	Level 1	Level 2	Level 3	Fair Value
Impaired loans				
Commercial real estate	$—	$ —	$417	$417
Construction, land development, land	—	—	252	252
1-4 family residential properties	—	—	7	7
Commercial	—	—	12,921	12,921
Factored receivables	—	—	1,630	1,630
PCI	—	—	170	170
Other real estate owned [1]				
Commercial	—	—	698	698
1-4 family residential properties	—		485	485
Construction, land development, land	—	—	467	467
	$—	$ —	$17,047	$17,047

[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. For real estate loans, 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. For non-real estate loans, fair value of the impaired loan's collateral may be determined using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business.

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

The estimated fair values of the Company's financial instruments not measured at fair value on a recurring or non-recurring basis at March 31, 2017 and December 31, 2016 were as follows:

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
March 31, 2017	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$126,084	$126,084	$—	$—	$126,084
Securities - held to maturity	28,882	—	23,540	6,532	30,072
Loans not previously presented, net	1,999,460	—	—	2,008,707	2,008,707
FHLB stock	7,167	N/A	N/A	N/A	N/A
Accrued interest receivable	11,455	—	11,455	—	11,455
Financial liabilities:					
Deposits	2,024,288	—	2,029,332	—	2,029,332
Customer repurchase agreements	10,468	—	10,468	—	10,468
Federal Home Loan Bank advances	200,000	—	200,000	—	200,000
Subordinated notes	48,757	—	50,737	—	50,737
Junior subordinated debentures	32,840	—	33,046	—	33,046
Accrued interest payable	1,805	—	1,805	—	1,805

(Dollars in thousands)	Carrying	Fair Value Measurements Using			Total
December 31, 2016	Amount	Level 1	Level 2	Level 3	Fair Value
Financial assets:					
Cash and cash equivalents	$114,514	$114,514	$—	$—	$114,514
Securities - held to maturity	29,352	—	27,498	3,323	30,821
Loans not previously presented, net	1,996,822	—	—	2,002,487	2,002,487
FHLB stock	8,430	N/A	N/A	N/A	N/A
Accrued interest receivable	12,663	—	12,663	—	12,663

Financial liabilities:					
Deposits	2,015,785	—	2,014,922	—	2,014,922
Customer repurchase agreements	10,490	—	10,490	—	10,490
Federal Home Loan Bank advances	230,000	—	230,000	—	230,000
Subordinated notes	48,734	—	50,920	—	50,920
Junior subordinated debentures	32,740	—	32,905	—	32,905
Accrued interest payable	2,682	—	2,682	—	2,682

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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 was 1.25% and 0.625% at March 31, 2017 and December 31, 2016, respectively. 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, 2017 and December 31, 2016, the Company and TBK Bank meet all capital adequacy requirements to which they are subject, including the capital conservation buffer requirement.

As of March 31, 2017 and December 31, 2016, 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 below. There are no conditions or events since March 31, 2017 that management believes have changed TBK Bank's category.

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The actual capital amounts and ratios for the Company and TBK Bank are presented in the following table as of March 31, 2017 and December 31, 2016. The capital adequacy amounts and ratios below do not include the capital conservation buffer in effect at each respective date.

(Dollars in thousands)	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of March 31, 2017	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$359,884	14.9%	$193,675	8.0%	N/A	N/A
TBK Bank, SSB	$297,150	12.9%	$183,631	8.0%	$229,539	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$291,704	12.0%	$145,256	6.0%	N/A	N/A
TBK Bank, SSB	$277,801	12.1%	$137,723	6.0%	$183,631	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$249,962	10.3%	$108,942	4.5%	N/A	N/A
TBK Bank, SSB	$277,801	12.1%	$103,292	4.5%	$149,200	6.5%
Tier 1 capital (to average assets)						
Triumph Bancorp, Inc.	$291,704	11.3%	$103,114	4.0%	N/A	N/A
TBK Bank, SSB	$277,801	11.0%	$101,278	4.0%	$126,598	5.0%
As of December 31, 2016						
Total capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$342,059	14.6%	$187,449	8.0%	N/A	N/A
TBK Bank, SSB	$293,313	12.9%	$181,640	8.0%	$227,050	10.0%
Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$277,605	11.8%	$140,587	6.0%	N/A	N/A
TBK Bank, SSB	$277,593	12.2%	$136,230	6.0%	$181,640	8.0%
Common equity Tier 1 capital (to risk weighted assets)						
Triumph Bancorp, Inc.	$238,439	10.2%	$105,440	4.5%	N/A	N/A
TBK Bank, SSB	$277,593	12.2%	$102,173	4.5%	$147,583	6.5%
Tier 1 capital (to average assets)						

Triumph Bancorp, Inc.	$277,605	10.9%	$102,303	4.0%	N/A	N/A
TBK Bank, SSB	$277,593	11.0%	$100,802	4.0%	$126,002	5.0%

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

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NOTE 12 – STOCKHOLDERS' EQUITY

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

Common Stock

	Common Stock	
	March 31, 2017	December 31, 2016