Triumph Bancorp, Inc.
Form 10-K
February 17, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 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 (State or other jurisdiction of incorporation or organization)	20-0477066 (I.R.S. Employer Identification No.)
12700 Park Central Drive, Suite 1700 Dallas, TX (Address of principal executive offices)	75251 (Zip Code)

Registrant's telephone number, including area code: (214) 365-6900

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Class:	Name of Exchange on Which Registered:
Common Stock, Par Value $0.01 Per Share	NASDAQ

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES NO

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 for 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the shares of common stock held by non-affiliates based on the closing price of the common stock on the NASDAQ Global Market on June 30, 2016 was approximately $263,094,000.

The number of shares of Registrant's Common Stock outstanding as of February 14, 2017 was 18,083,294.

Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Shareholders, which will be filed within 120 days after December 31, 2016, are incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS.

Overview

Triumph Bancorp, Inc. (“we”, “Triumph” or the “Company”), is a financial holding company headquartered in Dallas, Texas and registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). Through our wholly owned bank subsidiary, TBK Bank, SSB (“TBK Bank”), we offer traditional banking services as well as commercial finance products to businesses that require specialized financial solutions. Our community 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 products 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 wholly owned subsidiary Triumph Capital Advisors, LLC (“Triumph Capital Advisors”), we provide investment management services currently focused on the 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 December 31, 2016, we had consolidated total assets of $2.641 billion, total loans held for investment of $2.028 billion, total deposits of $2.016 billion and total stockholders’ equity of $289 million.

Our business is conducted through four reportable segments (Banking, Factoring, Asset Management, and Corporate). For the year ended December 31, 2016, our banking segment generated 68% of our total revenue (comprised of interest and noninterest income), our factoring segment generated 24% of our total revenue, our asset management segment generated 5% of our total revenue, and our corporate segment generated 3% of our total revenue.

Our Corporate Structure

We operate our business through several corporate entities.

- TBK Bank, SSB is a Texas state savings bank. TBK Bank operates retail branch networks in two geographic markets, (i) a mid-western division consisting of ten branches in the Quad Cities Metropolitan Area of Iowa and Illinois, together with seven other branches throughout central and northwestern Illinois and one branch in northeastern Illinois, and (ii) a western division consisting of sixteen branches located throughout eastern Colorado and two branches in far western Kansas. Through this branch network, we offer our customers a variety of financial products and services that both augment our revenue (fee and interest income) and help us expand and retain our core deposit network, including checking and savings accounts, debit cards, electronic banking, trust services and treasury management. TBK Bank also operates one location in Dallas, Texas, in which we maintain our corporate office, originate certain commercial finance, mortgage warehouse, and commercial real estate loan products, and operate a branch that is dedicated to deposit gathering activities. Through TBK Bank, we originate a full suite of commercial and retail loans including commercial real estate, general commercial, commercial agriculture, mortgage warehouse, one-to-four family residential and construction and development loans, primarily focused on customers in and around our primary market areas. In addition, TBK Bank originates many of our commercial finance products and services, including healthcare asset-based loans under our Triumph Healthcare Finance brand, asset-based loans, equipment loans and general factoring products under our Triumph Commercial Finance brand and premium finance loans under our Triumph Premium Finance brand. These specialized commercial finance products and services are offered

on a nationwide basis through our Dallas, Texas office, loan production offices (consisting of a loan production office in Portland, Oregon dedicated to healthcare asset-based lending and a loan production office in Kansas City, Missouri dedicated to premium finance lending), and our network of nationwide sales personnel.

- Advance Business Capital, LLC (d/b/a "Triumph Business Capital") is a Delaware limited liability company and wholly owned subsidiary of TBK Bank that focuses on providing working capital financing through the purchase of accounts receivable, a product known as factoring. A substantial portion of Triumph Business Capital's factoring relationships are currently originated with small-to-mid-sized owner-operators, trucking fleets and freight brokers in the transportation industry, with an increasing representation in non-transportation sectors such as energy services, temporary staffing, and government contracting. Triumph Business Capital operates out of our Coppell, Texas location and our network of nationwide sales personnel.
- Triumph Insurance Group, Inc. is a Texas corporation and a wholly owned subsidiary of TBK Bank. Triumph Insurance Group was formed to provide insurance brokerage services, primarily focused on the insurance needs of our commercial finance and agriculture lending clients.
- Triumph Capital Advisors, LLC is a Texas limited liability company and registered investment advisor that provides investment management services for primarily institutional clients, currently focused on the management of collateralized loan obligations.

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Lending and Factoring Activities

We offer a broad range of lending and factoring products. Our business lending categories include commercial, commercial real estate, factoring, agriculture, construction and development, and mortgage warehouse facilities. Consumer lending represents a small portion of our overall loan portfolio and is focused primarily on meeting the needs of customers in our retail banking markets.

Our strategy is to maintain a broadly diversified loan portfolio by type and location. Within this general strategy, we focus on growth in the commercial finance areas where we believe we have expertise and market insights, including the asset-based loans and equipment loans we originate under our Triumph Commercial Finance brand, the asset-based healthcare loans we originate under our Triumph Healthcare Finance brand, and the premium finance loans we originate under our Triumph Premium Finance brand as well as our factoring operations.

A substantial portion of our lending is in the areas surrounding our community banking operations in Iowa, Illinois, Colorado and Kansas. We expect that we will continue to focus on the commercial and personal credit needs of businesses and individuals in these markets. We also have a significant amount of lending in Texas, the home of our corporate headquarters and a significant portion of our commercial finance operations. With respect to our commercial finance products, we also seek out customers and maintain loan production offices or sales personnel for such product lines on a nationwide basis.

The following is a discussion of our major types of lending activity:

Commercial Loans. We offer commercial loans to small-to-mid-sized businesses across a variety of industries. These loans include general commercial and industrial loans, loans to purchase capital equipment and business loans for working capital and operational purposes.

A portion of our commercial loan portfolio consists of specialty commercial finance products including asset-based loans, equipment loans, healthcare asset-based loans, and premium finance loans. A more detailed description of these product lines is set forth below:

- Asset-Based Loans. Under our Triumph Commercial Finance brand, we originate asset-based loans to borrowers to support general working capital needs. Our asset-based loan structure involves advances of loan proceeds against a "borrowing base," which typically consists of accounts receivable, identified readily marketable inventory or other collateral of the borrower. The maximum amount a customer may borrow at any time is fixed as a percentage of the borrowing base outstanding. These loans typically bear interest at a floating rate comprised of LIBOR or the prime rate plus a premium and include certain other transaction fees, such as origination and unused line fees. We target asset-based loan facilities between $1 million and $20 million and originate asset-based loans across a variety of industries.
- Equipment Loans. We originate equipment loans under our Triumph Commercial Finance brand. Equipment loans are commercial loans primarily secured by new or used revenue producing, essential-use equipment from major manufacturers that is movable, may be used in more than one type of business, and generally has broad resale markets. Core markets include construction, road, transportation, oil and gas, waste, forestry and machine tool. Our equipment loans are typically fully amortizing, fixed rate loans secured by the underlying collateral with a term of three to five years.
- Healthcare Loans. Under our Triumph Healthcare Finance brand, we originate healthcare asset-based loans, generally on secured credit facilities of $1 million to $20 million for healthcare service providers in the areas of skilled nursing, home healthcare, physical therapy and healthcare product delivery. The borrowing base for our healthcare asset-based loans generally consists of reimbursement receivables payable to our healthcare provider clients from insurance companies and governmental programs, such as Medicare and Medicaid.
- Premium Finance Loans. We originate premium finance loans under our Triumph Premium Finance brand. These premium finance loans provide customized premium financing solutions for the acquisition of property and casualty

insurance coverage. In effect, these short term premium finance loans allow insureds to pay their insurance premiums over the life of the underlying policy, instead of paying the entire premium at the outset.

Commercial Real Estate Loans. We originate real estate loans to finance commercial property that is owner-occupied as well as commercial property owned by real estate investors. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as office buildings, warehouses, production facilities, hotels and mixed-use residential/commercial and multifamily properties. We originate these loans both in our community banking markets and on a nationwide basis.

Factored Receivables. As a part of our commercial finance product offerings, we offer factoring services to our customers, primarily in the transportation sector, with an increasing focus on other industries. In contrast to a lending relationship, in a factoring transaction we directly purchase the receivables generated by our clients at a discount to their face value. These transactions are structured to provide our clients with immediate liquidity to meet operating expenses when there is a mismatch between payments to our client for a good or service and the incurrence of operating costs required to provide such good or service. For example, in the transportation industry, invoices are typically paid 30 to 60 days after delivery whereas the truckers providing such transportation services require immediate funds to pay for fuel and other operating costs.

Our transportation factoring clients include small owner-operator trucking companies (one-to-four trucks), mid-sized fleets (5-to-50 trucks) and freight broker relationships whereby we manage all carrier payments on behalf of a broker client. The features and pricing of our transportation factoring relationships vary by client type. Typically our smaller owner-operator relationships are structured as “non-recourse” relationships (i.e., we retain the credit risk associated with the ability of the account debtor on an invoice we purchase to ultimately make payment) and our larger relationships are structured as “recourse” relationships (i.e., our client agrees to repurchase from us any invoices for which payment is not ultimately received from the account debtor).

Our non-transportation factoring business targets small businesses with annual sales between $1 million and $50 million in industries such as manufacturing, distribution, and staffing.

Agriculture Loans. We originate a variety of loans to borrowers in the agriculture industry, including (i) real estate loans secured by farmland, (ii) equipment financing for specific agriculture equipment, including irrigation systems, (iii) crop input loans primarily focused on corn, wheat and soybeans, and (iv) loans secured by cattle and other livestock. We originate these loans primarily in the areas surrounding our community banking markets in Iowa, Illinois, Colorado and Kansas.

Commercial Construction, Land and Land Development Loans. We offer loans to small-to-mid-sized businesses to construct owner-user properties, as well as loans to developers of commercial real estate investment properties and residential developments. These loans are typically disbursed as construction progresses and carry interest rates that vary with the prime rate.

Mortgage Warehouse Facilities. We enter into mortgage warehouse arrangements whereby we directly fund the origination of one-to-four family residential mortgage loans on behalf of our mortgage banker clients. These arrangements provide our mortgage banker clients with the resources to fund their mortgage originations more quickly and efficiently than they could by using their own balance sheet.

Residential Real Estate Loans. We historically offered first and second mortgage loans to our individual customers primarily for the purchase of primary and secondary residences. However, we made the decision to exit the residential mortgage production business in the fourth quarter of 2015 as the operational and compliance risk associated with the business outweighed the amount of profitability generated.

Consumer Loans. We also originate personal loans for our retail banking customers. These loans originate exclusively out of our community banking operations in Iowa, Illinois, Colorado and Kansas.

Other Products and Services

Asset Management Services. Triumph Capital Advisors is a registered investment adviser that provides fee-based asset management services primarily for institutional clients, currently focused on the management of collateralized loan obligation (“CLO”) vehicles.

In general, a CLO is an investment fund whose assets are comprised primarily of senior secured corporate loans. These senior secured corporate loans are generally large, broadly syndicated financing transactions arranged by a lead agent bank and then assigned to numerous additional lenders. Such loans are typically rated below investment grade and are sometimes referred to as “leveraged loans.” The total size of such loan facilities typically range from $200 million to $2 billion, though certain individual facilities can be several times larger. CLOs acquire assignments in these senior secured corporate loans generally ranging from $1 million to $5 million. We do not originate or syndicate any of the senior secured corporate loans acquired by our CLO clients, nor do we acquire any of the loan assignments on the balance sheet of our bank and then transfer them to our CLO clients. All such loan assignments are acquired directly by the CLO issuers under the direction of the CLO asset manager.

A CLO issues its investors securities in a series of tranches, typically ranging from an AAA-rated debt tranche to an unrated subordinated debt or equity tranche. The payment rate on each security is linked to such security’s payment priority (e.g., the AAA-rated tranche of a CLO will receive all interest payments before any payments are made to the next most senior tranche of security issued by such CLO, but will pay a lower interest rate). The sole source of payment for the securities issued by the CLO consists of interest, fee and principal payments from its underlying senior secured loan assets.

Triumph Capital Advisors earns asset management fees for selecting and continuously managing the underlying assets of CLOs. In general, these management fees are calculated as a percentage of eligible assets within each fund. A portion of these fees are payable as senior fees (i.e., payable before any payments to the debt investors in such fund) and a portion of these fees are payable as subordinated fees (i.e., payable only in the event interest payments are made to the debt investors in such CLO for such payment period). Such asset management fees typically range from 0.30% to 0.50% per annum of the total eligible assets of the fund, but may also be higher or lower depending on market conditions or the requirements of the investors in each specific CLO. In certain cases, we may offer a portion of our asset management fees to investors in a CLO as an inducement to get such investor to invest in the transaction. In addition, we may earn performance fees in the event the return of the subordinated or equity investors in a CLO exceeds a specified return threshold.

In addition to providing asset management services to CLO issuers following the consummation of their CLO securities offerings (at which point we begin to earn the asset management fees described above), we have also historically acted as asset manager to CLO issuers during their "warehouse" phase. During its "warehouse" phase, a prospective CLO issuer begins to acquire loan assets in anticipation of a future CLO securities offering. These assets are generally acquired with the proceeds of a credit facility (often provided by an affiliate of the placement agent for the CLO securities offering) as well as equity invested in the prospective CLO issuer during this period. Upon the consummation of a CLO securities offering, the warehouse credit facility is repaid and terminated and the warehouse equity is redeemed. We have from time to time invested in the equity of CLO issuers during their warehouse phase. We make these investments primarily to facilitate the successful consummation of the CLO securities offerings and the corresponding generation of asset management fees for us that commence following the completion of these offerings.

In connection with the effectiveness of the U.S. risk retention requirements applicable to managers of CLO transactions (which, generally, require the manager of a CLO transaction originated on or after the effective date of such rule (December 24, 2016) to hold five percent of the credit risk of the CLO, which may be retained horizontally in the equity tranche of the CLO or vertically as a five percent interest in each tranche of the securities issued by the CLO), Triumph Capital Advisors has also begun entering into transactions whereby it earns fee income through the provision of middle and back office services to other CLO managers formed to manage new CLOs and to hold the risk retention interests in such CLOs. In 2015 a new asset manager, Trinitas Capital Management, LLC ("Trinitas"), was formed for this purpose. Trinitas is an independent entity governed by a board of managers elected by its members, a majority of whom are independent of Triumph Capital Advisors or the Company. Certain of our officers and other Triumph Capital Advisors personnel also serve as officers or managers of Trinitas. Trinitas has issued new CLOs and holds the risk retention interests in such CLOs. Triumph Capital Advisors provides middle and back office services for CLOs managed by Trinitas for a fee agreed upon between Trinitas and Triumph Capital Advisors for each transaction. The Company does not hold any membership interests in Trinitas.

Additional Products and Services. We offer a full range of commercial and retail banking services to our customers, including checking and savings accounts, debit cards, electronic banking, and trust services. These products both augment our revenue and help us expand our core deposit network. We also seek to make these additional banking products and services (many of which are not offered by non-bank lenders) to our commercial finance clients in order to improve acquisition and retention of these clients. Through Triumph Insurance Group, an insurance brokerage agency focused on meeting the insurance needs of our commercial clients, particularly our factoring clients in the transportation industry and our equipment lending clients, as well as our agriculture lending clients, we provide insurance brokerage services. We believe these ancillary product offerings have the ability to diversify our revenue and increase customer acquisition and retention for our primary product lines.

Credit Risk Management

We mitigate credit risk both through disciplined underwriting of each transaction we originate, as well as active credit management processes and procedures to manage risk and minimize loss throughout the life of a transaction. We seek

to maintain a broadly diversified loan portfolio in terms of type of customer, type of loan product, geographic area and industries in which our business customers are engaged. We have developed tailored underwriting criteria and credit management processes for each of the various loan product types we offer our customers.

Underwriting

In evaluating each potential loan relationship, we adhere to a disciplined underwriting evaluation process including the following:

- understanding of the customer's financial condition and ability to repay the loan;
- verifying that the primary and secondary sources of repayment are adequate in relation to the amount and structure of the loan;
- observing appropriate loan to value guidelines for collateral secured loans;
- maintaining our targeted levels of diversification for the loan portfolio, including industry, collateral, geography, and product type; and
- ensuring that each loan is properly documented with perfected liens on collateral.

Our non-owner occupied commercial real estate loans are generally secured by income producing property with adequate margins, supported by a history of profitable operations and cash flows and proven operating stability in the case of commercial loans. Our commercial real estate loans and commercial loans are often supported by personal guarantees from the principals of the borrower.

With respect to our asset-based loans, in addition to an overall evaluation of the borrower and the transaction considering the applicable criteria set forth above, we also engage in an evaluation of the assets comprising the borrowing base for such loans, to confirm that such assets are readily recoverable and recoverable at rates in excess of the advance rate for such loans. With respect to our healthcare asset-based loans, this process requires an analysis of the payment rates applied to the reimbursement obligations payable to our customers by applicable payers.

Our factoring relationships in particular require a specialized underwriting process. For each factoring transaction, in addition to a credit evaluation of our client, we also evaluate the creditworthiness of underlying account debtors, as such account debtors represent the substantive underlying credit risk. Transportation factoring also presents the additional challenge of underwriting high volumes of invoices of predominantly low value per invoice and managing credit requests for a large industry pool of account debtors. We facilitate this process through a proprietary web-based "Online Broker Credit" application, which processes invoice purchase approval requests for our clients through an online proprietary scoring model and delivers either preliminary responses for small dollar requests or immediate referral to our servicing personnel for larger dollar requests. We also set and monitor concentration limits for individual account debtors that are tracked across all of our clients (as multiple clients may have outstanding invoices from a particular account debtor).

Our bank implements its underwriting evaluation and approval process through a tiered system of loan authorities. Under these authorities, transactions at certain identified levels are eligible to be approved by a designated officer or a combination of designated officers. Transactions above such individual thresholds require approval of a management-level loan committee. Transactions above the approval levels for our management-level loan committee must be approved by an executive loan committee comprised of directors. Our underwriting and approval processes also employ limits we believe to be appropriate as to loan type and category, loan size, and other attributes.

Ongoing Credit Risk Management

We also perform ongoing risk monitoring and review processes for all credit exposures. Although we grade and classify our loans internally, we have an independent third party professional firm perform regular loan reviews to confirm loan classification. We strive to identify potential problem loans early in an effort to seek resolution of these situations before the loans create a loss, record any necessary charge-offs promptly and maintain adequate allowance levels for probable loan losses incurred in the loan portfolio. In general, whenever a particular loan or overall borrower relationship is downgraded to pass-watch or substandard based on one or more standard loan grading factors, our credit officers engage in active evaluation of the asset to determine the appropriate resolution strategy. Management regularly reviews the status of the watch list and classified assets portfolio as well as the larger credits in

the portfolio.

In addition to our general credit risk management processes, we employ specialized risk management processes and procedures for certain of our commercial finance products, in particular our asset-based lending and factoring products. With respect to our asset-based lending relationships, we require dominion over the borrower’s cash accounts in order to actively control and manage the cash flows from the conversion of borrowing base collateral into cash and its application to the loan. We also engage in active review and monitoring of the borrowing base collateral itself, including field audits typically conducted on a 90-180 day cycle.

With respect to our factoring operations, we employ a proprietary risk management program whereby each client is assigned a risk score based on measurable criteria. Our risk model is largely geared toward early detection and mitigation of fraud, which we believe represents the most material risk of loss in this asset class. Risk scores are presented on a daily basis through a proprietary software application. These risk scores are then used to assign such client into a particular classification level. The classification level is not a predictor of loss exposure but rather the determinant for monitoring levels and servicing protocols, such as the percentage requirements for collateral review and invoice verification prior to purchase. This scoring and risk allocation methodology helps us to manage and control fraud and credit risk.

Marketing

We market our loans and other products and services through a variety of channels. Fundamentally, we focus on a high-touch direct sales model and building long-term relationships with our customers. In our community banking markets, our lending officers actively solicit new and existing businesses in the communities we serve. For our commercial finance product lines, we typically maintain sales personnel across the country with designated regional responsibilities for clients within their territories. We market our products and services through secondary channels, including e-marketing and search engine optimization, as well as key strategic sourcing relationships. Importantly, while we seek to ensure that the pricing on all of our loans and factoring products is competitive, we also attempt to distinguish ourselves with our clients on criteria other than price, including service, industry knowledge and a more complete value proposition than our competitors. We believe that our suite of complementary commercial finance product options and our other available banking services, including treasury management services and our insurance brokerage initiatives, allow us to offer full-service banking relationships to clients and industries that have historically been served by smaller non-bank commercial finance companies.

Deposits

Deposits are our primary source of funds to support our earning assets. We offer depository products, including checking, savings, money market and certificates of deposit with a variety of rates. Deposits at our bank subsidiary are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. In addition, required deposit balances associated with our commercial loan arrangements and treasury management relationships maintained by our commercial lending clients provide an additional source of deposits. In our community banking markets, we have a network of 36 deposit-taking branch offices. We also maintain a branch office in Dallas, Texas, dedicated to deposit generation activities.

Competitors

The bank and non-bank financial services industries in our markets and the surrounding areas are highly competitive. We compete with a wide range of regional and national banks located in our market areas as well as non-bank commercial finance and factoring companies on a nationwide basis. We experience competition in both lending and attracting funds from commercial banks, savings associations, credit unions, consumer finance companies, pension trusts, mutual funds, insurance companies, mortgage bankers and brokers, brokerage and investment banking firms, non-bank lenders, government agencies and certain other non-financial institutions. Many of these competitors have more assets, capital and lending limits, and resources than we do and may be able to conduct more intensive and broader-based promotional efforts to reach both commercial and individual customers. Competition for deposit products can depend heavily on pricing because of the ease with which customers can transfer deposits from one institution to another.

Supervision and Regulation

Banking is a complex, highly regulated industry. Consequently, our growth and earnings performance can be affected, not only by management decisions and general and local economic conditions, but also by the statutes administered by

and the regulations and policies of, various governmental regulatory authorities. These authorities include, but are not limited to, the Federal Reserve, the FDIC, the Texas Department of Savings and Mortgage Lending ("TDSML"), the Internal Revenue Service ("IRS"), and state taxing authorities. The effect of these statutes, regulations and policies and any changes to any of them can be significant and cannot be predicted.

The primary goals of the bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. In furtherance of those goals, the U.S. Congress and the individual states have created numerous regulatory agencies and enacted numerous laws, such as the Dodd-Frank Act, that govern banks and the banking industry. The system of supervision and regulation applicable to the Company establishes a comprehensive framework for our operations and is intended primarily for the protection of the FDIC's deposit insurance funds, our depositors and the public, rather than the stockholders and creditors.

New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating in the United States. The federal banking agencies have issued a number of significant new regulations as a result of the Dodd-Frank Act and a number of additional regulations are pending or may be proposed. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which of our businesses may be affected by any new regulation or statute.

The following is an attempt to summarize some of the relevant laws, rules and regulations governing banks and bank holding companies, but does not purport to be a complete summary of all applicable laws, rules and regulations governing banks. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

Bank Holding Company Regulation

The Company is a financial holding company registered under the BHC Act and is subject to supervision and regulation by the Federal Reserve. Federal laws subject bank holding companies to particular restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions, for violation of laws and policies.

Activities Closely Related to Banking

The BHC Act prohibits a bank holding company, with certain limited exceptions, from acquiring direct or indirect ownership or control of any voting shares of any company that is not a bank or from engaging in any activities other than those of banking, managing or controlling banks and certain other subsidiaries or furnishing services to or performing services for its subsidiaries. Bank holding companies also may engage in or acquire interests in companies that engage in a limited set of activities that are closely related to banking or managing or controlling banks. If a bank holding company has become a financial holding company (an “FHC”), as we have, it may engage in a broader set of activities, including insurance underwriting and broker-dealer services as well as activities that are jointly determined by the Federal Reserve and the U.S. Treasury to be financial in nature or incidental to such financial activity. FHCs may also engage in activities that are determined by the Federal Reserve to be complementary to financial activities. The Company has elected to be an FHC. To maintain FHC status, the bank holding company and all subsidiary depository institutions must be well managed and “well capitalized.” Additionally, all subsidiary depository institutions must have received at least a “Satisfactory” rating on its most recent Community Reinvestment Act (“CRA”) examination. Failure to meet these requirements may result in limitations on activities and acquisitions.

Safe and Sound Banking Practices

Bank holding companies are not permitted to engage in unsafe and unsound banking practices. The Federal Reserve may order a bank holding company to terminate an activity or control of a non-bank subsidiary if such activity or control constitutes a significant risk to the financial safety, soundness or stability of a subsidiary bank and is inconsistent with sound banking principles. Regulation Y also requires a holding company to give the Federal Reserve prior notice of any redemption or repurchase of its own equity securities if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding year, is equal to 10% or more of the company’s consolidated net worth.

Consistent with the Dodd-Frank Act codification of the Federal Reserve’s policy that bank holding companies must serve as a source of financial strength for their subsidiary banks, the Federal Reserve has stated that, as a matter of prudence, a bank holding company generally should not maintain a rate of distributions to stockholders unless its available net income has been sufficient to fully fund the distributions and the prospective rate of earnings retention appears consistent with a bank holding company’s capital needs, asset quality and overall financial condition. In addition, we are subject to certain restrictions on the making of distributions as a result of the requirement that our

subsidiary bank maintains an adequate level of capital as described below.

In addition, the Federal Reserve Supervisory Letter SR 09-4 provides guidance on the declaration and payment of dividends, capital redemptions and capital repurchases by a bank holding company. Supervisory Letter SR 09-4 provides that, as a general matter, a bank holding company should eliminate, defer or significantly reduce its dividends if: (i) the bank holding company's net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the bank holding company's prospective rate of earnings retention is not consistent with the bank holding company's capital needs and overall current and prospective financial condition or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Failure to do so could result in a supervisory finding that the bank holding company is operating in an unsafe and unsound manner.

Limitations on our subsidiary bank paying dividends could, in turn, affect our ability to pay dividends to our stockholders. For more information concerning our subsidiary bank's ability to pay dividends, see below.

The Federal Reserve has broad authority to prohibit activities of bank holding companies and their non-banking subsidiaries which represent unsafe and unsound banking practices or which constitute violations of laws or regulations. Notably, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) provides that the Federal Reserve Board can assess civil money penalties for such practices or violations which can be as high as $1 million per day. FIRREA contains expansive provisions regarding the scope of individuals and entities against which such penalties may be assessed.

Annual Reporting and Examinations

The Company is required to file annual and quarterly reports with the Federal Reserve and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve may examine a bank holding company or any of its subsidiaries and charge the bank holding company for the cost of such an examination. The Company is also subject to reporting and disclosure requirements under state and federal securities laws.

Rules on Regulatory Capital

Regulatory capital rules pursuant to the Basel III requirements, released in July 2013, implemented higher minimum capital requirements for bank holding companies and banks effective on January 1, 2015. The rules include a common equity Tier 1 capital requirement and establish criteria that instruments must meet to be considered common equity Tier 1 capital, additional Tier 1 capital or Tier 2 capital. These enhancements were designed to both improve the quality and increase the quantity of capital required to be held by banking organizations, better equipping the U.S. banking system to deal with adverse economic conditions. The capital rules require banks and bank holding companies to maintain a minimum common equity Tier 1 (“CET1”) capital ratio of 4.5%, a total Tier 1 capital ratio of 6%, a total capital ratio of 8% and a leverage ratio of 4%. Bank holding companies are also required to hold a capital conservation buffer of CET1 capital of 2.5% to avoid limitations on capital distributions and executive compensation payments. Under the rules, bank holding companies must maintain a total risk-based capital ratio of 10% and a total Tier 1 risk-based capital ratio of 6% to be considered “well capitalized” for purposes of certain rules and requirements.

The capital rules also require banks to maintain a CET1 capital ratio of 6.5%, a total Tier 1 capital ratio of 8%, a total capital ratio of 10% and a leverage ratio of 5% to be deemed “well capitalized” for purposes of certain rules and prompt corrective action requirements. The risk-based ratios include a “capital conservation buffer” of 2.5%. The capital conservation buffer requirement is being phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase by that amount each year until fully implemented in January 2019. An institution is subject to limitations on certain activities including payment of dividends, share repurchases and discretionary bonuses to executive officers if its capital level is below the buffer amount. This buffer will help to ensure that banking organizations conserve capital when it is most needed, allowing them to better weather periods of economic stress.

The regulatory capital rules attempt to improve the quality of capital by implementing changes to the definition of capital. Among the most important changes are stricter eligibility criteria for regulatory capital instruments that would disallow the inclusion of instruments, such as trust preferred securities, in Tier 1 capital going forward and new constraints on the inclusion of minority interests, mortgage-servicing assets, deferred tax assets and certain investments in the capital of unconsolidated financial institutions. In addition, the rules require that most regulatory capital deductions be made from common equity Tier 1 capital.

The Federal Reserve may also set higher capital requirements for holding companies whose circumstances warrant it. For example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. At this time, the bank regulatory agencies are more inclined to impose higher capital requirements to meet well-capitalized standards and future regulatory change could impose higher capital standards as a routine matter. The Company’s regulatory capital ratios and those of its subsidiary bank are in excess of the levels established for “well-capitalized” institutions under the rules.

The regulatory capital rules also set forth certain changes in the methods of calculating certain risk-weighted assets, which in turn affects the calculation of risk based ratios. Under the rules, higher or more sensitive risk weights are assigned to various categories of assets, including, certain credit facilities that finance the acquisition, development or construction of real property, certain exposures or credits that are 90 days past due or on nonaccrual, foreign exposures and certain corporate exposures. In addition, the rules include (i) alternative standards of credit worthiness consistent with the Dodd-Frank Act, (ii) greater recognition of collateral and guarantees and (iii) revised capital treatment for derivatives and repo-style transactions.

In addition, the rules include certain exemptions to address concerns about the regulatory burden on community banks. For example, banking organizations with less than $15 billion in consolidated assets as of December 31, 2009 are permitted to include in Tier 1 capital trust preferred securities and cumulative perpetual preferred stock issued and included in Tier 1 capital prior to May 19, 2010 on a permanent basis, without any phase out. Community banks were also able to elect on a one time basis in their March 31, 2015 quarterly filings to opt-out of the requirement to include most accumulated other comprehensive income (“AOCI”) components in the calculation of CET1 capital and, in effect, retain the AOCI treatment under the current capital rules. Under the rules, we elected to make the one-time permanent election to continue to exclude AOCI from capital.

Imposition of Liability for Undercapitalized Subsidiaries

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) required each federal banking agency to revise its risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risks of nontraditional activities, as well as reflect the actual performance and expected risk of loss on multifamily mortgages.

As discussed above, in accordance with the law, each federal banking agency has specified, by regulation, the levels at which an insured institution would be considered “well capitalized,” adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. As of December 31, 2016, the Company’s subsidiary bank exceeded the capital levels required to be deemed “well capitalized.”

Additionally, FDICIA requires bank regulators to take prompt corrective action to resolve problems associated with insured depository institutions. In the event an institution becomes undercapitalized, it must submit a capital restoration plan.

Under these prompt corrective action provisions of FDICIA, if a controlled bank is undercapitalized, then the regulators could require the bank to submit a capital restoration plan. If an institution becomes significantly undercapitalized or critically undercapitalized, additional and significant limitations are placed on the institution. The capital restoration plan of an undercapitalized institution will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary’s compliance with the capital restoration plan until it becomes adequately capitalized. The Company has control of its subsidiary bank for the purpose of this statute.

Further, by statute and regulation, a bank holding company must serve as a source of financial and managerial strength to each bank that it controls and, under appropriate circumstances, may be required to commit resources to support each such controlled bank. This support may be required at times when the bank holding company may not have the resources to provide the support. In addition, if the Federal Reserve believes that a bank holding company’s activities, assets or affiliates represent a significant risk to the financial safety, soundness or stability of a controlled bank, then the Federal Reserve could require the bank holding company to terminate the activities, liquidate the assets or divest the affiliates. The regulators may require these and other actions in support of controlled banks even if such actions are not in the best interests of the bank holding company or its stockholders.

Acquisitions by Bank Holding Companies

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before it may acquire all or substantially all of the assets of any bank or ownership or control of any voting shares of any bank if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. In approving bank acquisitions by bank holding companies, the Federal Reserve is required to consider the financial and managerial resources and future prospects of the bank holding company and banks concerned, the convenience and needs of the communities to be served, the effect on competition as well as the financial stability of the United States. The Attorney General of the United States may, within 30 days after approval of an acquisition by the Federal Reserve, bring an action challenging such acquisition under the federal antitrust laws, in which case the effectiveness of such approval is stayed pending a final ruling by the courts. Under certain circumstances, the 30-day period may be shortened to 15 days.

Control Acquisitions

The Change in Bank Control Act (“CBCA”) prohibits a person or group of persons from acquiring “control” of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock

of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Company, would, under the circumstances set forth in the presumption, constitute acquisition of control of the Company.

In addition, the CBCA prohibits any entity from acquiring 25% (the BHC Act has a lower limit for acquirers that are existing bank holding companies) or more of a bank holding company's or bank's voting securities, or otherwise obtaining control or a controlling influence over a bank holding company or bank without the approval of the Federal Reserve. On September 22, 2008, the Federal Reserve Board issued a policy statement on equity investments in bank holding companies and banks, which states the Federal Reserve generally will not consider an entity's investment to be "controlling" if the entity owns or controls less than 25% of the voting shares and 33% total equity of the bank holding company or bank and has limited business relationships, director representation or other indicia of control. Depending on the nature of the overall investment and the capital structure of the banking organization, the Federal Reserve will permit, based on the policy statement, noncontrolling investments in the form of voting and nonvoting shares that represent in the aggregate (i) less than one-third of the total equity of the banking organization (and less than one-third of any class of voting securities, assuming conversion of all convertible nonvoting securities held by the entity) and (ii) less than 15% of any class of voting securities of the banking organization.

Anti-Tying Restrictions

Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other services offered by a holding company or its affiliates.

Bank Regulation

TBK Bank

TBK Bank is a Texas state savings bank and is subject to various requirements and restrictions under the laws of the United States and Texas and to regulation, supervision and regular examination by the FDIC and the TDSML. TBK Bank is required to file reports with the FDIC and the TDSML concerning its activities and financial condition in addition to obtaining regulatory approvals before entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. The regulators have the power to enforce compliance with applicable banking statutes and regulations. Those regulations include requirements to maintain reserves against deposits, restrictions on the nature and amount of loans that may be made and the interest that may be charged on loans and restrictions relating to investments and other activities of TBK Bank.

Standards for Safety and Soundness

As part of FDICIA's efforts to promote the safety and soundness of depository institutions and their holding companies, appropriate federal banking regulators are required to have in place regulations specifying operational and management standards (addressing internal controls, loan documentation, credit underwriting and interest rate risk), asset quality and earnings. As discussed above, the Federal Reserve and the FDIC have extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. For example, the FDIC may terminate the deposit insurance of any institution that it determines has engaged in an unsafe or unsound practice. The agencies can also assess civil money penalties of up to $1 million per day, issue cease-and-desist or removal orders, seek injunctions and publicly disclose such actions.

The ability of TBK Bank, as a Texas state savings bank, to pay dividends is restricted under the Texas Finance Code. Pursuant to the Texas Finance Code, a Texas state savings bank may declare and pay a dividend out of current or retained earnings, in cash or additional stock, to the holders of record of the stock outstanding on the date the dividend is declared. However, without the prior approval of the TDSML, a cash dividend may not be declared by the board of a Texas state savings bank that the TDSML considers to be in an unsafe condition or to have less than zero total retained earnings on the date of the dividend declaration.

TBK Bank is also subject to certain restrictions on the payment of dividends as a result of the requirement that it maintain an adequate level of capital in accordance with guidelines promulgated from time to time by the federal regulators.

The present and future dividend policy of TBK Bank is subject to the discretion of its board of directors. In determining whether to pay dividends to Triumph and, if made, the amount of the dividends, the board of directors of TBK Bank considers many of the same factors discussed above. TBK Bank cannot guarantee that they will have the financial ability to pay dividends to Triumph, or if dividends are paid, that they will be sufficient for Triumph to make distributions to stockholders. TBK Bank is not obligated to pay dividends.

Restrictions on Transactions with Affiliates

Section 23A of the Federal Reserve Act imposes quantitative and qualitative limits on transactions between a bank and any affiliate and requires certain levels of collateral for such loans. It also limits the amount of advances to third parties which are collateralized by the securities or obligations of the Company. Section 23B of the Federal Reserve

Act requires that certain transactions between the Company's subsidiary bank and its affiliates must be on terms substantially the same, or at least as favorable, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies. In the absence of such comparable transactions, any transaction between the bank and its affiliates must be on terms and under circumstances, including credit standards, which in good faith would be offered to or would apply to nonaffiliated companies.

Capital Adequacy

In addition to the capital rules applicable to both banks and bank holding companies discussed above, under the prompt corrective action regulations, the federal bank regulators are required and authorized to take supervisory actions against undercapitalized banks. For this purpose a bank is placed in one of the following five categories based on the bank's capital:

- well-capitalized (at least 5% leverage capital, 6.5% common equity Tier 1 risk-based capital, 8% Tier 1 risk-based capital and 10% total risk-based capital);
- adequately capitalized (at least 4% leverage capital, 4.5% common equity Tier 1 risk-based capital, 6% Tier 1 risk-based capital and 8% total risk-based capital);
- undercapitalized (less than 4% leverage capital, 4.5% common equity Tier 1 risk-based capital, 6% Tier 1 risk-based capital and 8% total risk-based capital);
- significantly undercapitalized (less than 3% leverage capital, 3% common equity Tier 1 risk-based capital, 4% Tier 1 risk-based capital and 6% total risk-based capital); and
- critically undercapitalized (less than 2% tangible capital).

Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, banking regulators must appoint a receiver or conservator for an institution that is "critically undercapitalized." The federal banking agencies have specified by regulation the relevant capital level for each category. An institution that is categorized as "undercapitalized," "significantly undercapitalized," or "critically undercapitalized" is required to submit an acceptable capital restoration plan to its appropriate federal banking agency.

Failure to meet capital guidelines could subject our subsidiary bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits and other restrictions on our business.

Deposit Insurance

The FDIC insures the deposits of federally insured banks up to prescribed statutory limits for each depositor, through the Deposit Insurance Fund ("DIF") and safeguards the safety and soundness of the banking and thrift industries. The amount of FDIC assessments paid by each insured depository institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors.

The FDIC's deposit insurance premium assessment is based on an institution's average consolidated total assets minus average tangible equity.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. If there are additional bank or financial institution failures or if the FDIC otherwise determines to increase assessment rates, TBK Bank may be required to pay higher FDIC insurance premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings.

Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau ("CFPB") is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB has

examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Depository institutions with less than $10 billion in assets, such as our subsidiary depository institution, are subject to rules promulgated by the CFPB, which may increase their compliance risk and the costs associated with their compliance efforts, but the banks will continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products.

The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages, including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB.

The CFPB has issued a number of regulations related to the origination of mortgages, foreclosure, and overdrafts as well as many other consumer issues. Additionally, the CFPB has proposed, or will be proposing, additional regulations on issues that directly relate to our business. Although it is difficult to predict at this time the extent to which the CFPB's final rules impact the operations and financial condition of our subsidiary bank, such rules may have a material impact on the bank's compliance costs, compliance risk and fee income. These additional compliance costs and associated compliance risks were one of the factors in our decision to exit the residential mortgage production business in the fourth quarter of 2015.

Privacy

Under the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records, financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market the institutions' own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to consumers.

The Patriot Act, International Money Laundering Abatement and Financial Anti-Terrorism Act and Bank Secrecy Act

A major focus of governmental policy on financial institutions has been aimed at combating money laundering and terrorist financing. The Patriot Act and the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 substantially broadened the scope of U.S. anti-money laundering laws and penalties, specifically related to the Bank Secrecy Act and expanded the extra-territorial jurisdiction of the United States. The U.S. Treasury has issued a number of implementing regulations which apply various requirements of the Patriot Act to financial institutions such as TBK Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers.

Failure of a financial institution and its holding company to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with relevant laws and regulations, could have serious legal, reputational and financial consequences for the institution. Because of the significance of regulatory emphasis on these requirements, TBK Bank will continue to expend significant staffing, technology and financial resources to maintain programs designed to ensure compliance with applicable laws and regulations and an effective audit function for testing of the bank's compliance with the Bank Secrecy Act on an ongoing basis.

Community Reinvestment Act

The CRA requires that, in connection with examinations of financial institutions within its jurisdiction, the FDIC and the state banking regulators, as applicable, evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on us. Additionally, we must publicly disclose the terms of various CRA-related agreements.

Qualified Thrift Lender

As a Texas state savings bank, TBK Bank is required to meet a Qualified Thrift Lender ("QTL") test to avoid certain restrictions on its activities. TBK Bank is currently, and expects to remain, in compliance with QTL standards.

Other Regulations

Interest and other charges that our subsidiary bank collects or contracts for are subject to state usury laws and federal laws concerning interest rates.

Our bank's loan operations are also subject to federal laws applicable to credit transactions, such as:

- the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- the Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;

- the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- the rules and regulations of the various governmental agencies charged with the responsibility of implementing these federal laws.

In addition, our subsidiary bank's deposit operations are subject to the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve to implement that act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Concentrated Commercial Real Estate Lending Regulations

The Federal Reserve and other federal banking regulatory agencies promulgated guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily and non-farm residential properties and loans for construction, land development and other land represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing and increasing capital requirements.

All of the above laws and regulations add significantly to the cost of operating the Company and our subsidiary depository institution and thus have a negative impact on profitability. We would also note that there has been a tremendous expansion experienced in recent years by certain financial service providers that are not subject to the same rules and regulations as the Company and our subsidiary depository institution. These institutions, because they are not so highly regulated, have a competitive advantage over us and our subsidiary depository institution and may continue to draw large amounts of funds away from banking institutions, with a continuing adverse effect on the banking industry in general.

Effect of Governmental Monetary Policies

The commercial banking business is affected not only by general economic conditions but also by both U.S. fiscal policy and the monetary policies of the Federal Reserve. Some of the instruments of fiscal and monetary policy available to the Federal Reserve include changes in the discount rate on member bank borrowings, the fluctuating availability of borrowings at the "discount window," open market operations, the imposition of and changes in reserve requirements against member banks' deposits and assets of foreign branches, the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates and the placing of limits on interest rates that member banks may pay on time and savings deposits. Such policies influence to a significant extent the overall growth of bank loans, investments and deposits and the interest rates charged on loans or paid on time and savings deposits. We cannot predict the nature of future fiscal and monetary policies and the effect of such policies on the future business and our earnings.

Employees

As of December 31, 2016, we had 704.5 full-time equivalent employees. None of our employees are represented by any collective bargaining unit or are a party to a collective bargaining agreement.

Available Information

The Company's internet address is www.triumphbancorp.com. The Company makes available at this address, free of charge, its annual report on Form 10-K, its annual reports to shareholders, quarterly reports on Form 10-Q, current

reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the "SEC"). These documents are also available on the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS.

Our business and results of operations are subject to numerous risks and uncertainties, many of which are beyond our control. The material risks and uncertainties that management believes affect the Company are described below. Additional risks and uncertainties that management is not aware of or that management currently deems immaterial may also impair the Company's business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment. Some statements in the following risk factors constitute forward-looking statements. Please refer to "Cautionary Note Regarding Forward-Looking Statements" in Item 7 of this report.

Risks Relating to Our Business

Acquisitions may disrupt our business and dilute stockholder value. We may not be able to overcome the integration, costs and other risks associated with our recently completed and possible future acquisitions, which could adversely affect our growth and profitability.

Our business strategy focuses on both organic growth and targeted acquisitions. We anticipate that any future acquisitions would involve substantial transaction expenses and expenses associated with integrating the operations of the acquired businesses with our operations. These expenses may exceed the savings that we expect to receive for the elimination of duplicative expenses and the realization of economies of scale. We may fail to realize some or all of the anticipated benefits of our recently completed and possible future acquisitions if the integration process for these acquisitions takes longer or is more costly than expected or otherwise fails to meet our expectations. Such integration processes will be a time-consuming and expensive process that could significantly disrupt our existing services, even if effectively and efficiently planned and implemented.

In addition, our acquisition activities could be material to our business and involve a number of risks, including the following:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management, tax and market risks with respect to the target institution or assets;
- exposure to potential asset quality issues of the target company;
- intense competition from other banking organizations and other acquirers for acquisitions;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire, including, without limitation, liabilities for regulatory and compliance issues;
- inability to realize the expected revenue increases, cost savings, increases in geographic or product presence and other projected benefits of the acquisition;
- the time and expense required to integrate the operations and personnel of the combined businesses;
- experiencing higher operating expenses relative to operating income from the new operations;
- creating an adverse short term effect on our results of operations;
- losing key employees and customers;
- significant problems relating to the conversion of the financial and customer data of the entity;
- integration of acquired customers into our financial and customer product systems;
- potential changes in banking or tax laws or regulations that may affect the target company; or
- risks of impairment to goodwill or other than temporary impairment of investment securities.

Depending on the condition of any institution or assets or liabilities that we may acquire, that acquisition may, at least in the near term, adversely affect our capital and earnings and, if not successfully integrated with our organization, may continue to have such effects over a longer period. We may not be successful in overcoming these risks or any

other problems encountered in connection with potential acquisitions and any acquisition we may consider will be subject to prior regulatory approval. Our inability to overcome these risks could have an adverse effect on our profitability, return on equity and return on assets, our ability to implement our business strategy and enhance stockholder value, which, in turn, could have an adverse effect on our business, financial condition and results of operations.

As a business operating in the bank and non-bank financial services industries, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions.

As a business operating in the bank and non-bank financial services industries, our business and operations are sensitive to general business and economic conditions in the United States. If the U.S. economy weakens, our growth and profitability from our lending, deposit and asset management services could be constrained. Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal and state governments (including possible ratings downgrades) and future tax rates (or other amendments to the Internal Revenue Code of 1986, as amended (the "Code") or to state tax laws) is a concern for businesses, consumers and investors in the United States. In addition, economic conditions in foreign countries, including uncertainty over the stability of the Euro and Chinese Yuan currencies, could affect the stability of global financial markets, which could hinder U.S. economic growth. Weak national economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. The current economic environment is also characterized by interest rates at historically low levels, and our ability to retain or grow our deposit base could be hindered by higher market interest rates in the future. All of these factors may be detrimental to our business and the interplay between these factors can be complex and unpredictable. Our business is also significantly affected by monetary and related policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have an adverse effect on our business, financial condition and results of operations.

We may be adversely affected by the soundness of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Bank and non-bank financial services companies are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to different industries and counterparties and through transactions with counterparties in the bank and non-bank financial services industries, including brokers and dealers, commercial banks, investment banks and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more bank or non-bank financial services companies, or the bank or non-bank financial services industries generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. These losses or defaults could have an adverse effect on our business, financial condition and results of operations.

We rely heavily on our management team and could be adversely affected by the unexpected loss of key officers.

We are led by an experienced core management team with substantial experience in the markets that we serve and the financial products that we offer. Our operating strategy focuses on providing products and services through long-term relationship managers. Accordingly, our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We may not be successful in retaining our key employees and the unexpected loss of services of one or more of our key personnel could have a material adverse effect on our business because of their skills, knowledge of our market and financial products, years of industry experience, long-term customer relationships and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, which could have an adverse effect on our business, financial condition and results of operations.

We are subject to interest rate risk, which could adversely affect our financial condition and profitability.

The majority of our banking assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings are significantly dependent on our net interest income, the principal component of our earnings, which is the difference between interest earned by us from our interest earning assets, such as loans and investment securities, and interest paid by us on our interest bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this “gap” will negatively impact our earnings. The impact on earnings is more adverse when the slope of the yield curve flattens, that is, when short term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short term interest rates. Many factors impact interest rates, including governmental monetary policies, inflation, recession, changes in unemployment, the money supply and international disorder and instability in domestic and foreign financial markets.

Interest rate increases often result in larger payment requirements for our borrowers, which increases the potential for default. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates. Changes in interest rates also can affect the value of loans, securities and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. At the same time, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income. If short term interest rates continue to remain at their historically low levels for a prolonged period and assuming longer-term interest rates fall further, we could experience net interest margin compression as our interest earning assets would continue to reprice downward while our interest bearing liability rates could fail to decline in tandem. Such an occurrence would have an adverse effect on our net interest income and could have an adverse effect on our business, financial condition and results of operations.

Our limited operating history as an integrated company and our recent acquisitions may make it difficult for investors to evaluate our business, financial condition and results of operations and also impairs our ability to accurately forecast our future performance.

Our limited operating history as an integrated company may not provide an adequate basis for investors to evaluate our business, financial condition and results of operations. We have launched various new product lines over the past few years, and we acquired Triumph Community Bank, N.A., a wholly owned subsidiary of National Bancshares, Inc., which represented a significant portion of our total operations, on October 15, 2013. In addition, in October 2015, we completed the merger of our subsidiary banks, Triumph Savings Bank, SSB and Triumph Community Bank, N.A., into a single bank. Finally, on August 1, 2016, we completed our acquisition of ColoEast Bankshares, Inc. and its wholly owned subsidiary bank Colorado East Bank & Trust, which was merged into TBK Bank at closing. Our future operating results depend upon a number of factors, including our ability to manage our growth, retain our customer base and successfully identify and respond to emerging trends in our primary product lines and markets. It may also be difficult for us to evaluate trends that may affect our business and to determine whether our expansion may be profitable. Thus, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

New lines of business or new products and services may subject us to additional risks. A failure to successfully manage these risks may have a material adverse effect on our business.

As part of our growth strategy, we have implemented and may continue to implement new lines of business, offer new products and services within our existing lines of business or shift the focus to our asset mix. There are substantial risks and uncertainties associated with these efforts, particularly in instances where such product lines are not fully mature. In developing and marketing new lines of business and/or new products and services and/or shifting the focus of our asset mix, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have an adverse effect on our business, financial condition and results of operations.

Our factoring services are concentrated in the transportation industry and economic conditions or other factors negatively impacting the transportation industry could adversely affect our factoring business.

Factoring for small-to-mid-sized trucking businesses constituted approximately 77% of our total factoring portfolio as of December 31, 2016, calculated based on the gross receivables from the purchase of invoices from such trucking businesses compared to our total gross receivables in the purchase of factored receivables as of such date. Given the concentration of our factoring business in the transportation industry, economic conditions or other factors that negatively impact the transportation industry could impact our factoring revenues, as the revenues we earn from purchasing transportation invoices are directly correlated with the amount of transportation activity generated by our factoring clients (i.e., the volume of transportation invoices they are able to generate by providing their services). Reductions in economic activity will typically cause a decrease in the volume of goods in commerce available to be transported by our factoring clients. Increased costs associated with operating a trucking business, such as may be caused by increases in the prices of oil and diesel fuel, may cause a diminished demand for trucking services as our clients pass those costs along to their customers. Conversely, decreases in the price of diesel fuel may cause the size of our factoring portfolio to decrease, as the price of diesel fuel typically directly correlates with the size of the invoices we purchase from our factoring clients. Additionally, the factoring industry may not continue its historical growth and we may face increased competition. Our failure to compete effectively in our market could restrain our growth or cause us to lose market share. Any of such events could impact the returns we realize on our factoring activity or result in a decrease in the overall amount of our factoring activity and could have an adverse effect on our business, financial condition and results of operations.

Additional regulations and rule making impacting the transportation industry may have a disproportionate impact on the small-to-mid-sized trucking businesses that comprise our primary transportation factoring clients and adversely affect our factoring business.

Our primary transportation factoring clients are small-to-mid-sized owner-operators and trucking fleets. Recently implemented federal regulations, and regulations proposed to be implemented in the future, may significantly increase the costs and expenses associated with owning or operating a trucking fleet. These regulations include rule making proposed by the Federal Motor Carrier Safety Administration of the United States Department of Transportation (“FMCSA”) under the Compliance, Safety, Accountability (“CSA”) initiative, maximum hours of service limitations imposed the FMCSA, electronic log requirements, and regulations proposed by the federal Food and Drug Administration (“FDA”) requiring increased labeling and monitoring by carriers of any commodity transported that is regulated by the FDA. The costs and burdens of compliance with these requirements will have a disproportionate impact on the small-to-mid-sized trucking businesses that comprise our client base and may force some or all of these businesses out of the market. Such an occurrence could impact the returns we realize on our factoring activity or result in a decrease in the overall amount of our factoring activity and could have an adverse effect on our business, financial condition and results of operations.

Our asset-based lending and factoring products may expose us to an increased risk of fraud.

We rely on the structural features embedded in our asset-based lending and factoring products to mitigate the credit risk associated with such products. With respect to our asset-based loans, we limit our lending to a percentage of the customer’s borrowing base assets that we believe can be readily liquidated in the event of financial distress of the borrower. With respect to our factoring products, we purchase the underlying invoices of our customers and become the direct payee under such invoices, thus transferring the credit risk in such transactions from our customers to the underlying account debtors on such invoices. In the event one or more of our customers fraudulently represents the existence or valuation of borrowing base assets in the case of an asset-based loan, or the existence or validity of an invoice we purchase in the case of a factoring transaction, we may advance more funds to such customer than we otherwise would and lose the benefit of the structural protections of our products with respect to such advances. In such event we could be exposed to material additional losses with respect to such loans or factoring products. Although we believe we have controls in place to monitor and detect fraud with respect to our asset-based lending and

factoring products, there is no guarantee such controls will be effective. We have experienced fraud with respect to these products in the past and we anticipate that we will experience such fraud in the future. Losses from such fraudulent activity could have a material impact on our business, financial condition and results of operations.

Our commercial finance clients, particularly with respect to our factoring and asset-based lending product lines, may lack the operating history, cash flows or balance sheet necessary to support other financing options and may expose us to additional credit risk, especially if our additional controls for such products are ineffective in mitigating such additional risks.

A significant portion of our loan portfolio consists of commercial finance products. Some of these commercial finance products, particularly asset-based loans and our factored receivables, arise out of relationships with clients who lack the operating history, cash flows or balance sheet necessary to qualify for other financing options. We attempt to control for the additional credit risk in these relationships through credit management processes employed in connection with these transactions. However, if such controls are ineffective in controlling this additional risk or if we fail to follow the procedures we have established for managing this additional risk, we could be exposed to additional losses with respect to such product lines that could have an adverse effect on our business, financial condition and results of operations.

Our healthcare asset-based lending product line may expose us to additional risks associated with the U.S. healthcare industry.

The U.S. healthcare industry is currently undergoing significant regulatory changes, both at the federal and state level, including changes associated with the adoption and implementation of the Patient Protection and Affordable Care Act of 2010. Such changes could negatively impact our existing healthcare asset-based loan portfolio or our ability to grow our healthcare asset-based loan portfolio in the future. For example, changes in reimbursement rates for healthcare receivables could impact the value and collectability of our healthcare loans, as such reimbursement obligations constitute the borrowing base collateral for such loans. While we believe our healthcare asset-based loans have features in place to protect against such risks (including the ability to reduce the available borrowing base or cease advances in the event of regulatory changes that jeopardize the collectability or valuation of the collateral), there is no guarantee that such protections will be effective. In addition, changes in the regulatory landscape for healthcare may cause certain service providers to leave the industry or cause consolidation in the industry that will decrease demand for our healthcare lending products. Any of such changes or occurrences could have an adverse effect on our business, financial condition and results of operations.

Our agriculture loans may expose us to risk of credit defaults due to changes in commodity prices.

Our agriculture loans generally consist of (i) real estate loans secured by farmland, (ii) equipment financing for specific agriculture equipment, including irrigation systems, (iii) crop input loans primarily focused on corn, wheat and soybeans, and (iv) loans secured by cattle and other livestock. Decreases in commodity prices, such as currently impacting the agriculture industry, may negatively affect both the cash flows of the borrowers and the value of the collateral supporting such loans. Although we attempt to account for the possibility of such commodity price fluctuations in underwriting, structuring and monitoring our agriculture loans, there is no guarantee that efforts will be successful and we may experience increased delinquencies or defaults in this portfolio or be required to increase our provision for loan losses, which could have an adverse effect on our business, financial condition and results of operations.

Lack of seasoning in portions of our loan portfolio could increase risk of credit defaults in the future.

As a result of our growth over the past several years, certain portions of our loan portfolio, such as the asset- based loans and equipment loans originated under our Triumph Commercial Finance brand, are of relatively recent origin. Loans may not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as "seasoning." As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. Because such portions of our portfolio are relatively new, the current level of delinquencies and defaults may not represent the level that may prevail as the portfolio becomes more seasoned. If delinquencies and defaults increase, we may be required to increase our provision for loan losses, which could have an adverse effect on

our business, financial condition and results of operations.

We may not be able to adequately measure and limit the credit risk associated with our loan portfolio, our business and financial condition, which could adversely affect profitability.

As a part of our products and services, we make commercial and commercial real estate loans. The principal economic risk associated with each class of loans is the creditworthiness of the borrower, which is affected by the strength of the relevant business market segment, local market conditions and general economic conditions. Additional factors related to the credit quality of commercial loans include the quality of the management of the business and the borrower's ability both to properly evaluate changes in the supply and demand characteristics affecting our market for products and services and to effectively respond to those changes. Additional factors related to the credit quality of commercial real estate loans include tenant vacancy rates and the quality of management of the property. A failure to effectively measure and limit the credit risk associated with our loan portfolio could have an adverse effect on our business, financial condition and results of operations.

The small-to-mid-sized businesses that comprise a material portion of our loan portfolio may have fewer resources to weather a downturn in the economy, which may impair a borrower's ability to repay a loan to us, which could materially harm our operating results.

A significant element of our growth strategy involves offering our specialized commercial finance products to small-to-mid-sized businesses. These small-to-mid-sized businesses frequently have smaller market share than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience significant volatility in operating results. Any one or more of these factors may impair the borrower's ability to repay a loan. In addition, the success of a small-to-mid-sized business often depends on the management talents and efforts of one or two persons or a small group of persons and the death, disability or resignation of one or more of these persons could have a material adverse impact on the business and its ability to repay a loan. Economic downturns and other events that negatively impact our market areas could cause us to incur substantial credit losses that could have an adverse effect on our business, financial condition and results of operations.

Our concentration of large loans to certain borrowers may increase our credit risk.

While we attempt to monitor the concentration of our loan portfolio by borrower, geography and industry, we nonetheless may have concentrations in these areas that increase the risk to our loan portfolio resulting from adverse changes impacting such borrowers, geographies or industries. For example, we have made a significant number of large loans to a small number of borrowers, resulting in a concentration of large loans to these borrowers. Consequently, we may have significant exposure if any of these borrowers becomes unable to pay their loan obligations as a result of economic or market conditions, or personal circumstances, such as divorce or death. In addition, a large portion of our loans are made in our community banking markets of Iowa, Illinois, Colorado, Kansas and in Texas, the home of our corporate headquarters and the majority of our commercial finance operations. We also have lending concentrations in industries such as transportation, construction and energy services. As a result, the performance of our portfolio could be adversely impacted by economic or market conditions affecting these geographies or industries, such as the impact of falling oil prices on the energy services industry specifically or the Texas economy more generally, all of which could have an adverse effect on our business, financial condition and results of operations.

The amount of our nonperforming assets may increase significantly, resulting in additional losses and costs and expenses that will negatively affect our operations.

At December 31, 2016, we had a total of approximately $52.2 million of nonperforming assets or approximately 1.98% of total assets. Should the amount of nonperforming assets increase in the future, we may incur losses and the costs and expenses to maintain such assets likewise can be expected to increase and potentially negatively affect earnings. Any additional increase in losses due to such assets could have an adverse effect on our business, financial condition and results of operations. Such effects may be particularly pronounced in a market of reduced real estate values and excess inventory.

The amount of other real estate owned ("OREO") may increase significantly, resulting in additional losses and costs and expenses that will negatively affect our operations.

At December 31, 2016, the amount of OREO we held totaled $6.1 million. In the event the amount of OREO should increase due to an increase in defaults on bank loans, our losses and the costs and expenses to maintain the real estate, likewise would increase. Any additional increase in losses and maintenance costs and expenses due to OREO may have material adverse effects on our business, financial condition and results of operations. Such effects may be particularly pronounced in a market of reduced real estate values and excess inventory, which may make the disposition of OREO properties more difficult, increase maintenance costs and expenses and may reduce our ultimate realization from any OREO sales, which could have an adverse effect on our business, financial condition and results

of operations.

Nonperforming assets take significant time and resources to resolve and adversely affect our results of operations and financial condition.

Nonperforming assets adversely affect our net income in various ways. We generally do not record interest income on nonperforming loans or OREO, thereby adversely affecting our income and increasing loan administration costs. When we take collateral in foreclosures and similar proceedings, we are required to mark the related asset to the then fair value of the collateral less estimated selling costs, which may ultimately result in a loss. An increase in the level of nonperforming assets increases our risk profile and may impact the capital levels regulators believe are appropriate in light of the ensuing risk profile. While we reduce problem assets through loan workouts, restructurings and otherwise, decreases in the value of the underlying collateral, or in these borrowers' performance or financial condition, whether or not due to economic and market conditions beyond our control, could have an adverse effect on our business, financial condition and results of operations. In addition, the resolution of nonperforming assets requires significant commitments of time from management, which may materially and adversely impact their ability to perform their other responsibilities. There can be no assurance that we will not experience future increases in nonperforming assets.

Our ALLL and fair value adjustments for purchase of impaired loans acquired in acquisitions may prove to be insufficient to absorb potential losses in our loan portfolio, which may adversely affect our business, financial condition and results of operations.

ALLL is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. The provision for loan losses is charged against earnings in order to maintain our ALLL and reflects management's best estimate of probable losses inherent in our loan portfolio at the balance sheet date.

As of December 31, 2016, our ALLL as a percentage of total loans was 0.76% and as a percentage of total nonperforming loans was 34.0%. Additional loan losses will likely occur in the future and may occur at a rate greater than we have previously experienced. We may be required to take additional provisions for loan losses in the future to further supplement our ALLL, either due to management's decision to do so or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our ALLL and the value attributed to nonaccrual loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to recognize future charge-offs. These adjustments could have an adverse effect on our business, financial condition and results of operations.

The application of the acquisition method of accounting in our acquisitions has impacted our allowance. Under the acquisition method of accounting, all loans acquired in acquisitions were recorded in our consolidated financial statements at their fair value at the time of acquisition and the related allowance was eliminated because credit quality, among other factors, was considered in the determination of fair value. To the extent that our estimates of fair value are too high, we could incur losses associated with the acquired loans. The allowance associated with our purchased credit impaired ("PCI") loans reflects a deterioration in cash flows since acquisition resulting from our quarterly re-estimation of cash flows, which involves cash flow projections and significant judgment on timing of loan resolution.

A lack of liquidity could adversely affect our operations and jeopardize our business, financial condition and results of operations.

Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, the sale of our investment securities, Federal Home Loan Bank advances, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our most important source of funds consists of deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we would lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash flows from operations, investment maturities and sales of investment securities and proceeds from the issuance and sale of our equity and debt securities to investors. Additional liquidity is provided by the ability to borrow from the Federal Home Loan Bank and our ability to raise brokered deposits. We also may borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the bank or non-bank financial services industries or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the bank or non-bank financial services industries.

As of December 31, 2016, approximately $553.6 million, or 27.5%, of our deposits consisted of interest bearing demand deposits and money market accounts. Based on past experience, we believe that our deposit accounts are relatively stable sources of funds. If we increase interest rates paid to retain deposits, our earnings may be adversely affected, which could have an adverse effect on our business, financial condition and results of operations.

Historically, our loan portfolio has grown at a faster rate than our ability to organically grow transactional deposits in our community banking markets. We have offset this trend in part through acquiring additional banks with excess liquidity. If we are unable to find suitable acquisition targets meeting this profile in the future, or are unable to successfully consummate acquisitions of such targets, we will likely be required to rely on higher cost sources of funding, such as certificates of deposit, to fund continued loan growth, which could have an adverse effect on our business, financial condition and results of operations.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our stockholders or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

The fair value of our investment securities can fluctuate due to factors outside of our control.

As of December 31, 2016, the fair value of our investment securities portfolio was approximately $305.9 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect to the securities, defaults by the issuer or with respect to the underlying securities and changes in market interest rates and instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could have an adverse effect on our business, financial condition and results of operations. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security.

Impairment of investment securities, goodwill, other intangible assets or deferred tax assets could require charges to earnings, which could result in a negative impact on our results of operations.

In assessing whether the impairment of investment securities is other-than-temporary, management considers the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer and the intent and ability to retain our investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value in the near term.

Under current accounting standards, goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis or more frequently if an event occurs or circumstances change that reduce the fair value of a reporting unit below its carrying amount. A decline in our stock price or occurrence of a triggering event following any of our quarterly earnings releases and prior to the filing of the periodic report for that period could, under certain circumstances, cause us to perform a goodwill impairment test and result in an impairment charge being recorded for that period which was not reflected in such earnings release. In the event that we conclude that all or a portion of our goodwill may be impaired, a non-cash charge for the amount of such impairment would be recorded to earnings. Such a charge would have no impact on tangible capital. At December 31, 2016, we had goodwill of $28.8 million, representing approximately 10% of total equity.

In assessing the potential for realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Assessing the need for, or the sufficiency of, a valuation allowance requires management to evaluate all available evidence, both negative and positive, including the recent trend of quarterly earnings. Positive evidence necessary to overcome the negative evidence includes whether future taxable income in sufficient amounts and character within the carryback and carryforward periods is available under the tax law, including the use of tax planning strategies. When negative evidence (e.g., cumulative losses in recent years, history of operating loss or tax credit carryforwards expiring unused) exists, more positive evidence than negative evidence will be necessary. We have concluded that, based on the level of positive evidence, it is more likely than not that at December 31, 2016 all but $0.2 million which is recorded as a valuation allowance of the deferred tax asset will be realized. At December 31, 2016, net deferred tax assets were approximately $18.8 million. The impact of each of these impairment matters could have a material adverse effect on our business, results of operations and financial condition.

Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.

We have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our risk management strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated.

As our products and services change and grow and the markets in which we operate evolve, our risk management strategies may not always adapt to those changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, our limited operating history reduces the historical information on which to predict future results or trends. Management of market, credit, liquidity, operational, legal, regulatory and compliance risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events and these policies and procedures may not be fully effective. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. Any of these circumstances could have an adverse effect on our business, financial condition and results of operations.

Risks for environmental liability apply to the properties under consideration as well as properties that are contiguous or upgradient to the subject properties.

In the course of our business, we may purchase real estate in connection with our acquisition and expansion efforts, or we may foreclose on and take title to real estate that serves as collateral on loans we make. As a result, we could be subject to environmental liabilities with respect to those properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

The cost of removal or abatement may not substantially exceed the value of the affected properties or the loans secured by those properties, that we may not have adequate remedies against the prior owners or other responsible parties and we may not be able to resell the affected properties either before or after completion of any such removal or abatement procedures. If material environmental problems are discovered before foreclosure, we generally will not foreclose on the related collateral or will transfer ownership of the loan to a subsidiary. It should be noted, however, that the transfer of the property or loans to a subsidiary may not protect us from environmental liability. Furthermore, despite these actions on our part, the value of the property as collateral will generally be substantially reduced and, as a result, we may suffer a loss upon collection of the loan. Currently, we are not a party to any legal proceedings involving potential liability to us under applicable environmental laws. Any significant environmental liabilities could have an adverse effect on our business, financial condition and results of operations.

We face significant competition to attract and retain customers, which could adversely affect our growth and profitability.

We operate in the highly competitive bank and non-bank financial services industries and face significant competition for customers from bank and non-bank competitors, particularly regional and nationwide institutions, including U.S. banks, mortgage banking companies, consumer finance companies, credit unions, insurance companies and other institutional lenders and purchasers of loans in originating loans, attracting deposits and providing other financial services. Many of our competitors are significantly larger and have significantly more resources, greater name recognition and more extensive and established branch networks than we do. Because of their scale, many of these competitors can be more aggressive than we can on loan and deposit pricing. Also, many of our non-bank competitors have fewer regulatory constraints and may have lower cost structures. We expect competition to continue to intensify due to financial institution consolidation; legislative, regulatory and technological changes; and the emergence of alternative banking sources.

Our ability to compete successfully will depend on a number of factors, including, among other things:

- our ability to build and maintain long-term customer relationships while ensuring high ethical standards and safe and sound banking practices;
- the scope, relevance and pricing of products and services that we offer;
- customer satisfaction with our products and services;
- industry and general economic trends; and
- our ability to keep pace with technological advances and to invest in new technology.

Increased competition could require us to increase the rates that we pay on deposits or lower the rates that we offer on loans, which could reduce our profitability. Our failure to compete effectively in our market could restrain our growth or cause us to lose market share, which could have an adverse effect on our business, financial condition and results of operations.

The accuracy of our financial statements and related disclosures could be affected if the judgments, assumptions or estimates used in our critical accounting policies are inaccurate.

The preparation of financial statements and related disclosure in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are included in Item 7 of this report captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations", describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider "critical" because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events differ significantly from the judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

Additionally, as a result of our recent acquisitions, our financial results are heavily influenced by the application of the acquisition method of accounting. The acquisition method of accounting requires management to make assumptions regarding the assets purchased and liabilities assumed to determine their fair value. If our assumptions are incorrect, any resulting change or modification could have an adverse effect on our business, financial condition and results of operations.

If we fail to correct any material weakness that we subsequently identify in our internal control over financial reporting or otherwise fail to maintain effective internal control over financial reporting, we may not be able to report our financial results accurately and timely, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports and the price of our common stock may decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, unless we remain an emerging growth company and elect additional transitional relief available to emerging growth companies, our independent registered public accounting firm will be required to report on the effectiveness of our internal control over financial reporting.

If we identify material weaknesses in our internal control over financial reporting in the future, if we cannot comply with the requirements of the Sarbanes-Oxley Act in a timely manner or attest that our internal control over financial reporting is effective, or if our independent registered public accounting firm cannot express an opinion as to the effectiveness of our internal control over financial reporting when required, we may not be able to report our financial results accurately and timely. As a result, investors, counterparties and customers may lose confidence in the accuracy and completeness of our financial reports; our liquidity, access to capital markets and perceptions of our creditworthiness could be adversely affected; and the market price of our common stock could decline. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, the Federal Reserve, the FDIC, or other regulatory authorities, which could require additional financial and management resources. These events could have an adverse effect on our business, financial condition and results of operations.

We face significant operational risks due to the high volume and the high dollar value nature of transactions we process.

We operate in many different businesses in diverse markets and rely on the ability of our employees and systems to process transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our Company, the execution of unauthorized transactions, errors relating to transaction processing and technology, breaches of our internal control systems, compliance failures, business continuation and disaster recovery issues and other external events. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation and customer attrition due to potential negative publicity. In the event of a breakdown in the internal control system, improper operation of systems or improper employee actions, we could suffer financial loss, face regulatory action and suffer damage to our reputation.

To the extent we engage in derivative transactions, we will be exposed to credit and market risk, which could adversely affect our profitability and financial condition.

While we do not currently engage in derivative or hedging activity, we may in the future manage interest rate risk by, among other things, utilizing derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. To the extent we engage in derivative transactions, we will be exposed to credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what we expect when we enter into the derivative transaction. The existence of credit and market risk associated with any derivative instruments we enter into could adversely affect our net interest income and, therefore, could have an adverse effect on our business, financial condition and results of operations.

System failure or cyber security breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

The computer systems and network infrastructure we use could be vulnerable to hardware and cyber security issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of employees or other internal sources. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure utilized by us, including our Internet banking activities, against damage from physical break-ins, cyber security breaches and other disruptive problems caused by the Internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability, damage our reputation and inhibit the use of our Internet banking services by current and potential customers. We regularly add additional security measures to our computer systems and network infrastructure to mitigate the possibility of cyber security breaches, including firewalls and penetration testing. However, it is difficult or impossible to defend against every risk being posed by changing technologies as well as criminal intent on committing cyber-crime. Increasing sophistication of cyber criminals and terrorists make keeping up with new threats difficult and could result in a breach. Controls employed by our information technology department and cloud vendors could prove inadequate. A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage, any of which could have an adverse effect on our business, financial condition and results of operations.

If our trademarks and trade names are not adequately protected, or if we are deemed to infringe the trademarks or trade names of others, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, or determined to be infringing on other marks. Competitors may have adopted or may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Additionally, our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources. Each of the foregoing could adversely impact our financial condition or results of operations.

We are subject to litigation, which could result in substantial judgment or settlement costs and legal expenses.

We are regularly involved in litigation matters in the ordinary course of business. We believe that these litigation matters should not have a material adverse effect on our business, financial condition, results of operations or future prospects. We cannot assure you, however, that we will be able to successfully defend or resolve any current or future litigation matters, in which case those litigation matters could have an adverse effect on our business, financial condition and results of operations.

Risks Related to our Asset Management Business

A downturn in the global credit markets could adversely affect our CLO business.

Among the sectors particularly challenged by a downturn in the global credit markets are the CLO and leveraged finance markets. CLOs are subject to credit, liquidity, interest rate and other risks. In 2008 and through early 2009, liquidity in the credit markets was significantly reduced, resulting in an increase in credit spreads and a decline in

ratings, performance and market values for leveraged loans. Although the credit markets in general and the leveraged loan market in particular have improved since the second half of 2009, they have not returned to pre-2008 levels. We have exposure to these markets because we act as asset manager to CLOs as part of our asset management business and we provide staffing and services to other asset managers who manage CLOs. We believe that investment performance is one of the most important factors for the maintenance and growth of our assets being managed. Poor investment performance by the CLOs we manage or those managed by other asset managers for whom we provide staffing and services, either on an absolute or relative basis, could impair our revenues and growth because: (1) our ability to earn fees from new CLOs (whether managed by us or other asset managers for whom we provide staffing and services) might diminish; and (2) negative absolute investment performance will directly reduce our managed assets. In addition, losses incurred by investors in CLOs managed by us or other asset managers for whom we provide staffing and services in such event could expose us to reputational risk.

We may directly invest in the CLOs we manage, and we may invest in warehouse financing structures in connection with the formation of additional CLOs, which may expose us to losses in connection with such investments.

From time to time, we may invest in the subordinated notes, preference shares or other debt securities of the CLOs we manage or for which we provide staffing and services to other asset managers. The subordinated notes or preference shares of a CLO are usually entitled to all of the income generated by the CLO after the CLO pays all of the interest due on the debt notes and its expenses. However, there will be little or no income available to the CLO subordinated notes or preference shares if there are defaults on the underlying collateral in excess of certain amounts or if the recoveries on such defaulted collateral are less than certain amounts. Similarly, any investment we make in debt securities of a CLO that are junior to other debt securities of the entity will be payable only in the event that the underlying collateral generates sufficient income to make the interest payments on the securities of the CLO that are senior to any such junior debt instruments. Consequently, the value of any investment we make in the subordinated notes, preference shares or other debt securities of the CLOs we manage or for which we provide staffing and services to other asset managers could decrease substantially depending on the performance of the underlying collateral in such CLO. In addition, the subordinated notes, preference shares and other debt securities of CLOs are generally illiquid, and because they represent a leveraged investment in the CLO's assets, their value will generally fluctuate more than the values of the underlying collateral. As of December 31, 2016, we had investments with a carrying amount of $3.4 million in two CLOs managed by Trinitas, an asset manager for which we provide staffing and services.

In addition, in connection with issuance of additional CLOs, we or other asset managers for whom we provide or anticipate providing staffing and services, may enter into warehouse arrangements with warehouse providers such as banks or other financial institutions pursuant to which the warehouse provider will finance the purchase of investments that will ultimately be included in a CLO or other investment product. In connection with such warehouse arrangements, the warehouse provider will require an investor or investors to make an equity investment that will be entitled to all income generated by the underlying investments acquired during the warehouse period after the financing cost from warehouse credit facility is paid, but which will bear the first loss incurred on such investments if they decrease in value and the CLO or other investment product is unable to be issued and the warehouse portfolio is liquidated. In such event, the investors in such CLO warehouse equity would be exposed to losses up to the total amount of such investment if the CLO or other investment product does not close and the underlying investment pool is liquidated for a loss. Such a scenario may become more likely in times of economic distress or when the loans comprising the collateral pool of such warehouse, although still performing, may have declined in market value. Although we generally expect CLO warehouse arrangements to last approximately six to nine months before a CLO is issued, the CLO issuer may not be able to complete the issuance within the expected time frame or at all. We have from time to time, and may in the future, make all or a part of a CLO warehouse's equity investment. We make these investments on a case-by-case basis. At December 31, 2016, we held investments in active CLO warehouses totaling $21.2 million.

We may lose investment advisory income from the CLOs we manage or for which we provide staffing and services as a result of the triggering of certain structural protections built into such CLOs.

The CLOs managed by us or for which we generate income from providing staffing and services generally contain structural provisions that could lead to a default under the indenture for a particular CLO or other rights of the investors in such CLO to remove or replace us as asset manager. These provisions include, but are not limited to, (a) over-collateralization tests and/or market value triggers that are meant to protect investors from a deterioration in the credit quality of the underlying collateral pool, (b) key man events that are triggered when certain of our key investment or management personnel were to leave the Company, and (c) certain breaches of our asset management agreements that would constitute "cause" under such management contracts. The occurrence of such events could have negative consequences for us, including (x) the acceleration of the CLO's obligation to repay the notes issued by the CLO and, ultimately, liquidation of the underlying collateral or (y) removal or replacement of the asset manager for the CLO. In such event, we will lose investment advisory fees, which could have an adverse effect on our business, financial condition and results of operations.

Defaults, downgrades and depressed market values of the collateral underlying CLOs may cause the decline in and deferral of investment advisory income and the reduction of assets being managed.

Under the investment management agreements for CLOs, payment of the asset manager's investment advisory fees is generally subject to a "waterfall" structure. Pursuant to these "waterfalls," all or a portion of an asset manager's fees may be deferred if, among other things, the CLOs do not generate sufficient cash flows to pay the required interest on the notes they have issued to investors and certain expenses they have incurred. Deferrals could occur if the issuers of the collateral underlying the CLOs default on or defer payments of principal or interest relating to such collateral. During such periods and pursuant to the waterfalls, the CLOs may be required to repay certain of these liabilities, which repayment permanently reduces our asset management business's assets under management and related investment advisory fees pursuant to which our asset management business can recoup deferred subordinated fees. If similar defaults and delinquencies resume, our asset management business could experience additional declines in and deferrals of its investment advisory fees and declines in payments to us for providing staffing and services to other CLO managers.

Additionally, all or a portion of our asset management business's investment advisory fees from the CLOs that it manages or from providing staffing and services to other CLO managers may be deferred if such CLOs fail to satisfy certain "over-collateralization" tests. Pursuant to the "waterfall" structure discussed above, such failures generally require cash flows to be diverted to prepay certain of the CLO's liabilities resulting in similar permanent reductions in assets under management and investment advisory fees in respect of such CLOs. Defaulted assets and assets that have been severely downgraded are generally carried at a reduced value for purposes of the over-collateralization tests. In some CLOs, these assets are required to be carried at their market values for purposes of the over-collateralization tests.

Our asset management business's failure to comply with investment guidelines set by its clients or the provisions of the management agreement and other agreements to which it is a party could result in damage awards against our asset management business and a loss of assets under management, either of which could cause our earnings to decline.

As an investment adviser, our asset management business has a fiduciary duty to its clients. When clients retain an asset manager to manage assets on their behalf, they may specify certain guidelines regarding investment allocation and strategy that such asset manager is required to observe in the management of its portfolio. In addition, such asset manager is required to comply with the obligations set forth in the management agreements and other agreements to which it is a party. Although each asset manager utilizes procedures, processes and the services of experienced advisers to assist it in adhering to these guidelines and agreements, we cannot assure that such precautions will protect our asset management business from potential liabilities. Our asset management business's failure to comply with these guidelines or the terms of these agreements could have an adverse effect on our business, financial condition and results of operations.

We may be required to consolidate the CLOs we manage on our balance sheet, which would adversely affect our capital ratios.

Under GAAP, if we are deemed to be the "primary beneficiary" of a variable interest entity such as the CLOs we manage, we would be required to consolidate the assets of such entity on our balance sheet even though we are not entitled to the benefits from, nor do we bear the risk associated with, the assets held by such entities beyond any direct investment we have made and our rights to any management fees. Such an event would require us to include all of the assets of such CLO as assets of the Company for purposes of calculating our regulatory capital ratios. Furthermore, under the new bank capital requirements described below under "Risk Factors—Regulatory initiatives regarding bank capital requirements may require heightened capital" any minority interest we have in the preference shares or subordinated notes of a consolidated CLO would not be considered Common Equity Tier 1 capital, would be subject to the general limitations under such new requirements for the amount of minority interest permitted to be included in our Tier 1 capital and, depending on the structure of such interests, might not constitute Tier 1 capital at all.

Although we do not believe we are required to consolidate any of the CLOs we currently manage, it is possible that the accounting guidance regarding consolidation of such entities could change such that we would be required to consolidate such entities in the future. In addition, in the event risk retention rules under the Dodd-Frank Act require us to make greater investments in the CLOs we manage, we may be required to consolidate such entities in order to meet such requirements. Such events could have an adverse effect on our capital ratios or limit the number of new CLOs we are able to issue as part of our growth strategy.

The Volcker Rule may negatively impact our CLO asset management business, and may impact the ability of our asset management business to expand into new product lines.

Section 619 of the Dodd-Frank Act added a provision to federal banking law, commonly referred to as the "Volcker Rule," to generally prohibit certain banking entities from engaging in proprietary trading or from acquiring or retaining an ownership interest in, or sponsoring or having certain relationships with, a hedge fund or private equity fund, which are defined as "covered funds", subject to certain exemptions.

The implementing regulations for the Volcker Rule adopted December 10, 2013 include as a covered fund any entity that would be an investment company but for the exemptions provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). Therefore, absent an exemption, the CLOs we manage would be a covered fund and we would not be able to sponsor such entities or to invest in them (subject to some very limited exceptions). Generally, we expect the CLOs we manage to qualify for the "loan securitization exemption" set forth in the implementing regulations, which carves out from the definition of covered fund any asset-backed security issuer the assets of which, in general, consist only of loans, assets or rights (including certain types of securities) designed to assure the servicing or timely distribution of proceeds to holders or that are related or incidental to purchasing or otherwise acquiring and holding the loans. In order to qualify for the loan securitization exemption, the CLOs we manage will not be permitted to purchase securities, including bonds and floating rate notes. Depending on market conditions, this could significantly and negatively impact the CLOs we manage, particularly for the holders of the subordinated notes of such CLOs, and we may be disadvantaged as compared to other CLOs or investment vehicles which are not required to qualify for the loan securitization exemption.

In addition, the Volcker Rule will prohibit us from providing asset management services that would cause us to be deemed to sponsor certain investment vehicles that would constitute covered funds but do not qualify for an applicable exemption (such as pooled investment vehicles comprised of assets other than loans), and/or from making investments in such vehicles absent an exception. Such restrictions could limit our future growth plans and opportunities for our asset management business.

Risk retention requirements implemented under the Dodd-Frank Act may impact our ability to continue to generate income from CLOs, expose us to additional regulatory risks, or limit the revenues we are able to generate from our asset management business.

Due to the risk retention requirements implemented under Section 941 of the Dodd-Frank Act, which became effective in December 2016, we do not anticipate acting as asset manager to any newly issued CLOs due to the capital requirements and accounting and capital ratio constraints associated with holding the risk retention interests in such CLOs.

Consequently, Triumph Capital Advisors has begun entering into transactions whereby it earns fee income through the provision of middle and back office services to other CLO managers formed to manage new CLOs and to hold the risk retention interests in such CLOs, including Trinitas Capital Management, LLC. Trinitas is an independent entity governed by a board of managers elected by its members, a majority of whom are independent of Triumph Capital Advisors or the Company. Certain of our officers and other Triumph Capital Advisors personnel also serve as officers or managers of Trinitas. Trinitas has issued new CLOs and holds the risk retention interests in such CLOs. Triumph Capital Advisors provides middle and back office services for CLOs managed by Trinitas for a fee agreed upon between Trinitas and Triumph Capital Advisors for each transaction. In the event, as a result of its relationships with Trinitas, Triumph Capital Advisors were deemed to be the underlying sponsor of any CLO transactions managed by Trinitas and originated after the effective date of the final risk retention rule, we could be deemed to be in violation of the risk retention rules as we would not hold the required risk retention interests in such CLOs. In addition, the fact that certain of our officers and other Triumph Capital Advisors personnel also act as officers or managers of Trinitas may create conflicts of interest. There is no guarantee that Trinitas will be successful in issuing new CLOs, or if successful, that it will select Triumph Capital Advisors to provide staffing and services for such CLOs, either of which occurrences may negatively impact the revenues that Triumph Capital Advisors is able to generate and may adversely affect our business, financial condition, or results of operations.

Our asset manager has entered into agreements with affiliated entities which may create conflicts of interest.

Triumph Capital Advisors shares office space with certain of its affiliated entities, including the Company and TBK Bank, and operates under a shared services agreement whereby Triumph Capital Advisors and such affiliated entities share a common infrastructure, including facilities, information technology, and human resources. In addition, certain supervised persons of Triumph Capital Advisors are also officers and/or directors of certain of its affiliated entities. Triumph Capital Advisors has entered into, and may enter into in the future, arrangements whereby Triumph Capital Advisors may offer its affiliated entities opportunities to invest in senior secured loans and other assets of the same type as comprise the assets of the CLOs it manages and its other clients. Under such arrangements, Triumph Capital Advisors may make offers of such opportunities to such affiliated entities, and provide to such affiliated entities its work product and other materials regarding such opportunity, but all decisions regarding the acquisition, disposition and management of the loan or other asset remain the responsibility of the applicable affiliated entity. Such arrangements may also contemplate that, to the extent that an affiliated entity acquires a loan or other asset as a result of an offer from Triumph Capital Advisors, Triumph Capital Advisors may provide monitoring services whereby Triumph Capital Advisors will monitor such loan or other asset in a manner similar to the manner in which it would monitor such loan or other asset for its CLO clients, and provide such monitoring materials to the applicable affiliated entity to assist such affiliated entity in their management of such loan or other asset. In offering such opportunities to its affiliates and/or in connection with providing any services to its affiliates in connection with any such investment, Triumph Capital Advisors has a duty (such as when making allocations in any acquisition or sale transaction) to

prioritize the needs of its CLO clients over those of its affiliated entities, which may result in the Company or such other affiliated entities being disadvantaged, or incurring losses they might otherwise avoid, with respect to any investment opportunities offered to such entities by Triumph Capital Advisors. In addition, the time and efforts expended by Triumph Capital Advisors personnel in their roles as officers and directors for, or otherwise providing services to, such affiliated entities may distract such personnel from the services they provide to its CLO clients.

Risks Relating to the Regulation of Our Industry

Our business, financial condition, results of operations and future prospects could be adversely affected by the highly regulated environment in which we operate.

As a financial holding company, we are subject to federal supervision and regulation. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards, may limit our operations significantly and control the methods by which we conduct business, as they limit those of other banking organizations. Many of these regulations are intended to protect depositors, the public or the FDIC insurance funds, not stockholders. Regulatory requirements affect our lending practices, capital structure, investment practices, dividend policy and many other aspects of our business. There are laws and regulations which restrict transactions between us and our subsidiaries. These requirements may constrain our operations and the adoption of new laws and changes to or repeal of existing laws may have a further impact on our business, financial condition, results of operations and future prospects. Also, the burden imposed by those federal and state regulations may place banks in general and we in particular, at a competitive disadvantage compared to less regulated competitors.

We are also subject to requirements with respect to the confidentiality of information obtained from clients concerning their identity, business, personal financial information, employment and other matters. We require our personnel to agree to keep all such information confidential and we monitor compliance. Failure to comply with confidentiality requirements could result in material liability and adversely affect our business, financial condition, results of operations and future prospects.

Bank holding companies and financial institutions are extensively regulated and currently face an uncertain regulatory environment. Applicable laws, regulations, interpretations, enforcement policies and accounting principles have been subject to significant changes in recent years and may be subject to significant future changes. We cannot assure our stockholders that such future changes will not have an adverse effect on our business, financial condition and results of operations.

Federal and state regulatory agencies may adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or effect of pending or future legislation or regulation or the application of laws and regulations to our Company. Compliance with current and potential regulation and scrutiny may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner by requiring us to expend significant time, effort and resources to ensure compliance. Additionally, evolving regulations and guidance concerning executive compensation may impose limitations on us that affect our ability to compete successfully for executive and management talent.

The CFPB was created under the Dodd-Frank Act to centralize responsibility for consumer financial protection with broad rulemaking authority to administer and carry out the purposes and objectives of the “Federal consumer financial laws and to prevent evasions thereof,” with respect to all financial institutions that offer financial products and services to consumers. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider, identifying and prohibiting acts or practices that are “unfair, deceptive, or abusive” in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service (“UDAAP authority”). The ongoing broad rulemaking powers of the CFPB and its UDAAP authority have the potential to have a significant impact on the operations of financial institutions offering consumer financial products or services. The CFPB has indicated that they are examining proposing new rules on overdrafts and other consumer financial products or services and if any such rule limits our ability to provide such financial products or services it may have an adverse effect on our business.

In addition, given the current economic and financial environment, regulators may elect to alter the standards or the interpretation of the standards used to measure regulatory compliance or used to determine the adequacy of liquidity,

certain risk management or other operational practices for bank or non-bank financial services companies. Such actions may impact our ability to implement our strategy and could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition and results of operations. Furthermore, the regulatory agencies have extremely broad discretion in their interpretation of the regulations and laws and their interpretation of the quality of our loan portfolio, securities portfolio and other assets. If any regulatory agency’s assessment of the quality of our assets differs from our assessment, we may be required to take additional charges that would have the effect of materially reducing our earnings, capital ratios and share price.

Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations.

We are subject to extensive regulation by multiple regulatory bodies. These regulations may affect the manner and terms of delivery of our services. If we do not comply with governmental regulations, we may be subject to fines, penalties, lawsuits or material restrictions on our businesses in the jurisdiction where the violation occurred, which may adversely affect our business operations. Changes in these regulations can significantly affect the services that we provide as well as our costs of compliance with such regulations. In addition, adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain customers.

Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the bank or non-bank financial services industries. The Dodd-Frank Act significantly changed the regulation of financial institutions and the bank and non-bank financial services industries. The Dodd-Frank Act and the regulations thereunder affect large and small financial institutions alike, including several provisions that will affect how community banks, thrifts and small bank and thrift holding companies will be regulated in the future.

The Dodd-Frank Act, among other things, imposes new capital requirements on bank holding companies; changes the base for FDIC insurance assessments to a bank's average consolidated total assets minus average tangible equity, rather than upon its deposit base and permanently raises the current standard deposit insurance limit to $250,000 and expands the FDIC's authority to raise insurance premiums. The legislation also calls for the FDIC to raise the ratio of reserves to deposits from 1.15% to 1.35% for deposit insurance purposes by September 30, 2020 and to "offset the effect" of increased assessments on insured depository institutions with assets of less than $10 billion. The Dodd-Frank Act also limits interchange fees payable on debit card transactions. The Dodd-Frank Act establishes the Consumer Financial Protection Bureau as an independent entity within the Federal Reserve, which will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards and contains provisions on mortgage-related matters, such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties. The Dodd-Frank Act also includes provisions that affect corporate governance and executive compensation at all publicly traded companies and allows financial institutions to pay interest on business checking accounts. Although the applicability of certain elements of the Dodd-Frank Act is limited to institutions with more than $10 billion in assets, there can be no guarantee that such applicability will not be extended in the future or that regulators or other third parties will not seek to impose such requirements on institutions with less than $10 billion in assets.

New proposals for legislation may be introduced in the U.S. Congress that could further substantially increase regulation of the bank and non-bank financial services industries, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates, financial product offerings and disclosures and have an effect on bankruptcy proceedings with respect to consumer residential real estate mortgages, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Certain aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of our business activities, require more oversight or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations to comply and could have an adverse effect on our business, financial condition and results of operations.

Federal and state regulators periodically examine our business and we may be required to remediate adverse examination findings.

The Federal Reserve, the FDIC, and the TDSML periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil money penalties, to fine or remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. In addition, our asset management business is subject to inspection and examination by the SEC. Any regulatory action against us could have an adverse effect on our business, financial condition and results of operations.

Our FDIC deposit insurance premiums and assessments may increase.

The deposits of our bank subsidiary are insured by the FDIC up to legal limits and, accordingly, subject our bank subsidiary to the payment of FDIC deposit insurance assessments. The bank's regular assessments are based on our bank subsidiary's average consolidated total assets minus average tangible equity as well as by risk classification, which includes regulatory capital levels and the level of supervisory concern. High levels of bank failures since the beginning of the financial crisis and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put significant pressure on the Deposit Insurance Fund. In order to maintain a strong funding position and restore the reserve ratios of the Deposit Insurance Fund, the FDIC has, in the past, increased deposit insurance assessment rates and charged a special assessment to all FDIC-insured financial institutions. Further increases in assessment rates or special assessments may occur in the future, especially if there are significant additional financial institution failures. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could have an adverse effect on our business, financial condition and results of operations.

The Federal Reserve may require us to commit capital resources to support our subsidiary bank.

As a matter of policy, the Federal Reserve expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. The Dodd-Frank Act codified the Federal Reserve's policy on serving as a source of financial strength. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any loans by a holding company to its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the bank holding company to make a required capital injection becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations.

Future acquisitions generally will require regulatory approvals and failure to obtain them would restrict our growth.

We intend to explore complementing and expanding our products and services by pursuing strategic acquisitions. Generally, any acquisition of target financial institutions, banking centers or other banking assets by us will require approval by and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve and the FDIC, as well as state banking regulators. In acting on applications, federal banking regulators consider, among other factors:

- the effect of the acquisition on competition;
- the financial condition, liquidity, results of operations, capital levels and future prospects of the applicant and the bank(s) involved;
- the quantity and complexity of previously consummated acquisitions;
- the managerial resources of the applicant and the bank(s) involved;
- the convenience and needs of the community, including the record of performance under the Community Reinvestment Act of 1977;
- the effectiveness of the applicant in combating money-laundering activities;
- the applicant's regulatory compliance record; and
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the extent to which the acquisition would result in greater or more concentrated risks to the stability of the United States banking or financial system.

Such regulators could deny our application based on the above criteria or other considerations, which would restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals and such a condition may not be acceptable to us or may reduce the benefit of any acquisition. In addition, we may be required to make certain capital commitments to our regulators in connection with any acquisition. The existence of such capital requirements, or the failure to meet any such requirements, may have material adverse effect on our stockholders.

Future legislation or actions could harm our competitive position.

In addition to the enactment of the Dodd-Frank Act, various legislative bodies have also recently been considering altering the existing framework governing creditors' rights, including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business; limit or expand permissible activities; or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it or any regulations would have on our activities, financial condition or results of operations.

We are subject to commercial real estate lending guidance issued by the federal banking regulators that impacts our operations and capital requirements.

The federal banking regulators have issued final guidance regarding concentrations in commercial real estate lending directed at institutions that have particularly high concentrations of commercial real estate loans within their lending portfolios. This guidance suggests that institutions whose commercial real estate loans exceed certain percentages of capital should implement heightened risk management practices appropriate to their concentration risk and may be required to maintain higher capital ratios than institutions with lower concentrations in commercial real estate lending. Based on our commercial real estate concentration as of December 31, 2016, we believe that we are operating within the guidelines. However, increases in our commercial real estate lending could subject us to additional supervisory analysis. We cannot guarantee that any risk management practices we implement will be effective to prevent losses relating to our commercial real estate portfolio. Management has implemented controls to monitor our commercial real estate lending concentrations, but we cannot predict the extent to which this guidance will continue to impact our operations or capital requirements.

Regulatory initiatives regarding bank capital requirements may require heightened capital.

New regulatory capital rules, released in July 2013, implement higher minimum capital requirements for bank holding companies and banks. The new rules include a new common equity Tier 1 capital requirement and establish criteria that instruments must meet to be considered common equity Tier 1 capital, additional Tier 1 capital or Tier 2 capital. These enhancements are expected to both improve the quality and increase the quantity of capital required to be held by banking organizations, better equipping the U.S. banking system to deal with adverse economic conditions. The revised capital rules require banks and bank holding companies to maintain a minimum common equity Tier 1 capital ratio of 4.5%, a total Tier 1 capital ratio of 6%, a total capital ratio of 8% and a leverage ratio of 4%. Bank holding companies are also required to hold a capital conservation buffer of common equity Tier 1 capital of 2.5% to avoid limitations on capital distributions and executive compensation payments. The revised capital rules also require banks and bank holding companies to maintain a common equity Tier 1 capital ratio of 6.5%, a total Tier 1 capital ratio of 8%, a total capital ratio of 10% and a leverage ratio of 5% to be deemed "well capitalized" for purposes of certain rules and prompt corrective action requirements.

The Federal Reserve may also set higher capital requirements for holding companies whose circumstances warrant it. For example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. At this time, the bank regulatory agencies are more inclined to impose higher capital requirements to meet well-capitalized standards and future regulatory change could impose higher capital standards as a routine matter. The Company's and its subsidiary's regulatory capital ratios currently are in excess of the levels established for "well-capitalized" institutions.

These new standards may require the Company or our bank subsidiary to maintain materially more capital, with common equity as a more predominant component, or manage the configuration of our assets and liabilities to comply with formulaic liquidity requirements. Such regulation could significantly impact our return on equity, financial

condition, operations, capital position and ability to pursue business opportunities which could have an adverse effect on our business, financial condition and results of operations.

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies, including the CFPB, are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution’s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion and restrictions on entering new product lines. Private parties may also have the ability to challenge an institution’s performance under fair lending laws in private class action litigation. Such actions could have an adverse effect on our business, financial condition and results of operations.

Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered “predatory.” These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the Patriot Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and IRS. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have an adverse effect on our business, financial condition and results of operations.

There are substantial regulatory limitations on changes of control of a bank holding company.

With certain limited exceptions, federal regulations prohibit a person, a company or a group of persons deemed to be “acting in concert” from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our Company without prior notice or application to and the approval of the Federal Reserve. Companies investing in banks and bank holding companies receive additional review and may be required to become bank holding companies, subject to regulatory supervision. Accordingly, prospective investors must be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. These provisions effectively inhibit certain mergers or other business combinations, which, in turn, could adversely affect the market price of our common stock.

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Risks Relating to the Company's Common Stock

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may impact the market price and trading volume of our common stock, including, without limitation:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;
- the effects of and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;
- publication of research reports about us, our competitors or the bank and non-bank financial services industries generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- operating and stock price performance of companies that investors deem comparable to us;
- future issuances of our common stock or other securities;
- additions or departures of key personnel;
- proposed or adopted changes in laws, regulations or policies affecting us;
- perceptions in the marketplace regarding our competitors and/or us;
- our treatment as an "emerging growth company" under federal securities laws;
- changes in accounting principles, policies and guidelines;
- rapidly changing technology;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core market or the bank and non-bank financial services industries.

The stock market and, in particular, the market for financial institution stocks, have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

Securities analysts may not continue coverage on our common stock, which could adversely affect the market for our common stock.

The trading market for our common stock will depend in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts and they may not cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect our market price. If we are covered by securities analysts and our common stock is the subject of an unfavorable report, the price of our common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline.

We are an "emerging growth company," and the reduced reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years from the date of our initial public offering, although we could lose that status sooner if our gross revenues exceed $1.0 billion, if we issue more than $1.0 billion in nonconvertible debt in a three-year period or if the fair value of our common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions, or if we choose to rely on additional exemptions in the future. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

The rights of our common stockholders are subordinate to the rights of the holders of our Series A Preferred Stock and Series B Preferred Stock and any debt securities that we may issue and may be subordinate to the holders of any other class of preferred stock that we may issue in the future.

We have issued 97,456 shares of our Series A Preferred Stock and Series B Preferred Stock. These shares have rights that are senior to our common stock. As a result, we must make payments on the preferred stock before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the Series A Preferred Stock and Series B Preferred Stock must be satisfied in full before any distributions can be made to the holders of our common stock. Our board of directors has the authority to issue in the aggregate up to 1,000,000 shares of preferred stock and to determine the terms of each issue of preferred stock without stockholder approval. Accordingly, you should assume that any shares of preferred stock that we may issue in the future will also be senior to our common stock and could have a preference on liquidating distributions or a preference on dividends that could limit our ability to pay dividends to the holders of our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital-raising efforts is uncertain. Thus, common stockholders bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the market price of our common stock.

We depend on the profitability of our bank subsidiary.

Our principal source of funds to pay dividends on our common and preferred stock and service any of our obligations are dividends received directly from our subsidiaries. A substantial percentage of our current operations are currently conducted through our bank subsidiary. As is the case with all financial institutions, the profitability of our bank subsidiary is subject to the fluctuating cost and availability of money, changes in interest rates and in economic conditions in general. In addition, various federal and state statutes limit the amount of dividends that our bank subsidiary may pay to us, with or without regulatory approval.

We do not intend to pay dividends in the foreseeable future and our future ability to pay dividends is subject to restrictions.

We have not historically declared or paid any cash dividends on our common stock since inception. Holders of our common stock are entitled to receive only such cash dividends as our board of directors may declare out of funds legally available for such payments. Any declaration and payment of dividends on common stock will depend upon our earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate,

our ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by the board of directors. Furthermore, consistent with our business plans, growth initiatives, capital availability, projected liquidity needs and other factors, we have made and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends, if any, paid to our common stockholders. We are also restricted from paying dividends on our common stock if we do not pay dividends on our Series A Preferred Stock and Series B Preferred Stock for the same dividend period.

Our board of directors intends to retain all of our earnings to promote growth and build capital. Accordingly, we do not expect to pay dividends in the foreseeable future. In addition, we are subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. Further, the Federal Reserve issued Supervisory Letter SR 09-4 on February 24, 2009 and revised as of March 27, 2009, which provides guidance on the declaration and payment of dividends, capital redemptions and capital repurchases by bank holding companies. Supervisory Letter SR 09-4 provides that, as a general matter, a financial holding company should eliminate, defer or significantly reduce its dividends, if: (1) the financial holding company's net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (2) the financial holding company's prospective rate of earnings retention is not consistent with the financial holding company's capital needs and overall current and prospective financial condition; or (3) the financial holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Failure to do so could result in a supervisory finding that the financial holding company is operating in an unsafe and unsound manner.

Our corporate governance documents and certain corporate and banking laws applicable to us, could make a takeover more difficult.

Certain provisions of our articles of incorporation and bylaws and corporate and federal banking laws and regulations could delay, defer or prevent a third party from acquiring control of our organization or conducting a proxy contest, even if those events were perceived by many of our stockholders as beneficial to their interests. These provisions, laws and regulations applicable to us:

- enable our board of directors to issue additional shares of authorized but unissued capital stock;
- enable our board of directors to issue "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors;
- enable our board of directors to increase the size of our board of directors and fill the vacancies created by the increase;
- enable our board of directors to serve for three-year terms;
- provide for a plurality voting standard in the election of directors;
- do not provide for cumulative voting in the election of directors;
- enable our board of directors to amend our bylaws without stockholder approval;
- do not allow for the removal of directors without cause;
- limit the right of stockholders to call a special meeting;
- do not allow stockholder action by less than unanimous written consent;
- require the affirmative vote of two-thirds of the outstanding shares of common stock to approve all amendments to our charter and approve mergers and similar transactions;
- require advance notice for director nominations and other stockholder proposals; and
- require prior regulatory application and approval of any transaction involving control of our organization.

These provisions may discourage potential acquisition proposals and could delay or prevent a change in control, including under circumstances in which our stockholders might otherwise receive a premium over the market price of our shares.

Certain of our directors and officers have the right to receive shares of our common stock from Triumph Consolidated Cos., LLC ("TCC"), the original investment vehicle for our operations and a significant stockholder of the Company, based on the value of our shares of common stock, which may incentivize them to manage our operations in a manner that incurs more risk to receive the full amount of shares that may be distributed to them.

TCC is a Texas limited liability company that served as the original investment vehicle for the Company's operations. As of December 31, 2016, TCC owned 805,000 shares of our common stock and a warrant to purchase an additional 259,067 shares of the Company's common stock at a price of $11.58 per share. In connection with the formation and funding of TCC, TLCM Investments, LLC ("TLCM") was granted a profits interest. TCC's operating agreement currently gives effect to such profits interest by providing for the grant to TLCM of periodic distributions of our common stock from TCC based on the market price of our common stock on a quarterly basis for a three year period following the consummation of our initial public offering in November 2014. The higher the trading price of our common stock during this period, the more shares TCC will distribute to TLCM, up to 805,000 of the total remaining shares at December 31, 2016. The ultimate beneficial owners of TLCM include certain of our directors and executive officers including our Chief Executive Officer, Aaron P. Graft, our chairman, Carlos Sepulveda, Jr., Charles A. Anderson, Justin N. Trail, C. Todd Sparks, and Adam D. Nelson. Accordingly, certain members of our board of directors and management may be incentivized to produce a higher price for our shares of common stock than they otherwise would be and may be prone to take risks that they otherwise would not in an effort to support a higher stock price. If the Company incurs additional risk or unduly focuses on the price of our common shares, it may have an adverse effect on our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our corporate office is located at 12700 Park Central Drive, Suite 1700, Dallas, Texas 75251.

As of December 31, 2016, TBK Bank operates ten branches in the Quad Cities Metropolitan Area of Iowa and Illinois, seven other branches throughout central and northwestern Illinois, one branch in northeastern Illinois, sixteen branches located throughout eastern Colorado, two branches in far western Kansas, and loan production offices in Portland, Oregon, Kansas City, Missouri, and Colorado Springs, Colorado. TBK Bank also operates from our corporate office facility in Dallas, Texas which includes an additional branch office limited to deposit gathering activities. We lease nine of these offices and own the remaining thirty-one. Our owned offices are freestanding permanent facilities and the leased offices are part of larger retail facilities. Most of TBK Bank's branches are equipped with automated teller machines ("ATM") and drive-through facilities.

Triumph Business Capital operates from a leased facility within a larger business park located in Coppell, Texas.

ITEM 3. LEGAL PROCEEDINGS.

From time to time we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information and Common Equity Holders

Our common stock is listed on the NASDAQ Global Select Market under the symbol "TBK." The following table presents the high and low intra-day sales prices of our common stock for the periods indicated:

	2016	
Sales Price Per Share	High	Low
Fourth quarter	$27.50	$18.36
Third quarter	$19.90	$15.51
Second quarter	$17.00	$14.40
First quarter	$16.72	$12.63

	2015	
Sales Price Per Share	High	Low
Fourth quarter	$18.52	$16.14
Third quarter	$17.09	$12.41
Second quarter	$14.10	$12.26
First quarter	$13.94	$11.93

At February 14, 2017, there were 18,083,294 shares outstanding and 358 shareholders of record for the Company's common stock.

Dividends

We have not historically declared or paid cash dividends on our common stock since inception and we do not intend to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our future earnings will be retained to support our operations and to finance the growth and development of our business. Any future determination relating to our dividend policy will be made by our board of directors and will depend on a number of factors, including:

- our historic and projected financial condition, liquidity and results of operations;
- our capital levels and needs;
- tax considerations;
- any acquisitions or potential acquisitions that we may examine;
- statutory and regulatory prohibitions and other limitations;
- the terms of any credit agreements or other borrowing arrangements that restrict our ability to pay cash dividends;
- general economic conditions; and
- other factors deemed relevant by our board of directors.

We are not obligated to pay dividends on our common stock.

As a Texas corporation, we are subject to certain restrictions on dividends under the Texas Business Organizations Code (the "TBOC"). Generally, a Texas corporation may pay dividends to its stockholders out of its surplus (the excess of its assets over its liabilities and stated capital) or out of its net profits for the then-current and preceding fiscal year

unless the corporation is insolvent or the dividend would render the corporation insolvent. In addition, we are subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies.

Because we are a financial holding company and do not engage directly in business activities of a material nature, our ability to pay dividends to our stockholders depends, in large part, upon our receipt of dividends from our bank subsidiary, which is also subject to numerous limitations on the payment of dividends under federal and state banking laws, regulations and policies. The present and future dividend policy of our bank subsidiary is subject to the discretion of its board of directors. Our subsidiary bank is not obligated to pay dividends.

Securities authorized for issuance under equity compensation plans

See "Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters".

Performance Graph

The following Performance Graph and related discussion are being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K and shall not be deemed to be "soliciting materials" or to be "filed" with the SEC (other than as provided in Item 201) nor shall this information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained therein, except to the extent that the Company specifically incorporates it by reference into a filing.

The following Performance Graph compares the cumulative total shareholder return on the Company's common stock for the period beginning at the close of trading on November 7, 2014 (the end of the first day of trading of the Company's common stock on the NASDAQ Global Select Market) through December 31, 2016, with the cumulative total return of the NASDAQ Global Select Market Index and the NASDAQ Bank Index for the same period. Cumulative total return is computed by dividing the difference between the Company's share price at the end and the beginning of the measurement period by the share price at the beginning of the measurement period. The Performance Graph assumes an initial investment of $100 in the Company's common stock, the NASDAQ Global Select Market Index and the NASDAQ Bank Index. Historical stock price performance is not necessarily indicative of future stock price performance.

	November 7, 2014	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016
Triumph Bancorp, Inc.	$ 100.00	$ 106.27	$ 103.14	$ 129.41	$ 125.49	$ 205.10
Nasdaq Global Select Market Index	100.00	102.17	107.45	108.41	105.07	116.64
Nasdaq Bank Index	100.00	101.16	108.98	107.86	103.36	145.64

Recent sales of unregistered equity securities

None.

Purchases of equity securities by the issuer and affiliated purchasers

No purchases of the Company's common shares were made by or on behalf of the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Exchange Act during the year ended December 31, 2016. There is currently no authorization to repurchase shares of outstanding common stock.

ITEM 6. SELECTED FINANCIAL DATA.

Our historical consolidated financial data as of and for each of the years in the five year period ended December 31, 2016 is derived from our audited historical consolidated financial statements. The following table shows our selected historical financial data for the periods indicated. You should read our selected historical financial data, together with the notes thereto, in conjunction with the more detailed information contained in our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report on Form 10-K.

	As of and for the years ended December 31,				
(Dollars in thousands, except per share amounts)	2016	2015	2014	2013	2012
Income Statement Data:					
Interest income	$124,492	$98,760	$87,230	$42,630	$26,952
Interest expense	12,134	8,109	6,770	3,947	3,715
Net interest income	112,358	90,651	80,460	38,683	23,237
Provision for loan losses	6,693	4,529	5,858	3,412	1,739
Net interest income after provision	105,665	86,122	74,602	35,271	21,498
Gain on branch sale	—	—	12,619	—	—
Bargain purchase gain	—	15,117	—	9,014	—
Other noninterest income	20,956	18,180	12,148	3,999	2,661
Noninterest income	20,956	33,297	24,767	13,013	2,661
Noninterest expense	93,112	81,865	69,202	32,724	18,479
Net income before income taxes	33,509	37,554	30,167	15,560	5,680
Income tax expense (benefit)	12,809	8,421	10,378	2,133	(5,394)
Net income	20,700	29,133	19,789	13,427	11,074
Income attributable to noncontrolling interests	—	—	(2,060)	(867)	(993)
Dividends on preferred stock	(887)	(780)	(780)	(721)	—
Net income available to common stockholders	$19,813	$28,353	$16,949	$11,839	$10,081
Balance Sheet Data:					
Total assets	$2,641,067	$1,691,313	$1,447,898	$1,288,239	$301,462
Cash and cash equivalents	114,514	105,277	160,888	85,797	15,784
Investment securities	304,381	163,169	162,769	185,397	43,645
Loans held for sale	—	1,341	3,288	5,393	—
Loans held for investment, net	2,012,219	1,279,318	997,035	877,454	209,323
Total liabilities	2,351,722	1,423,275	1,210,389	1,127,642	237,988
Noninterest bearing deposits	363,351	168,264	179,848	150,238	10,323
Interest bearing deposits	1,652,434	1,080,686	985,381	894,616	215,376
FHLB advances	230,000	130,000	3,000	21,000	10,500
Senior secured note	—	—	—	12,573	—
Junior subordinated debentures	32,740	24,687	24,423	24,171	—
Subordinated notes	48,734	—	—	—	—
Noncontrolling interests	—	—	—	26,997	6,962
Total stockholders' equity	289,345	268,038	237,509	133,600	56,512
Preferred stockholders' equity	9,746	9,746	9,746	9,746	5,000
Common stockholders' equity [(1)]	279,599	258,292	227,763	123,854	51,512

	As of and for the years ended December 31,				
	2016	2015	2014	2013	2012
Per Share Data:					
Basic earnings per common share	$1.11	$1.60	$1.55	$1.40	$2.24
Diluted earnings per common share	$1.10	$1.57	$1.52	$1.39	$2.24
Book value per share	$15.47	$14.34	$12.68	$12.60	$11.23
Tangible book value per share [(1)]	$12.89	$12.79	$11.06	$9.70	$8.17
Shares outstanding end of period	18,078,247	18,018,200	17,963,783	9,832,585	4,586,356
Weighted average shares outstanding - basic	17,856,828	17,720,479	10,940,083	8,481,137	4,502,595
Weighted average shares outstanding - diluted	18,053,531	18,524,889	11,672,780	8,629,611	4,502,595
Adjusted Per Share Data[(1)]:					
Adjusted diluted earnings per common share	$1.17	$0.80	$0.82	$0.51	$2.25
Adjusted weighted average shares outstanding - diluted	18,729,882	17,848,538	10,996,429	8,486,254	4,502,595
Performance ratios:					
Return on average assets	1.00 %	1.89 %	1.46 %	2.40 %	3.82 %
Return on average total equity	7.33 %	11.31 %	10.87 %	12.13 %	20.31 %
Return on average common equity [(1)]	7.29 %	11.44 %	11.61 %	11.98 %	23.02 %
Return on average tangible common equity [(1)]	8.37 %	12.98 %	14.51 %	14.50 %	33.17 %
Yield on loans	7.71 %	8.62 %	8.90 %	10.90 %	12.99 %
Adjusted yield on loans [(1)]	7.23 %	8.20 %	7.96 %	9.69 %	11.15 %
Cost of interest bearing deposits	0.70 %	0.67 %	0.54 %	0.92 %	1.57 %
Cost of total deposits	0.59 %	0.58 %	0.46 %	0.84 %	1.51 %
Cost of total funds	0.68 %	0.64 %	0.58 %	0.89 %	1.60 %
Net interest margin	5.91 %	6.49 %	6.67 %	7.77 %	8.93 %
Adjusted net interest margin [(1)]	5.52 %	6.16 %	5.93 %	6.85 %	7.53 %
Efficiency ratio	69.84 %	66.05 %	65.77 %	63.30 %	71.35 %
Adjusted efficiency ratio [(1)]	68.63 %	73.59 %	74.73 %	73.11 %	71.15 %
Net noninterest expense to average assets	3.47 %	3.16 %	3.28 %	3.53 %	5.45 %
Adjusted net noninterest expense to average total assets [(1)]	3.39 %	4.03 %	4.22 %	4.87 %	5.43 %
Asset Quality ratios[(2)]:					
Past due to total loans	3.61 %	2.41 %	2.57 %	2.78 %	6.81 %
Nonperforming loans to total loans	2.23 %	1.03 %	1.66 %	1.41 %	4.77 %
Nonperforming assets to total assets	1.98 %	1.10 %	1.73 %	2.03 %	4.92 %
ALLL to nonperforming loans	34.00 %	94.10 %	53.02 %	29.41 %	19.12 %
ALLL to total loans	0.76 %	0.97 %	0.88 %	0.41 %	0.91 %
Net charge-offs to average loans	0.25 %	0.07 %	0.07 %	0.45 %	0.12 %
Capital ratios:					
Tier 1 capital to average assets	10.85 %	16.56 %	15.92 %	12.87 %	16.15 %

Tier 1 capital to risk-weighted assets	11.85	%	18.23	%	19.56	%	14.11	%	19.77	%
Common equity Tier 1 capital to risk-weighted assets	10.18	%	16.23	%	N/A		N/A		N/A	
Total capital to risk-weighted assets	14.60	%	19.11	%	20.35	%	14.47	%	20.62	%
Total equity to total assets	10.96	%	15.85	%	16.40	%	12.47	%	21.06	%
Total stockholders' equity to total assets	10.96	%	15.85	%	16.40	%	10.37	%	18.75	%
Tangible common stockholders' equity ratio [(1)]	8.98	%	13.85	%	14.00	%	7.57	%	13.04	%

(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, 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.
- "Tangible common stockholders' equity" is defined as 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.
- "Adjusted 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.
- "Adjusted 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 defined as 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 defined as 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) Asset quality ratios exclude loans held for sale.

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:

	As of and for the years ended December 31,				
(Dollars in thousands, except per share amounts)	2016	2015	2014	2013	2012
Total stockholders' equity	$289,345	$268,038	$237,509	$133,600	$56,512
Preferred stock liquidation preference	(9,746)	(9,746)	(9,746)	(9,746)	(5,000)
Total common stockholders' equity	279,599	258,292	227,763	123,854	51,512
Goodwill and other intangibles	(46,531)	(27,854)	(29,057)	(28,518)	(14,047)
Tangible common stockholders' equity	$233,068	$230,438	$198,706	$95,336	$37,465
Common shares outstanding	18,078,247	18,018,200	17,963,783	9,832,585	4,586,356
Tangible book value per share	$12.89	$12.79	$11.06	$9.70	$8.17
Total assets at end of period	$2,641,067	$1,691,313	$1,447,898	$1,288,239	$301,462
Goodwill and other intangibles	(46,531)	(27,854)	(29,057)	(28,518)	(14,047)
Adjusted total assets at period end	2,594,536	1,663,459	1,418,841	1,259,721	287,415
Tangible common stockholders' equity ratio	8.98%	13.85%	14.00%	7.57%	13.04%
Net income available to common stockholders	$19,813	$28,353	$16,949	$11,839	$10,081
Gain on branch sale	—	—	(12,619)	—	—
Bargain purchase gain	—	(15,117)	—	(9,014)	—
Merger and acquisition expenses	1,618	243	—	1,521	52
Incremental bonus related to acquisition	—	1,750	—	—	—
Escrow recovery from DHF	—	(300)	—	—	—
Tax effect of acquisition related transactions	(251)	(592)	4,727	—	—
Adjusted net income available to common stockholders	$21,180	$14,337	$9,057	$4,346	$10,133
Dilutive effect of convertible preferred stock	783	—	—	—	—
Adjusted net income available to common stockholders - diluted	$21,963	$14,337	$9,057	$4,346	$10,133
Weighted average shares outstanding - diluted	18,053,531	18,524,889	11,672,780	8,629,611	4,502,595
Adjusted effects of assumed Preferred Stock conversion	(676,351)	676,351	676,351	143,357	—
Adjusted weighted average shares outstanding - diluted	18,729,882	17,848,538	10,996,429	8,486,254	4,502,595

Adjusted diluted earnings per common share	$1.17		$0.80		$0.82		$0.51		$2.25	
Net income available to common stockholders	$19,813		$28,353		$16,949		$11,839		$10,081	
Average tangible common equity	236,660		218,392		116,817		81,636		30,393	
Return on average tangible common equity	8.37	%	12.98	%	14.51	%	14.50	%	33.17	%
Reported yield on loans	7.71	%	8.62	%	8.90	%	10.90	%	12.99	%
Effect of accretion income on acquired loans	(0.48	%)	(0.42	%)	(0.94	%)	(1.21	%)	(1.84	%)
Adjusted yield on loans	7.23	%	8.20	%	7.96	%	9.69	%	11.15	%
Reported net interest margin	5.91	%	6.49	%	6.67	%	7.77	%	8.93	%
Effect of accretion income on acquired loans	(0.39	%)	(0.33	%)	(0.74	%)	(0.92	%)	(1.40	%)
Adjusted net interest margin	5.52	%	6.16	%	5.93	%	6.85	%	7.53	%

(Dollars in thousands, except per share amounts)	Years Ended December 31, 2016	2015	2014	2013	2012
Adjusted efficiency ratio:					
Net interest income	$112,358	$90,651	$80,460	$38,683	$23,237
Noninterest income	20,956	33,297	24,767	13,013	2,661
Operating revenue	133,314	123,948	105,227	51,696	25,898
Gain on branch sale	—	—	(12,619)	—	—
Bargain purchase gain	—	(15,117)	—	(9,014)	—
Escrow recovery from DHF	—	(300)	—	—	—
Adjusted operating revenue	$133,314	$108,531	$92,608	$42,682	$25,898
Noninterest expenses	$93,112	$81,865	$69,202	$32,724	$18,479
Acquisition related expenses	(1,618)	(243)	—	(1,521)	(52)
Incremental bonus related to acquisition	—	(1,750)	—	—	—
Adjusted noninterest expenses	$91,494	$79,872	$69,202	$31,203	$18,427
Adjusted efficiency ratio	68.63 %	73.59 %	74.73 %	73.11 %	71.15 %
Adjusted net noninterest expense to average assets ratio:					
Noninterest expenses	$93,112	$81,865	$69,202	$32,724	$18,479
Acquisition related expenses	(1,618)	(243)	—	(1,521)	(52)
Incremental bonus related to acquisition	—	(1,750)	—	—	—
Adjusted noninterest expense	91,494	79,872	69,202	31,203	18,427
Noninterest income	20,956	33,297	24,767	13,013	2,661
Gain on branch sale	—	—	(12,619)	—	—
Bargain purchase gain	—	(15,117)	—	(9,014)	—
Escrow recovery from DHF	—	(300)	—	—	—
Adjusted noninterest income	20,956	17,880	12,148	3,999	2,661
Adjusted net noninterest expenses	$70,538	$61,992	$57,054	$27,204	$15,766
Average total Assets	$2,079,756	$1,537,856	$1,353,421	$558,946	$290,209
Adjusted net noninterest expense to average assets ratio	3.39 %	4.03 %	4.22 %	4.87 %	5.43 %

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Note Regarding Forward-Looking Statements

This document contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," " "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those other comparable of a future or forward-looking nature. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and

are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- our limited operating history as an integrated company and our recent acquisitions;
- business and economic conditions generally and in the bank and non-bank financial services industries, nationally and within our local market areas;
- our ability to mitigate our risk exposures;
- our ability to maintain our historical earnings trends;
- risks related to the integration of acquired businesses and any future acquisitions;

- changes in management personnel;
- interest rate risk;
- concentration of our factoring services in the transportation industry;
- credit risk associated with our loan portfolio;
- lack of seasoning in our loan portfolio;
- deteriorating asset quality and higher loan charge-offs;
- time and effort necessary to resolve nonperforming assets;
- inaccuracy of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- lack of liquidity;
- fluctuations in the fair value and liquidity of the securities we hold for sale;
- impairment of investment securities, goodwill, other intangible assets or deferred tax assets;
- risks related to our acting as the asset manager for one or more CLOs;
- our risk management strategies;
- environmental liability associated with our lending activities;
- increased competition in the bank and non-bank financial services industries, nationally, regionally or locally, which may adversely affect pricing and terms;
- the accuracy of our financial statements and related disclosures;
- material weaknesses in our internal control over financial reporting;
- system failures or failures to prevent breaches of our network security;
- the institution and outcome of litigation and other legal proceedings against us or to which we become subject;
- changes in carry-forwards of net operating losses;
- changes in federal tax law or policy;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations, such as the Dodd-Frank Act and their application by our regulators;
- governmental monetary and fiscal policies;
- changes in the scope and cost of FDIC insurance and other coverages;
- failure to receive regulatory approval for future acquisitions;
- increases in our capital requirements; and
- risk retention requirements under the Dodd-Frank Act.

The foregoing factors should not be construed as exhaustive. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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 consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K. 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 above.

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 management and provision of other services related to 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 December 31, 2016, we had consolidated total assets of $2.641 billion, gross loans held for investment of $2.028 billion, total deposits of $2.016 billion and total stockholders' equity of $289 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 year ended December 31, 2016, our banking segment generated 68% of our total revenue (comprised of interest and noninterest income), our factoring segment generated 24% of our total revenue, our asset management segment generated 5% of our total revenue, and our corporate segment generated 3% of our total revenue.

2016 Highlights

Net income available to common stockholders for the year ended December 31, 2016 was $19.8 million, or $1.10 per diluted share, compared to net income available to common stockholders for the year ended December 31, 2015 of $28.4 million, or $1.57 per diluted share. Excluding material gains and expenses related to merger and acquisition-related activities, adjusted net income to common stockholders was $21.2 million, or $1.17 per diluted share, for the year ended December 31, 2016 compared to $14.3 million, or $0.80 per diluted share for the year ended December 31, 2015. For the year ended December 31, 2016, our return on average common equity was 7.29% and our return on average assets was 1.00%.

At December 31, 2016, we had total assets of $2.641 billion, including gross loans of $2.028 billion, compared to $1.691 billion of total assets and $1.292 billion of gross loans at December 31, 2015. The year-over-year increases in total assets and gross loans were due in part to the ColoEast acquisition discussed below. Excluding the acquired balances, organic loan growth totaled $275 million during the year ended December 31, 2016. Our commercial

finance product lines increased from $521 million in aggregate as of December 31, 2015 to $694 million as of December 31, 2016, an increase of 33%, and constitute 34% of our total loan portfolio at December 31, 2016.

At December 31, 2016, we had total liabilities of $2.352 billion, including total deposits of $2.016 billion compared to $1.423 billion of total liabilities and $1.249 billion of total deposits at December 31, 2015. The year-over-year increase in total deposits of $767 million was due in part to the ColoEast acquisition discussed below. Excluding the assumed balances, organic deposit growth totaled $114 million during the year ended December 31, 2016.

At December 31, 2015, we had total stockholders' equity of $289 million. During the year ended December 31, 2016, total stockholders’ equity increased $21 million, primarily due to our net income for the period. Capital ratios remained strong with Tier 1 capital and total capital ratios of 11.8% and 14.6%, respectively, at December 31, 2016.

Southern Transportation Insurance Agency

On September 1, 2016, the Company acquired Southern Transportation Insurance Agency, Ltd. in an all-cash transaction for $2.2 million. The purpose of the acquisition was to expand the Company's product offerings for clients in the transportation industry. The Company recognized a customer-related intangible asset of $1.6 million and goodwill of $0.6 million. Goodwill resulted from expected enhanced product offerings. For further information, see Note 2 – Business Combinations and Divestitures in the accompanying notes to the consolidated financial statements included elsewhere in this report.

ColoEast Bankshares, Inc.

On August 1, 2016, the Company acquired ColoEast Bankshares, Inc. ("ColoEast") and its community banking subsidiary, Colorado East Bank & Trust, which was merged into TBK Bank upon closing and offered personal checking, savings, CD, money market, HSA, IRA, NOW and business accounts, as well as commercial and consumer loans throughout Colorado and far western Kansas. The acquisition expanded the Company's market into Colorado and Kansas and further diversified the Company's loan, customer, and deposit base.

As part of the ColoEast acquisition, the Company:

- Acquired loans with an unpaid principal balance of $473 million and recorded a fair value purchase discount of $12 million, reflecting a fair value of $461 million, or approximately 97.5% of the unpaid principal balance.
- Acquired investment securities with a fair value of $162 million classified as available-for-sale.
- Assumed $653 million of customer deposits. This included $445 million of transaction accounts and $208 million of time deposits. The Company recorded a core deposit intangible asset of $7.2 million.
- Assumed Junior Subordinated Debentures with a face value of $11.9 million. We recorded these debentures at their estimated fair value of $7.7 million.
- Incurred $1.6 million of ColoEast acquisition-related expenses. These costs included employee severance, system contract termination fees, accounting, consulting, valuation and legal expenses.
- Recorded $12.3 million of Goodwill. The goodwill in this acquisition resulted from expected synergies and expansion into the Colorado and Kansas markets.

For further information, see Note 2 – Business Combinations and Divestitures in the accompanying notes to the consolidated financial statements included elsewhere in this report.

Commercial Finance Product Lines

A key element of our strategy is to supplement the asset generation capacity in our community banking markets with commercial finance product lines which are offered on a nationwide basis and which serve to enhance the overall yield of our portfolio. These products include our factoring services, provided principally in the transportation sector (though increasingly in other industries as well), our asset-based lending and equipment finance products marketed under our Triumph Commercial Finance brand, the healthcare asset-based lending products offered under our Triumph Healthcare Finance brand, and premium finance products marketed under our Triumph Premium Finance brand. Our aggregate outstanding balances for these products increased from $521.0 million as of December 31, 2015 to $693.7 million as of December 31, 2016. These increases were driven by organic growth.

The following table sets forth our commercial finance product lines as of December 31, 2016 and 2015:

(Dollars in thousands)

	December 31, 2016	December 31, 2015
Commercial finance		
TCF equipment	$ 190,393	$ 148,951
TCF asset-based lending	161,454	75,134
THF asset-based lending	79,668	80,200
Premium finance	23,971	1,612
Factored receivables	238,198	215,088
Total commercial finance loans	$ 693,684	$ 520,985

In general, we view the long term market fundamentals for our commercial finance product offerings as sound, with continued opportunity to increase our market share within very large markets. In particular, we note continued positive performance in the transportation factored receivables industry in the face of the headwinds caused by lower oil and freight prices, with consistent growth in the number of clients and number of invoices processed, which has contributed to the strong year-over-year growth in our factored receivables which should position us well for a potential rebound in oil and freight prices. In addition, we believe that the fundamentals of the U.S. healthcare industry (e.g., an aging population and continued increasing healthcare costs) will continue to provide growth opportunities for our healthcare asset-based loan portfolio. These positive trends have caused increased competition from existing as well as new lenders that have entered these markets, which resulted in increased pricing pressure. Despite competitive conditions, we remain disciplined in our structuring and underwriting parameters.

We incurred expense increases during 2016 associated with the growth in our commercial finance lending lines as we continued to invest in additional personnel and resources necessary to grow these products. In general, we believe these expenses, consisting primarily of increased headcount and the occupancy and technology expenses necessary to support such additional headcount, represent costs that may be leveraged or scaled to support increased loan production in these areas.

Results of Operations

Net Income

Fiscal year ended December 31, 2016 compared with year ended December 31, 2015. We earned net income of $20.7 million for the year ended December 31, 2016 compared to $29.1 million for the year ended December 31, 2015, a decrease of $8.4 million.

The results for the year ended December 31, 2016 include the results of operations of ColoEast since the August 1, 2016 acquisition date and were impacted by $1.4 million of tax-effected transaction and restructuring costs associated with our acquisition of ColoEast and reported as noninterest expense.

The results for the year ended December 31, 2015 were impacted by our acquisition of Doral Money, Inc. (“Doral Money”). The Doral Money acquisition resulted in a nontaxable bargain purchase gain in the amount of $15.1 million included in noninterest income for the year ended December 31, 2015, 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 ColoEast transaction costs and the Doral Money acquisition, we earned adjusted net income of $22.1 million for the year ended December 31, 2016 compared to $15.1 million for the year ended December 31, 2015, an increase of $7.0 million. The adjusted increase was primarily the result of a $21.7 million increase in net interest income and a $3.1 million increase in adjusted noninterest income, offset in part by a $2.2 million increase in the provision for loan losses, an $11.6 million increase in adjusted noninterest expense and a $4.0 million increase in adjusted income tax expense.

Fiscal year ended December 31, 2015 compared with year ended December 31, 2014. We earned net income of $29.1 million for the year ended December 31, 2015 compared to $19.8 million for the year ended December 31, 2014, an increase of $9.3 million. The increase was the result of a $10.2 million increase in net interest income, an $8.5 million increase in noninterest income, a $1.3 million decrease in the provision for loan losses, and a $2.0 million decrease in income tax expense, partially offset by a $12.7 million increase in noninterest expense.

These results were impacted by our acquisition of Doral Money during the year ended December 31, 2015 which resulted in a nontaxable bargain purchase gain in the amount of $15.1 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. The results for the year ended December 31, 2014 were impacted by the recording of a pre-tax gain in the amount of $12.6 million, or $7.9 million net of tax, associated with the sale of our Pewaukee, Wisconsin branch in July 2014.

Excluding the impact of the Doral Money acquisition, we earned adjusted net income of $15.1 million for the year ended December 31, 2015. Excluding the impact of the tax-effected gain associated with the sale of our Pewaukee, Wisconsin branch, we earned adjusted net income of $9.8 million for the year ended December 31, 2014.

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."

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 years ended December 31, 2016, 2015, and 2014:

	For the years ended December 31,								
	2016			2015			2014		
(Dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:									
Cash and cash equivalents	$107,969	$653	0.60%	$123,444	$465	0.38%	$84,993	$302	0.36%
Taxable securities	222,536	4,131	1.86%	154,756	2,499	1.61%	161,839	2,417	1.49%
Tax-exempt securities	14,712	178	1.21%	3,560	59	1.66%	6,788	60	0.88%
FHLB & FRB stock	6,790	73	1.08%	5,115	156	3.05%	5,804	213	3.67%
Loans (1)	1,550,039	119,457	7.71%	1,109,434	95,581	8.62%	946,223	84,238	8.90%
Total interest earning assets	1,902,046	124,492	6.55%	1,396,309	98,760	7.07%	1,205,647	87,230	7.24%
Noninterest earning assets:									
Cash and cash equivalents	28,138			25,363			26,894		
Other noninterest earning assets	149,572			116,184			120,880		
Total assets	$2,079,756			$1,537,856			$1,353,421		
Interest bearing liabilities:									
Deposits:									
Interest bearing demand	269,635	278	0.10%	227,251	140	0.06%	226,531	155	0.07%
Individual retirement accounts	78,979	927	1.17%	57,216	690	1.21%	52,825	587	1.11%
Money market	156,637	332	0.21%	116,654	266	0.23%	132,535	305	0.23%
Savings	116,928	63	0.05%	72,964	36	0.05%	73,333	37	0.05%
Certificates of deposit	640,490	7,005	1.09%	501,293	5,273	1.05%	388,730	3,614	0.93%
Brokered deposits	52,816	551	1.04%	49,867	501	1.00%	51,124	338	0.66%
Total interest bearing deposits	1,315,485	9,156	0.70%	1,025,245	6,906	0.67%	925,078	5,036	0.54%
Senior secured note	—	—	—	—	—	—	10,313	584	5.66%

Junior subordinated debentures	28,059	1,427	5.09%	24,547	1,121	4.57%	24,290	1,095	4.51%
Subordinated notes	12,373	835	6.75%	—	—	—	—	—	—
Other borrowings	186,768	716	0.38%	48,017	82	0.17%	40,346	55	0.14%
Total interest bearing liabilities	1,542,685	12,134	0.79%	1,097,809	8,109	0.74%	1,000,027	6,770	0.68%
Noninterest bearing liabilities and equity:									
Noninterest bearing demand deposits	243,349			168,565			160,248		
Other liabilities	11,306			13,931			11,135		
Total equity	282,416			257,551			182,011		
Total liabilities and equity	$2,079,756			$1,537,856			$1,353,421		
Net interest income		$112,358			$90,651			$80,460	
Interest spread (2)			5.76%			6.33%			6.56%
Net interest margin (3)			5.91%			6.49%			6.67%

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.

Year ended December 31, 2016 compared with year ended December 31, 2015. We earned net interest income of $112.4 million for the year ended December 31, 2016 compared to $90.7 million for the year ended December 31, 2015.

This increase in net interest income was driven by increases in average interest earning assets, which increased to $1.902 billion for the year ended December 31, 2016 from $1.396 billion for the year ended December 31, 2015, an increase of $506 million, or 36.2%. The increase in interest earning assets was impacted by the $460.8 million of loans and $161.7 million investment securities acquired in the ColoEast acquisition on August 1, 2016, which were outstanding for five months during the year ended December 31, 2016. The remaining increase primarily resulted from organic growth in our loan portfolio. Our commercial finance product lines, including our factored receivables, asset-based loans, equipment finance loans, and premium finance loans increased on a period over period basis as a result of the continued execution of our growth strategy for such products. Our outstanding commercial finance balances increased $172.7 million, or 33.1%, from $521.0 million at December 31, 2015 to $693.7 million at December 31, 2016. We also experienced organic growth in our mortgage warehouse facilities and community banking lending products period over period, including commercial real estate and general commercial and industrial loans.

The increases in our net interest income resulting from changes in the interest income generated by the acquired ColoEast assets and the organic growth in our loan portfolio discussed above were offset in part by an increase in our interest expense associated with the growth in customer deposits and other borrowings. Average total interest bearing deposits increased to $1.315 billion for the year ended December 31, 2016 from $1.025 billion for the year ended December 31, 2015, an increase of $290 million, or 28.3%. The $653.0 million of customer deposits assumed in the ColoEast acquisition on August 1, 2016, which were outstanding for five months during the year ended December 31, 2016, contributed to the increase in average interest bearing deposits during the period. The remaining increase was partially due to growth in our certificates of deposit as these higher cost deposit products were used to fund our growth period over period. In addition, our use of other interest bearing borrowings, consisting primarily of FHLB advances, was also increased to fund our growth. Finally, we issued $50.0 million of subordinated notes on September 30, 2016 at an initial fixed rate of 6.5% that increased our interest expense during 2016.

Net interest margin decreased to 5.91% for the year ended December 31, 2016 from 6.49% for the year ended December 31, 2015, a decrease of 58 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 6.55% for the year ended December 31, 2016 from 7.07% for the year ended December 31, 2015, a decrease of 52 basis points. The decrease is primarily attributable to a change in the mix within our loan portfolio period over period. The lower yielding community banking loans acquired in the ColoEast acquisition resulted in our higher yielding commercial finance products as a percentage of the total portfolio decreasing from 40% at December 31, 2015 to 34% at December 31, 2016. In addition, 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 77% at December 31, 2016 compared to 82% at December 31, 2015 as we continued to expand our non-transportation factoring product lines in 2016.

A component of the yield on our loan portfolio consists of discount accretion on the legacy loan portfolio acquired in connection with our original acquisition of Equity Bank in 2010 and the loan portfolio acquired in the National Bancshares, Inc. acquisition in 2013. In addition, we acquired loans in the ColoEast acquisition with an additional purchase discount of $12.0 million which is being accreted into income over the remaining lives of the acquired loans. Due in part to accretion associated with the ColoEast acquired loans, the aggregate increased yield on our loan portfolio attributable to accretion of purchase discounts associated with these acquisitions increased to 48 basis points for the year ended December 31, 2016 compared to 42 basis points for the year ended December 31, 2015. Discount accretion for the year ended December 31, 2016 also included approximately $1.2 million of accretion resulting from the payoff of an individual purchased credit impaired loan in excess of its carrying amount. Excluding the impact of

discount accretion, the adjusted yield on our loan portfolio was 7.23% and 8.20% for the years ended December 31, 2016 and 2015, respectively. Subject to future acquisitions, we anticipate that the contribution of this discount accretion to our interest income will decline over time, but we expect that any resulting decreases in aggregate yield on our loan portfolio will be offset in part by continued growth in our higher yielding specialized commercial finance product lines which include our factored receivables, asset-based loans, equipment finance loans, and premium finance loans. As of December 31, 2016, there was approximately $15.2 million of purchase discount remaining, of which $12.3 million is expected to be accreted over the remaining lives of the acquired loan portfolios.

Our adjusted net interest margin, which excludes the impact of the acquired loan discount accretion described above, was 5.52% and 6.16% for the years ended December 31, 2016 and 2015, respectively.

An increase in our average cost of funds also contributed to the decrease in our net interest margin. Our average cost of interest bearing liabilities increased to 0.79% for the year ended December 31, 2016 from 0.74% for the year ended December 31, 2015, an increase of 5 basis points. Contributing factors to this increase included increased use of higher rate certificates of deposit to fund our growth period over period, higher rates on short term and floating rate FHLB advances as a result of higher interest rates in the economy, and our issuance of $50.0 million of subordinated notes on September 30, 2016 at an initial fixed rate of 6.5%. The lower cost customer deposits assumed in the ColoEast acquisition partially offset these increases.

Year ended December 31, 2015 compared with year ended December 31, 2014. We earned net interest income of $90.7 million for the year ended December 31, 2015 compared to $80.5 million for the year ended December 31, 2014, an increase of $10.2 million, or 12.7%.

This increase in net interest income was driven by increases in average interest earning assets, which were primarily attributable to growth in our commercial finance product lines, as our factored receivables, asset-based loans, equipment loans, and premium finance loans all increased on a period over period basis as a result of our continued execution of our growth strategy for such products. In addition, we experienced significant growth in our mortgage warehouse facilities due to increased market activity resulting in higher utilization by our existing clients. Average total interest earning assets increased to $1.396 billion for the year ended December 31, 2015 from $1.206 billion for the year ended December 31, 2014, an increase of $190 million, or 15.8%. The increase in net interest income due to growth in our average interest earning assets was offset in part by an increase in our total average interest bearing liabilities which were used to fund the asset growth. Our average total interest bearing liabilities increased to $1.098 billion for the year ended December 31, 2015 from $1.000 billion for the year ended December 31, 2014, an increase of $98 million, or 9.8%.

The growth in net interest income attributable to net increases in our average interest earning assets was also offset in part by a decrease in our net interest margin. Net interest margin decreased to 6.49% for the year ended December 31, 2015 from 6.67% for the year ended December 31, 2014, a decrease of 18 basis points.

The decline in our net interest margin was impacted by a decrease in overall yields on our interest earning assets. Our average yield on interest earning assets decreased to 7.07% for the year ended December 31, 2015 from 7.24% for the year ended December 31, 2014, a decrease of 17 basis points. The decrease was due in part to a temporary change in the mix of our interest earning assets as we held higher levels of lower rate cash balances as a percentage of our interest earning assets during the year ended December 31, 2015 resulting from proceeds generated by our initial public offering in November 2014. In addition, our mortgage warehouse clients had higher utilization of their facilities during 2015, which increased our relatively lower yielding mortgage warehouse balances as a percentage of the overall loan portfolio. These decreases were more significantly impacted by the diminishing impact of discount accretion on the loan portfolio yield period over period.

A component of the yield on our loan portfolio consists of discount accretion on the legacy portfolio acquired in connection with our original acquisition of Equity Bank in 2010 and the loan portfolio acquired in the National Bancshares, Inc. acquisition in 2013. The aggregate increased yield on our loan portfolio attributable to this discount accretion was 42 basis points for the year ended December 31, 2015 and 94 basis points for the year ended December 31, 2014. Excluding the impact of this discount accretion, the adjusted yield on our loan portfolio was 8.20% and 7.96% for the years ended December 31, 2015 and 2014, respectively, reflecting the period over period growth in our higher yielding specialized commercial finance product lines. As of December 31, 2015, there was approximately $7.2 million of purchase discount remaining that was expected to be accreted over the remaining lives of the acquired loan portfolios.

The decline in our net interest margin was also impacted by an increase in our average cost of funds. Our average cost of interest bearing liabilities increased to 0.74% for the year ended December 31, 2015 from 0.68% for the year ended December 31, 2014, an increase of 6 basis points. This increase was due in part to a change in the mix of our interest

bearing deposits toward higher rate certificates of deposit as these deposit products were used to assist in funding our growth period over period. In addition, maturing brokered deposits in 2014 were replaced with new brokered deposits at a higher effective interest rate.

Our adjusted net interest margin, which excludes the impact of the acquired loan discount accretion described above, was 6.16% and 5.93% for the years ended December 31, 2015 and 2014, respectively.

Changes in net interest income due to changes in rates and volume. The following table shows the effects changes in average balances (volume) and average interest rates (rate) had on the interest earned in our interest earning assets and the interest incurred on our interest bearing liabilities for the periods indicated. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to volume.

	Years ended December 31, 2016 Compared to 2015			2015 Compared to 2014		
	Increase (Decrease) Due to:			Increase (Decrease) Due to:		
(Dollars in thousands)	Rate	Volume	Net Increase	Rate	Volume	Net Increase
Interest earning assets:						
Cash and cash equivalents	$282	$(94)	$188	$18	$145	$163
Taxable securities	374	1,258	1,632	196	(114)	82
Tax-exempt securities	(16)	135	119	52	(53)	(1)
FHLB & FRB stock	(101)	18	(83)	(36)	(21)	(57)
Loans	(10,080)	33,956	23,876	(2,718)	14,061	11,343
Total interest income	(9,541)	35,273	25,732	(2,488)	14,018	11,530
Interest bearing liabilities:						
Interest bearing demand	94	44	138	(15)	—	(15)
Individual retirement accounts	(18)	255	237	50	53	103
Money market	(19)	85	66	(3)	(36)	(39)
Savings	3	24	27	(1)	—	(1)
Certificates of deposit	210	1,522	1,732	475	1,184	1,659
Brokered deposits	19	31	50	176	(13)	163
Total interest bearing deposits	289	1,961	2,250	682	1,188	1,870
Senior secured note	—	—	—	—	(584)	(584)
Junior subordinated debentures	127	179	306	14	12	26
Subordinated notes	—	835	835	—	—	—
Other borrowings	102	532	634	14	13	27
Total interest expense	518	3,507	4,025	710	629	1,339
Change in net interest income	$(10,059)	$31,766	$21,707	$(3,198)	$13,389	$10,191

Provision for Loan Losses

The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the allowance for loan and lease losses at an adequate level to absorb probable losses incurred in the loan portfolio at the balance sheet date and that, in management's judgment, is appropriate under GAAP. The determination of the amount of the allowance is complex and involves a high degree of judgment and subjectivity.

The provision for loan losses is primarily driven by the allowance allocation for incurred losses recorded on collectively evaluated loans outstanding for a period. As outstanding loan balances fluctuate period over period, the associated provision for loan losses typically increases or decreases accordingly. In addition, the product types associated with fluctuations within the loan portfolio also contribute to the allowance allocation, as different loan products require different levels of ALLL based upon their credit risk characteristics. Finally, loan loss valuation allowances are recorded on specific at-risk balances, typically consisting of impaired loans and factored invoices greater than 90 days past due with negative cash reserves.

Under accounting standards for business combinations, acquired loans are recorded at fair value on the date of acquisition. This fair value adjustment eliminates any of the seller's ALLL associated with such loans as of such date as any credit exposure associated with such loans is incorporated into the fair value adjustment. A provision for loan losses is recorded for the emergence of new probable and estimable losses on acquired loans after the acquisition date.

On August 1, 2016, we acquired loans with a fair value of $460.8 million in the ColoEast acquisition. This fair value included a purchase discount of $12.0 million from the acquisition date unpaid principal balance of the ColoEast loans. This purchase discount incorporated expected credit exposure associated with the acquired loans and as a result, the acquired ColoEast loan portfolio had limited impact on the provision for loan losses for the year ended December 31, 2016 or the ending ALLL balance at December 31, 2016.

Year ended December 31, 2016 compared with year ended December 31, 2015. Our provision for loan losses was $6.7 million for the year ended December 31, 2016 compared to $4.5 million for the year ended December 31, 2015.

The increased provision for loan losses was the result of an increase in loan charge-offs during 2016. We experienced higher net charge-offs of $3.9 million in the year ended December 31, 2016 compared to net charge-offs of $0.8 million for 2015, an increase of $3.1 million. The increased charge-offs for the year ended December 31, 2016 were primarily associated with three client relationships.

Offsetting the increased provision in the year ended December 31, 2016 due to the higher charge-offs, was a decrease due to a lower loan portfolio growth rate period over period in our factored receivables, which generally require higher levels of ALLL. Our factored receivable balances increased by $23.1 million during the year ended December 31, 2016 compared to an increase of $34.2 million during the year ended December 31, 2015. In addition, during the year ended December 31, 2016, excluding the $460.8 million acquired ColoEast portfolio, outstanding loans increased $275.0 million from December 31, 2015. During the year ended December 31, 2015, outstanding loans increased $286.0 million from December 31, 2014. The smaller increase in outstanding loan balances within the year ended December 31, 2016 results in a lower provision for loan losses compared to the year ended December 31, 2015.

Our ALLL was $15.4 million as of December 31, 2016 and $12.6 million as of December 31, 2015, representing an ALLL to total loans ratio of 0.76% and 0.97% respectively. The decrease in ALLL as a percentage of total loans as of December 31, 2016 was primarily due to acquired ColoEast loans recorded at a fair value of $460.8 million. This fair value incorporated a discount to account for expected credit exposure associated with the acquired loans and as a result, the acquired ColoEast loan portfolio did not require an ALLL on the date of acquisition.

Year ended December 31, 2015 compared with year ended December 31, 2014. Our provision for loan losses was $4.5 million for the year ended December 31, 2015 compared to $5.9 million for the year ended December 31, 2014. We experienced net charge-offs of $0.8 million in the year ended December 31, 2015 compared to net charge-offs of $0.7 million for the same period in 2014. Decreases in the provision for loan losses were impacted by the provision associated with the recording of specific allowances on individually evaluated impaired loans which decreased during the year ended December 31, 2015 as we recorded net specific allowances of $1.2 million during 2015 compared to net specific allowances of $1.3 million for the year ended December 31, 2014. In addition, the lower provision for loan losses in the year ended December 31, 2015 reflected our improved asset quality and low level of net charge-offs in our non-factoring portfolio during 2015. This credit performance improvement impacts the historical loss rates used in the quantitative component of our required ALLL calculations, as more recent periods of improved credit performance become more indicative of incurred losses than prior years in which we experienced higher loss rates, resulting in a lower required ALLL as a percentage of outstanding loan balances as of December 31, 2015. Finally, the decreased provision in 2015 is partly the result of a lower loan portfolio growth rate period over period in our factored receivables. The provision for loan losses on factored receivables is primarily driven by the allowance allocation for incurred losses recorded on collectively evaluated factored receivables purchased and outstanding for a period. As factored receivables purchased fluctuate period over period, the associated provision for loan losses typically increases or decreases accordingly. During the year ended December 31, 2015 factored receivables increased approximately $34.2 million from December 31, 2014. During the year ended December 31, 2014, factored receivables increased approximately $63.5 million from December 31, 2013. The lower increase in factored receivable balances within the year ended December 31, 2015 resulted in a lower provision for loan losses compared to the year ended December 31, 2014.

Our ALLL was $12.6 million as of December 31, 2015 and $8.8 million as of December 31, 2014.

Noninterest Income

The following table presents the major categories of noninterest income for the years ended December 31, 2016, 2015, and 2014:

(Dollars in thousands)	Year ended December 31, 2016	2015	2014	2016 Compared to 2015 $ Change	% Change	2015 Compared to 2014 $ Change	% Change
Service charges on deposits	$3,447	$2,732	$3,009	$715	26.2 %	$(277)	(9.2 %)
Card income	2,732	2,234	2,098	498	22.3 %	136	6.5 %
Net OREO gains (losses) and valuation adjustments	(1,427)	(108)	(582)	(1,319)	(1221.3%)	474	81.4 %
Net gains (losses) on sale of securities	(56)	259	88	(315)	(121.6 %)	171	194.3 %
Net gains on sale of loans	16	1,630	1,495	(1,614)	(99.0 %)	135	9.0 %
Fee income	2,240	1,931	1,820	309	16.0 %	111	6.1 %
Bargain purchase gain	—	15,117	—	(15,117)	(100.0 %)	15,117	100.0 %
Gain on branch sale	—	—	12,619	—	—	(12,619)	(100.0 %)
Asset management fees	6,574	5,646	989	928	16.4 %	4,657	470.9 %
Other	7,430	3,856	3,231	3,574	92.7 %	625	19.3 %
Total noninterest income	$20,956	$33,297	$24,767	$(12,341)	(37.1 %)	$8,530	34.4 %

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Year ended December 31, 2016 compared with year ended December 31, 2015. We earned noninterest income of $21.0 million for the year ended December 31, 2016 compared to $33.3 million for the year ended December 31, 2015. Our results for 2015 were impacted by the realization of a nontaxable bargain purchase gain of $15.1 million associated with the Doral Money acquisition. Excluding the bargain purchase gain in 2015, we earned noninterest income of $18.2 million for the year ended December 31, 2015, resulting in an adjusted increase in noninterest income of $2.8 million, or 15.4% period over period. The increase was primarily due to the increase in CLO asset management fees earned by Triumph Capital Advisors, customer fee income, and other noninterest income. These increases in noninterest income were offset in part a decrease in OREO valuation adjustments and a decrease in gains on the sale of securities and loans. Changes in selected components of noninterest income in the above table are discussed below.

- Service Charges on Deposits. Service charges on deposit accounts, including overdraft and non-sufficient fund fees, increased from $2.7 million for year ended December 31, 2015 to $3.4 million for the year ended December 31, 2016. The increase was primarily due to additional service charges associated with the increase in customer deposits due to the ColoEast acquisition on August 1, 2016.
- Net OREO Gains (Losses) and Valuation Adjustments. Net OREO gains (losses) and valuation adjustments represents gains on loans transferred to OREO with a fair value in excess of the foreclosed loans’ carrying value, gains and losses on the sale of OREO, and valuation allowances recorded due to subsequent write-downs of OREO. The net loss of $1.4 million for year ended December 31, 2016 was primarily due to a $1.2 million OREO write-down related to a branch facility previously transferred to OREO that is no longer being actively operated. The write-down was the result of obtaining an updated appraisal on the property.
- Net Gains on Sale of Loans. Net gains on sale of loans, comprised primarily of residential mortgage loans sold, decreased 99% due to decreased sales activity period over period. Proceeds from residential mortgage loan sales decreased from $62.8 million for the year ended December 31, 2015 to $2.2 million for the year ended December 31, 2016. We made the decision to exit the residential mortgage production business in the fourth quarter of 2015. The decline in residential mortgage loan sale activity experienced during the year ended December 31, 2016 is indicative of the run off of the business and we reported no residential mortgage loans as held for sale at December 31, 2016.
- Asset Management Fees. Asset management fees earned by Triumph Capital Advisors increased 16.4% from $5.6 million for the year ended December 31, 2015 to $6.6 million for the year ended December 31, 2016. Triumph Capital Advisors closed an additional CLO offering in June 2015, assumed two CLO asset management agreements in March 2015 as a result of the Doral Money acquisition, and was named staffing and services provider for additional CLO offerings in June 2016 and September 2016, which increased its asset management fees on a period over period basis. In May 2016, a CLO with approximately $329 million in assets being managed by Triumph Capital Advisors was called, reducing our overall managed CLO assets. As of December 31, 2016, Triumph Capital Advisors managed $1.4 billion of CLO assets earning approximately 31 basis points on average in asset management fees and provides middle and back office services under staffing and services agreements for $800 million of CLO assets earning approximately 26 basis points on average in fees.
- Other. Other income increased from $3.9 million for the year ended December 31, 2015 to $7.4 million for the year ended December 31, 2016. Other income includes income for check cashing and wire transfer fees, income associated with trust activities, bank-owned life insurance, Triumph Insurance Group commissions, and income earned from our CLO warehouse equity investments. Income from our CLO warehouse equity investments increased $2.0 million, from $1.2 million for the year ended December 31, 2015 to $3.2 million for the year ended December 31, 2016 due to our increased investments in the CLO warehouse entities. In addition, commissions earned by our Triumph Insurance Group subsidiary increased $1.0 million from $0.3 million for the year ended December 31, 2015 to $1.3 million for the year ended December 31, 2016 due to increased volumes due to organic growth of the business and the acquisition of Southern Transportation Insurance Agency, Ltd. in 2016. There were no significant increases or decreases in the remaining components of other income period over period, other than increases due to incremental transaction volumes associated with the ColoEast acquisition.

Year ended December 31, 2015 compared with year ended December 31, 2014. We earned noninterest income of $33.3 million for the year ended December 31, 2015 compared to $24.8 million for the year ended December 31, 2014. Our results for 2015 and 2014 were impacted by the realization of a nontaxable bargain purchase gain of $15.1 million associated with the Doral Money acquisition in March 2015 and the realization of a pre-tax gain in the amount of $12.6 million associated with the sale of our Pewaukee, Wisconsin branch in July 2014, respectively.

Excluding the bargain purchase gain in 2015 and the branch sale gain in 2014, we earned noninterest income of $18.2 million for the year ended December 31, 2015 compared to $12.1 million for the year ended December 31, 2013. This increase was largely due to noninterest income earned with respect to CLO asset management fees earned by Triumph Capital Advisors. Changes in selected components of noninterest income in the above table are discussed below.

- Service Charges on Deposits. Service charges on deposit accounts, including overdraft and non-sufficient fund fees, decreased from $3.0 million for year ended December 31, 2014 to $2.7 million for the year ended December 31, 2015, partially attributed to the loss of fees generated from our Pewaukee, Wisconsin branch which was sold in July 2014 as well as reductions in the amount of overdraft and insufficient fees charged on transaction accounts period over period.
- Net Gains on Sale of Loans. Net gains on sale of loans, comprised primarily of residential mortgage loans sold, increased 9% due to improved pricing on the residential mortgage loans being sold. This increase was offset in part by a reduction in the amount of loans sold period over period. Proceeds from loan sales decreased from $68.8 million for the year ended December 31, 2014 to $62.8 million for the year ended December 31, 2015. As previously discussed, we made the decision to exit the residential mortgage production business.
- Asset Management Fees. Asset management fees earned by Triumph Capital Advisors increased from $1.0 million for the year ended December 31, 2014 to $5.6 million for the year ended December 31, 2015. Triumph Capital Advisors closed CLO offerings in August 2014 and June 2015, and assumed two CLO asset management agreements in March 2015 as a result of the Doral Money acquisition, which increased its asset management fees on a period over period basis. As of December 31, 2015, Triumph Capital Advisors managed $1.880 billion of CLO assets earning approximately 35 basis points on average in asset management fees.
- Other. Other income increased from $3.2 million for the year ended December 31, 2014 to $3.9 million for the year ended December 31, 2015. Other income includes income for check cashing and wire transfer fees, income associated with trust activities, bank-owned life insurance, and Triumph Insurance Group commissions. There were no significant increases or decreases in the various components of other income period over period.

Noninterest Expense

The following table presents the major categories of noninterest expense for the years ending December 31, 2016, 2015, and 2014:

	Year ended December 31,			2016 Compared to 2015		2015 Compared to 2014	
(Dollars in thousands)	2016	2015	2014	$ Change	% Change	$ Change	% Change
Salaries and employee benefits	$54,531	$50,175	$42,131	$4,356	8.7 %	$8,044	19.1 %
Occupancy, furniture and equipment	7,301	6,259	5,474	1,042	16.6 %	785	14.3 %
FDIC insurance and other regulatory assessments	913	1,086	1,042	(173)	(15.9 %)	44	4.2 %
Professional fees	5,529	4,429	3,574	1,100	24.8 %	855	23.9 %
Amortization of intangible assets	3,782	3,979	2,923	(197)	(5.0 %)	1,056	36.1 %
Advertising and promotion	2,716	2,061	2,594	655	31.8 %	(533)	(20.5 %)
Communications and technology	6,491	4,360	3,748	2,131	48.9 %	612	16.3 %
Other	11,849	9,516	7,716	2,333	24.5 %	1,800	23.3 %
Total noninterest expense	$93,112	$81,865	$69,202	$11,247	13.7 %	$12,663	18.3 %

Year ended December 31, 2016 compared with year ended December 31, 2015. Noninterest expense totaled $93.1 million for the year ended December 31, 2016 compared to $81.9 million for the year ended December 31, 2015. The results for the year ended December 31, 2016 were impacted by the transaction costs incurred in the amount of $1.6 million associated with the acquisition of ColoEast in August 2016. Noninterest expense was impacted by the accrual of an incremental $1.8 million bonus expense during the year ended December 31, 2015 for the amount paid to team

members to recognize their contribution to the Doral Money acquisition and approximately $0.3 million of transactions costs associated with the Doral Money acquisition.

Excluding transaction related costs associated with our acquisitions of ColoEast and Doral Money, noninterest expense totaled $91.5 million for the year ended December 31, 2016 and $79.9 million for the year ended December 31, 2015, an increase of $11.6 million. This increase is primarily attributable to continuing investments made in personnel and infrastructure to support growth in organically generated product lines and other strategic initiatives, as well as ongoing operational costs related to the added ColoEast infrastructure. Details of the more significant changes in the various components of noninterest expense are further discussed below.

- Salaries and Employee Benefits. Salaries and employee benefits expenses have historically been our largest category of noninterest expense. Salaries and employee benefits expenses were $54.5 million for the year ended December 31, 2016 compared to $50.2 million for the year ended December 31, 2015. These results were impacted by $0.4 million of severance costs incurred as part of ColoEast restructuring activities during the year ended December 31, 2016 and the accrual of an incremental $1.8 million bonus expense during the year ended December 31, 2015 for the amount paid to team members to recognize their contribution to the Doral Money acquisition. We experienced a significant increase in the total size of our workforce between these periods as our full-time equivalent employees totaled 704.5 and 500.5 at December 31, 2016 and 2015, respectively. Sources of this increased headcount were primarily employees added through the ColoEast acquisition. In addition, employees were hired to support growth in our commercial finance product lines and other strategic initiatives. Other factors contributing to the increase in salaries and employee benefits include merit increases for existing employees, higher health insurance benefit costs, incentive compensation, and 401(k) expense.
- Occupancy, Furniture and Equipment. Occupancy, furniture and equipment expenses were $7.3 million for the year ended December 31, 2016 compared to $6.3 million for year ended December 31, 2015. This increase is primarily due to expenses associated with the assets and facilities added through the ColoEast acquisition.
- Professional Fees. Professional fees are primarily comprised of tax, consulting, legal, and external audit fees, and were $5.5 million for the year ended December 31, 2016 compared to $4.4 million for the year ended December 31, 2015. This increase is primarily attributable to $1.0 million of professional fees incurred in the year ended December 31, 2016 associated with the ColoEast acquisition. Our remaining ongoing external audit, legal, and consulting costs remained relatively flat period over period.
- Amortization of Intangibles. Amortization of intangible assets was $3.8 million for the year ended December 31, 2016 compared to $4.0 million for the year ended December 31, 2015. The decrease is primarily due to the reduction in the amortization of intangible assets recorded in conjunction with our acquisition of Doral Money. During the third quarter of 2015, we adjusted the estimated remaining life of one of the acquired Doral Money CLO contracts based upon an anticipated CLO call date, and the intangible became fully amortized in the first quarter of 2016. The remaining lives of CLO management contracts and the related intangible asset amortization periods depend upon several factors, most notably commercial loan market conditions which impact the distributions to be made to the CLO equity holders upon liquidation of the CLO. These factors are out of our control and can change on a quarter-over-quarter basis. Partially offsetting this decrease is amortization of the ColoEast core deposit intangible recorded from the August 1, 2016 acquisition date through December 31, 2016 and amortization of the customer-related intangible recorded in the Southern Transportation Insurance Agency, Ltd. acquisition from September 1, 2016. As of December 31, 2016, we had total intangible assets with a recorded net carrying amount of $17.7 million, with amortization of $4.3 million scheduled in fiscal year 2017, $3.8 million of amortization scheduled in fiscal year 2018, and the remaining $9.6 million of amortization scheduled thereafter.
- Communications and Technology. Communications and technology expenses were $6.5 million for the year ended December 31, 2016, compared to $4.4 million for the year ended December 31, 2015. Communications and technology expenses for the year ended December 31, 2016 included $0.3 million of contract termination fees associated with ColoEast systems that will no longer be utilized by our integrated organization as well as incremental increases associated with the ColoEast acquisition. The remaining increase is attributed to the communications and technology expense associated with the recent investments we have made in our communications and technology infrastructure to further our movement toward a single operating platform, which positions us for future acquisitions and greater operating efficiencies.
- Other. Increases experienced in other noninterest expense items in the year ended December 31, 2016 versus the year ended December 31, 2015 are generally attributable to the ColoEast acquisition as well as the impact of continued

growth of our business and workforce and include increases in loan-related expenses, training and recruiting, postage, insurance, business travel, and subscription expenses.

Year ended December 31, 2015 compared with year ended December 31, 2014. Noninterest expense totaled $81.9 million for the year ended December 31, 2015 compared to $69.2 million for the year ended December 31, 2014. This increase is attributable to continuing investments made in personnel and infrastructure to support growth in organically generated product lines and other strategic initiatives. Changes in selected components of noninterest expense are discussed below.

- Salaries and Employee Benefits. Salaries and employee benefits expenses have historically been our largest category of noninterest expense. Salaries and employee benefits expenses were $50.2 million for the year ended December 31, 2015 compared to $42.1 million for the year ended December 31, 2014. This increase is attributable to several factors. We experienced a 7.3% increase in the total size of our workforce between these periods as our full-time equivalent employees totaled 500.5 and 466.5 at December 31, 2015 and 2014, respectively. Sources of this increased headcount include employees hired to support our operation as a public company as well as additional employees hired to support growth in our commercial finance product lines and other strategic initiatives, including our asset management business. This increase was also impacted by the accrual of an incremental $1.8 million bonus expense during the year ended December 31, 2015 for the anticipated amount expected to be paid to team members to recognize their contribution to the Doral Money acquisition. Other factors contributing to this increase include merit increases for existing employees, higher health insurance benefit costs, incentive compensation, 401(k) expense, and higher stock based compensation expense in the year ended December 31, 2015 related to the amortization of restricted stock awards issued upon the Company's initial public offering.
- Occupancy, Furniture and Equipment. Occupancy, furniture and equipment expenses were $6.3 million for the year ended December 31, 2015 compared to $5.5 million for the year ended December 31, 2014. This increase is primarily attributable to the costs associated with the expansion of our corporate headquarters, including utilities, rent, depreciation and other occupancy expenses.
- Professional Fees. Professional fees are primarily comprised of tax, consulting, legal, and external audit fees, and were $4.4 million for the year ended December 31, 2015 compared to $3.6 million for the year ended December 31, 2014. This increase is primarily due to incremental costs associated with ongoing external audit, legal, and consulting fees as a result of our transition to being a public company. The increase is also partially attributable to approximately $0.2 million of professional fees associated with the Company's acquisition of Doral Money during the year ended December 31, 2015.
- Amortization of Intangibles. Amortization of intangible assets was $4.0 million for the year ended December 31, 2015 compared to $2.9 million for the year ended December 31, 2014. The increase is primarily due to the amortization of intangible assets recorded in conjunction with our acquisitions of Doral Healthcare Finance in June 2014 and of Doral Money in March 2015.
- Advertising and Promotion. Advertising and promotion expenses were $2.1 million for the year ended December 31, 2015 compared to $2.6 million for the year ended December 31, 2014. This decrease is primarily attributed to $0.8 million of costs incurred during the year ended December 31, 2014 associated with marketing initiatives related to Triumph Business Capital and Triumph Community Bank in the prior year.
- Communications and Technology. Communications and technology expenses were $4.4 million for the year ended December 31, 2015, compared to $3.7 million for the year ended December 31, 2014. This increase is partly attributed both to the communications and technology expense associated with our larger workforce in 2015. In addition, communications and technology expense for the year ended December 31, 2015 includes approximately $0.5 million of costs associated with the conversion of our core operating systems following the merger and integration of our subsidiary banks.
- Other. Increases experienced in other noninterest expense items in the year ended December 31, 2015 versus the year ended December 31, 2014 are generally attributable to the impact of continued growth of our business and workforce and include increases in loan-related expenses, training and recruiting, postage, insurance, business travel, and subscription expenses.

Income Taxes

The amount of income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income and the effect of changes in valuation allowances maintained against deferred tax benefits.

Year ended December 31, 2016 compared with year ended December 31, 2015. Income tax expense for the year ended December 31, 2016 was $12.8 million compared to $8.4 million for the year ended December 31, 2015. During the year ended December 31, 2016, the effective tax rate was 38.2% compared to 22.4% for the year ended December 31, 2015. The lower effective tax rate for the year ended December 31, 2015 reflects the significant increase in nontaxable income attributed to the $15.1 million bargain purchase gain associated with the Doral Money acquisition. Excluding the impact of the bargain purchase gain, our effective tax rate for the year ended December 31, 2015 was 37.5%. For further information, see Note 12 – Income Taxes in the accompanying notes to the consolidated financial statements included elsewhere in this report.

Year ended December 31, 2015 compared with year ended December 31, 2014. Income tax expense for the year ended December 31, 2015 was $8.4 million compared to $10.4 million for the year ended December 31, 2014. During the year ended December 31, 2015, the effective tax rate was 22.4% compared to 34.4% for the year ended December 31, 2014. The lower effective tax rate for the year ended December 31, 2015 reflects the significant increase in nontaxable income attributed to the $15.1 million bargain purchase gain associated with the Doral Money acquisition. Excluding the impact of the bargain purchase gain, our effective tax rate for the year ended December 31, 2015 was 37.5%, which includes the establishment of a $0.1 million valuation allowance on our deferred tax asset associated with certain state net operating losses we no longer believe will be realized. In addition, due to increasing levels of estimated taxable income, we increased our estimated effective tax rate on a year-to-date basis resulting in an additional $0.1 million of income tax expense in the year ended December 31, 2015. For further information, see Note 12 – Income Taxes in the accompanying notes to the consolidated financial statements included elsewhere in this report.

Operating Segment Results

Our reportable segments are Factoring, Banking, Asset Management, and Corporate which have been determined based upon their business processes and economic characteristics. This determination also gave consideration to the structure and management of various product lines. The Factoring segment includes the operations of Triumph Business Capital with revenue derived from factoring services. The Banking segment includes the operations of TBK Bank, including loans originated under our Triumph Commercial Finance, Triumph Healthcare Finance, and Triumph Premium Finance brands. Our Banking segment derives its revenue principally from investments in interest earning assets as well as noninterest income typical for the banking industry. The Banking segment also includes certain factored receivables which are purchased by TBK Bank under its Triumph Commercial Finance brand as opposed to at Triumph Business Capital. The Asset Management segment includes the operations of Triumph Capital Advisors with revenue derived from fees for managing or providing other services related to collateralized loan obligation funds. Corporate includes holding company financing and investment activities and management and administrative expenses to support the overall operations of the Company.

Reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Furthermore, changes in management structure or allocation methodologies and procedures may result in future changes to previously reported segment financial data. 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 ALLL 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 and are not allocated for segment purposes.

The following tables present our primary operating results for our operating segments as of and for the years ended December 31, 2016, 2015, and 2014:

(Dollars in thousands)			Asset		
Year Ended December 31, 2016	Factoring	Banking	Management	Corporate	Consolidated
Total interest income	$ 32,824	$ 90,823	$ 145	$ 700	$ 124,492
Intersegment interest allocations	(4,583)	4,583	—	—	—
Total interest expense	—	9,872	—	2,262	12,134
Net interest income (expense)	28,241	85,534	145	(1,562)	112,358
Provision for loan losses	454	6,239	—	—	6,693
Net interest income (expense) after provision	27,787	79,295	145	(1,562)	105,665
Noninterest income	2,256	9,077	6,632	2,991	20,956
Noninterest expense	19,551	65,795	5,234	2,532	93,112

Operating income (loss)	$ 10,492	$ 22,577	$ 1,543	$ (1,103)	$ 33,509

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(Dollars in thousands) Year Ended December 31, 2015	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$ 32,103	$ 65,831	$ 108	$ 718	$ 98,760
Intersegment interest allocations	(3,144)	3,144	—	—	—
Total interest expense	—	6,978	10	1,121	8,109
Net interest income (expense)	28,959	61,997	98	(403)	90,651
Provision for loan losses	1,303	3,226	—	—	4,529
Net interest income (expense) after provision	27,656	58,771	98	(403)	86,122
Bargain purchase gain	—	—	15,117	—	15,117
Other noninterest income	1,739	9,644	5,757	1,040	18,180
Noninterest expense	17,871	51,249	6,866	5,879	81,865
Operating income (loss)	$ 11,524	$ 17,166	$ 14,106	$ (5,242)	$ 37,554

(Dollars in thousands) Year Ended December 31, 2014	Factoring	Banking	Asset Management	Corporate	Consolidated
Total interest income	$ 27,332	$ 59,824	$ —	$ 74	$ 87,230
Intersegment interest allocations	(3,562)	3,562	—	—	—
Total interest expense	—	5,091	—	1,679	6,770
Net interest income (expense)	23,770	58,295	—	(1,605)	80,460
Provision for loan losses	1,792	4,066	—	—	5,858
Net interest income (expense) after provision	21,978	54,229	—	(1,605)	74,602
Gain on branch sale	—	12,619	—	—	12,619
Other noninterest income	1,589	8,898	989	672	12,148
Noninterest expense	15,141	46,808	2,381	4,872	69,202
Operating income (loss)	$ 8,426	$ 28,938	$ (1,392)	$ (5,805)	$ 30,167

(Dollars in thousands) December 31, 2016	Factoring	Banking	Asset Management	Corporate	Eliminations	Consolidated
Total assets	$ 223,994	$ 2,588,509	$ 4,879	$ 391,745	$ (568,060)	$ 2,641,067
Gross loans	$ 212,784	$ 1,961,552	$ —	$ 1,866	$ (148,578)	$ 2,027,624

(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

Year ended December 31, 2016 compared with year ended December 31, 2015.

Factoring

(Dollars in thousands)	Years Ended December 31,		2016 Compared to 2015	
Factoring	2016	2015	$ Change	% Change
Total interest income	$ 32,824	$ 32,103	$ 721	2.2 %
Intersegment interest allocations	(4,583)	(3,144)	(1,439)	45.8 %
Total interest expense	—	—	—	—
Net interest income (expense)	28,241	28,959	(718)	(2.5 %)
Provision for loan losses	454	1,303	(849)	(65.2 %)
Net interest income (expense) after provision	27,787	27,656	131	0.5 %

Noninterest income	2,256	1,739	517	29.7	%
Noninterest expense	19,551	17,871	1,680	9.4	%
Operating income (loss)	$10,492	$11,524	$(1,032)	(9.0	%)

Our Factoring segment's operating income for the year ended December 31, 2016 was $10.5 million, compared with $11.5 million for the year ended December 31, 2015. This decrease was primarily due to reductions in net interest income and increases in noninterest expenses.

Factored receivables in our Factoring segment grew 14% from $186.5 million as of December 31, 2015 to $212.8 million as of December 31, 2016. Our average number of clients increased from 1,858 for the year ended December 31, 2015 to 2,266 for the year ended December 31, 2016 and the corresponding factored accounts receivable purchases increased from $1.625 billion during the year ended December 31, 2015 to $1.828 billion during the year ended December 31, 2016. Our average invoice size decreased 11% from $1,465 for the year ended December 31, 2015 to $1,303 for the year ended December 31, 2016, however, the number of invoices purchased increased 26% period over period.

Net interest income was $28.2 million for the year ended December 31, 2016 compared to $29.0 million for the year ended December 31, 2015. The decrease in net interest income is partly due to pricing pressure on factored receivable balances in the current period due to increased competition and market conditions, resulting in slightly lower yields on net funds employed at our Factoring segment. In addition, a change in the mix within our factored receivables portfolio period over period contributed to the decrease, as our transportation factoring balances, which generate a higher yield than our non-transportation factoring balances, decreased as a percentage of the overall Factoring segment portfolio to 85% at December 31, 2016 compared to 95% at December 31, 2015 as we continued to expand our non-transportation factoring product lines in 2016. These decreases were offset by an 8% increase in overall average net funds employed from $155.3 million for the year ended December 31, 2015 to $168.4 million for the year ended December 31, 2016.

Our provision for loan losses was $0.5 million for the year ended December 31, 2016 compared with $1.3 million for the year ended December 31, 2015. The provision for loan losses on factored receivables is primarily driven by the allowance allocation for incurred losses recorded on collectively evaluated factored receivables purchased and outstanding for a period. As factored receivables purchased fluctuate period over period, the associated provision for loan losses typically increases or decreases accordingly. In addition, loan loss valuation allowances are recorded on specific at-risk balances, typically consisting of invoices greater than 90 days past due with negative cash reserves. The lower provision in the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to reductions in specific reserves required on at-risk balances recorded during the year ended December 31, 2016 compared to increases in such specific reserves during the year ended December 31, 2015. These decreases were offset in part by higher net purchases recorded during the year ended December 31, 2016. During the year ended December 31, 2016 factored receivables at our Factoring segment increased approximately $26 million from December 31, 2015. During the year ended December 31, 2015, factored receivables at our Factoring segment increased approximately $16 million from December 31, 2014. The higher increase in factored receivable balances within the year ended December 31, 2016 contributes to a higher provision for loan losses compared to the year ended December 31, 2015.

Noninterest income was $2.3 million for the year ended December 31, 2016 compared to $1.7 million for the year ended December 31, 2015. The increase in noninterest income is consistent with the increase in factored receivable purchase volume period over period.

Noninterest expense was $19.6 million for the year ended December 31, 2016 compared with $17.9 million for the year ended December 31, 2015, driven primarily by increased personnel, operating, and technology costs incurred in connection with growth in our factoring portfolio, particularly the increase in the number of clients and number of invoices processed period over period.

Banking

(Dollars in thousands)	Years Ended December 31,		2016 Compared to 2015	
Banking	2016	2015	$ Change	% Change
Total interest income	$90,823	$65,831	$24,992	38.0 %

Intersegment interest allocations	4,583	3,144	1,439	45.8	%
Total interest expense	9,872	6,978	2,894	41.5	%
Net interest income (expense)	85,534	61,997	23,537	38.0	%
Provision for loan losses	6,239	3,226	3,013	93.4	%
Net interest income (expense) after provision	79,295	58,771	20,524	34.9	%
Noninterest income	9,077	9,644	(567)	(5.9	%)
Noninterest expense	65,795	51,249	14,546	28.4	%
Operating income (loss)	$22,577	$17,166	$5,411	31.5	%

Our Banking segment's operating income totaled $22.6 million for the year ended December 31, 2016 compared to operating income of $17.2 million for the year ended December 31, 2015. We experienced an increase in net interest income for the year ended December 31, 2016. This increase in operating income was partially offset by an increase in the provision for loan losses, decreases in noninterest income, and an increase in noninterest expense period over period.

The increase in net interest income was primarily the result of increases in the balances of our interest earning assets, primarily loans, due to the continued growth of our commercial finance products, including equipment loans, asset-based loans, and premium finance loans. In addition, we acquired $460.8 million of loans and $161.7 million of investment securities in our Banking segment as part of the ColoEast acquisition on August 1, 2016. Outstanding loans in our Banking segment grew 60% from $1.223 billion as of December 31, 2015 to $1.962 billion as of December 31, 2016.

On August 1, 2016, we acquired loans with a fair value of $460.8 million in the ColoEast acquisition, all of which are included in the Banking segment. This fair value included a purchase discount of $12.0 million from the acquisition date unpaid principal balance of the ColoEast loans. This purchase discount incorporated expected credit exposure associated with the acquired loans and as a result, the acquired ColoEast loan portfolio had limited impact on the provision for loan losses for the year ended December 31, 2016. Our provision for loan losses was $6.2 million for the year ended December 31, 2016 compared with $3.2 million for the year ended December 31, 2015. As outstanding loan balances fluctuate period over period, the associated provision for loan losses typically increases or decreases accordingly. In addition, the product types associated with fluctuations within the loan portfolio also contribute to the allowance allocation, as different loan products require different levels of ALLL based upon their credit risk characteristics. Finally, loan loss valuation allowances and charge-offs are recorded on specific at-risk balances, typically consisting of impaired loans. The increase in the provision for loan losses in the year ended December 31, 2016 was primarily due to an increase in recorded net specific reserves and net charge-offs during 2016. We recorded net specific reserves of $1.7 million and net charge-offs of $3.1 million at our Banking segment during the year ended December 31, 2016 compared to net specific reserves of $0.5 million and net charge-offs of $0.3 million recorded during the year ended December 31, 2015. These increases were offset in part by lower levels of organic loan growth recorded during the year ended December 31, 2016 compared to the year ended December 31, 2015. During the year ended December 31, 2016 outstanding loans in our Banking segment, excluding the $460.8 million acquired ColoEast portfolio, increased $277.7 million from December 31, 2015. During the year ended December 31, 2015, outstanding loans in our Banking segment increased $387.6 million from December 31, 2014. The lower increase in outstanding balances within the year ended December 31, 2016 contributes to a lower provision for loan losses compared to the year ended December 31, 2015.

Noninterest income was $9.1 million for the year ended December 31, 2016 compared to $9.6 million for the year ended December 31, 2015. This decrease was primarily due to a $1.2 million OREO write-down during the year ended December 31, 2016 related to a branch facility transferred to OREO that was no longer being actively operated. The write-down was the result of obtaining an updated appraisal on the property. In addition, net gains on sale of loans, comprised primarily of residential mortgage loans sold, decreased 99% due to decreased sales activity period over period. Proceeds from residential mortgage loan sales decreased from $62.8 million for the year ended December 31, 2015 to $2.2 million for the year ended December 31, 2016. We made the decision to exit the residential mortgage production business in the fourth quarter of 2015. The decline in residential mortgage loan sale activity experienced during the year ended December 31, 2016 is indicative of the run off of the business. These reductions in noninterest income were offset in part by increases in customer-related fees such as service charges on deposits and debit and credit card fees, primarily the result of the ColoEast acquisition.

Noninterest expense was $65.8 million for the year ended December 31, 2016, compared with $51.2 million for the year ended December 31, 2015, driven by increased operating expenses in personnel, facilities and infrastructure to support the continued growth in our asset-based lending and equipment lending, including communications and technology expense associated with the recent investments we have made in our communications and technology infrastructure to further our movement toward a single operating platform, which positions us for future acquisitions and greater operating efficiencies. This includes incremental costs associated with the growth in our Banking segment personnel and infrastructure in conjunction with our acquisition of ColoEast on August 1, 2016. Noninterest expense for the year ended December 31, 2016 also includes $1.6 million of acquisition-related costs incurred as part of the ColoEast acquisition. In addition, increases due to merit increases for existing employees, higher health insurance benefit costs, incentive compensation, and 401(k) expense contributed to the increase.

Asset Management

(Dollars in thousands)	Years Ended December 31,		2016 Compared to 2015	
Asset Management	2016	2015	$ Change	% Change
Total interest income	$145	$108	$37	34.3 %
Intersegment interest allocations	—	—	—	—
Total interest expense	—	10	(10)	(100.0 %)
Net interest income (expense)	145	98	47	48.0 %
Provision for loan losses	—	—	—	—
Net interest income (expense) after provision	145	98	47	48.0 %
Bargain purchase gain	—	15,117	(15,117)	(100.0 %)
Other noninterest income	6,632	5,757	875	15.2 %
Noninterest expense	5,234	6,866	(1,632)	(23.8 %)
Operating income (loss)	$1,543	$14,106	$(12,563)	(89.1 %)

Our Asset Management segment's operating income totaled $1.5 million for the year ended December 31, 2016 compared to $14.1 million for the year ended December 31, 2015. This decrease was significantly impacted by the recording of a pre-tax bargain purchase gain in the amount of $15.1 million associated with the acquisition of Doral Money in 2015, offset by direct transaction costs of $0.3 million and the accrual of a $1.8 million incremental bonus expense for the amount paid to team members to recognize their contribution to the transaction. Excluding the bargain purchase gain net of transaction costs and the incremental bonus accrual, the Asset Management segment reported operating income of $1.0 million for the year ended December 31, 2015. As of December 31, 2016, Triumph Capital Advisors managed $1.4 billion of CLO assets earning approximately 31 basis points on average in asset management fees and provides middle and back office services under staffing and services agreements for $800 million of CLO assets earning approximately 26 basis points on average in fees.

Corporate

(Dollars in thousands)	Years Ended December 31,		2016 Compared to 2015	
Corporate	2016	2015	$ Change	% Change
Total interest income	$700	$718	$(18)	(2.5%)
Intersegment interest allocations	—	—	—	—
Total interest expense	2,262	1,121	1,141	101.8%
Net interest income (expense)	(1,562)	(403)	(1,159)	287.6%
Provision for loan losses	—	—	—	—
Net interest income (expense) after provision	(1,562)	(403)	(1,159)	287.6%
Noninterest income	2,991	1,040	1,951	187.6%
Noninterest expense	2,532	5,879	(3,347)	(56.9%)
Operating income (loss)	$(1,103)	$(5,242)	$4,139	(79.0%)

The Corporate segment's operating loss totaled $1.1 million for the year ended December 31, 2016, compared with an operating loss of $5.2 million for the year ended December 31, 2015. The reduction in the operating loss is primarily due to an increase of $2.0 million in noninterest income and a decrease of $3.3 million in operating expenses for year ended December 31, 2016. The increase in noninterest income is primarily due to earnings associated with the Corporate segment's additional equity investments in CLO warehouse entities. The decrease in operating expenses is primarily related to the reassignment of certain personnel to the Banking segment in connection with the merger of our subsidiary banks in October 2015.

Year ended December 31, 2015 compared with year ended December 31, 2014.

Factoring

(Dollars in thousands)	Years Ended December 31,		2015 Compared to 2014	
Factoring	2015	2014	$ Change	% Change
Total interest income	$32,103	$27,332	$4,771	17.5%
Intersegment interest allocations	(3,144)	(3,562)	418	(11.7%)
Total interest expense	—	—	—	—
Net interest income (expense)	28,959	23,770	5,189	21.8%
Provision for loan losses	1,303	1,792	(489)	(27.3%)
Net interest income (expense) after provision	27,656	21,978	5,678	25.8%
Noninterest income	1,739	1,589	150	9.4%
Noninterest expense	17,871	15,141	2,730	18.0%
Operating income (loss)	$11,524	$8,426	$3,098	36.8%

Our Factoring segment's operating income for the year ended December 31, 2015 was $11.5 million, compared with $8.4 million for the year ended December 31, 2014. This increase was due to growth in interest and noninterest income as factored receivables in our Factoring segment grew 9% from $170.4 million as of December 31, 2014 to $186.5 million as of December 31, 2015. Growth experienced in our factoring portfolio resulted from continued execution of our growth strategy for such product and increased marketing efforts and growth initiatives during the period, offset in part by the impact of lower fuel prices and related average invoice size reductions. Our average number of clients increased 41% from 1,321 for the year ended December 31, 2014 to 1,858 for the year ended December 31, 2015 but the corresponding factored accounts receivable purchases increased only 15% from $1.413 billion during the year ended December 31, 2014 to $1.625 billion during the year ended December 31, 2015. This was due in part to our average invoice size decreasing 13% from $1,678 for the year ended December 31, 2014 to $1,465 for the year ended December 31, 2015. This net increase in income from the growth in our portfolio was offset in part by the increased expenses associated with this growth, mostly personnel costs required to service our larger portfolio and client base.

Net interest income was $29.0 million for the year ended December 31, 2015 compared to $23.8 million for the year ended December 31, 2014, driven by growth in our portfolio.

Noninterest expense was $17.9 million for the year ended December 31, 2015 compared with $15.1 million for the year ended December 31, 2014, driven primarily by increased personnel and operating costs incurred in connection with growth in our factoring portfolio.

Our provision for loan losses was $1.3 million for the year ended December 31, 2015 compared with $1.8 million for the year ended December 31, 2014. The provision for loan losses on factored receivables is primarily driven by the allowance allocation for incurred losses recorded on collectively evaluated factored receivables purchased and outstanding for a period. As factored receivables purchased fluctuate period over period, the associated provision for loan losses typically increases or decreases accordingly. In addition, loan loss valuation allowances are recorded on specific at-risk balances, typically consisting of invoices greater than 90 days past due with negative cash reserves. The decreased provision in the year ended December 31, 2015 was primarily due to variances in purchased factored receivables during the year ended December 31, 2015 and 2014. During the year ended December 31, 2015 factored receivables increased $16 million from December 31, 2014. During the year ended December 31, 2014, factored receivables increased approximately $61 million from December 31, 2013. The higher increase in factored receivable balances within the year ended December 31, 2014 resulted in a higher provision for loan losses compared to the year ended December 31, 2015.

Banking

(Dollars in thousands)	Years Ended December 31,		2015 Compared to 2014	
Banking	2015	2014	$ Change	% Change
Total interest income	$65,831	$59,824	$6,007	10.0 %
Intersegment interest allocations	3,144	3,562	(418)	(11.7 %)
Total interest expense	6,978	5,091	1,887	37.1 %
Net interest income (expense)	61,997	58,295	3,702	6.4 %
Provision for loan losses	3,226	4,066	(840)	(20.7 %)
Net interest income (expense) after provision	58,771	54,229	4,542	8.4 %
Gain on branch sale	—	12,619	(12,619)	(100.0 %)
Other noninterest income	9,644	8,898	746	8.4 %
Noninterest expense	51,249	46,808	4,441	9.5 %
Operating income (loss)	$17,166	$28,938	$(11,772)	(40.7 %)

Our Banking segment's operating income totaled $17.2 million for the year ended December 31, 2015 compared to operating income of $28.9 million for the year ended December 31, 2014. The operating income for the year ended December 31, 2014 was significantly impacted by the recording of a pre-tax gain in the amount of $12.6 million associated with the sale of our Pewaukee, Wisconsin branch. Excluding the pre-tax gain on branch sale, the Banking segment reported operating income of $16.3 million for the year ended December 31, 2014. We experienced an increase in net interest income from $58.3 million for the year ended December 31, 2014 to $62.0 million for the year ended December 31, 2015. In addition, other noninterest income increased from $8.9 million for the year ended December 31, 2014 to $9.6 million for the year ended December 31, 2015 and the provision for loan losses decreased from $4.1 million for the year ended December 31, 2014 to $3.2 million for the year ended December 31, 2015. These increases were offset in part by increases in noninterest expenses period over period.

This increase in net interest income was primarily the result of increases in the balances of our interest earning assets, primarily loans, due to the continued growth of our commercial finance products, including equipment loans, general

asset-based loans, and healthcare asset-based loans. Outstanding loans in our Banking segment grew 46% from $835.5 million as of December 31, 2014 to $1.223 billion as of December 31, 2015.

The increase in noninterest income was primarily due to noninterest income earned by increased gains realized on sales of residential mortgage loans, investment securities, and OREO.

Our provision for loan losses was $3.2 million for the year ended December 31, 2015 compared with $4.1 million for the year ended December 31, 2014. The lower provision for loan losses in the year ended December 31, 2015 reflects our improving asset quality and low level of net charge-offs in our portfolio. This credit performance improvement impacts the historical loss rates used in the quantitative component of our required ALLL calculations, as more recent periods of improved credit performance become more indicative of incurred losses than prior years in which we experienced higher loss rates, resulting in a lower required ALLL as a percentage of outstanding loan balances as of December 31, 2015. In addition, the provision associated with the recording of specific allowances on individually evaluated impaired loans decreased during the year ended December 31, 2015 as we recorded net specific allowances of $0.5 million during 2015 compared to net specific allowances of $0.7 million for the year ended December 31, 2014. These decreases were offset in part by growth in Banking segment loan balances during the year ended December 31, 2015.

Noninterest expense was $51.2 million for the year ended December 31, 2015, compared with $46.8 million for the year ended December 31, 2014, driven by increased operating expenses in personnel, facilities and infrastructure to support the continued growth in our asset-based lending and equipment lending as well as merit increases for existing employees, higher health insurance benefit costs, incentive compensation, and 401(k) expense.

Asset Management

(Dollars in thousands)	Years Ended December 31,		2015 Compared to 2014	
Asset Management	2015	2014	$ Change	% Change
Total interest income	$108	$—	$108	100.0 %
Intersegment interest allocations	—	—	—	—
Total interest expense	10	—	10	100.0 %
Net interest income (expense)	98	—	98	100.0 %
Provision for loan losses	—	—	—	—
Net interest income (expense) after provision	98	—	98	100.0 %
Bargain purchase gain	15,117	—	15,117	100.0 %
Other noninterest income	5,757	989	4,768	482.1 %
Noninterest expense	6,866	2,381	4,485	188.4 %
Operating income (loss)	$14,106	$(1,392)	$15,498	1113.4 %

Our Asset Management segment's operating income totaled $14.1 million for the year ended December 31, 2015 compared to an operating loss of $1.4 million for the year ended December 31, 2014. This increase was significantly impacted by the recording of a nontaxable bargain purchase gain in the amount of $15.1 million associated with the acquisition of Doral Money in 2015, offset by direct transaction costs of $0.3 million and the accrual of a $1.8 million incremental bonus expense for the anticipated amount expected to be paid to team members to recognize their contribution to the transaction. Excluding the bargain purchase gain net of transaction costs and the incremental bonus accrual, the Asset Management segment reported operating income of $1.0 million for the year ended December 31, 2015. Included in this result is an increase of $4.7 million related to asset management fees earned by Triumph Capital Advisors which closed additional CLO offerings in August 2014 and June 2015, and assumed CLO asset management contracts in the March 2015 Doral Money acquisition. These increases were offset in part by an increase in noninterest expenses of $4.5 million from $2.4 million for the year ended December 31, 2014 to $6.9 million for the year ended December 31, 2015. Increased noninterest expenses, excluding the impact of the Doral Money acquisition expenses described above, were primarily related to the amortization of intangible assets recorded in conjunction with our acquisition of Doral Money as well as increases in personnel costs to support the growth in this segment.

Corporate

(Dollars in thousands)	Years Ended December 31,		2015 Compared to 2014	
Corporate	2015	2014	$ Change	% Change
Total interest income	$718	$74	$644	870.3 %
Intersegment interest allocations	—	—	—	—
Total interest expense	1,121	1,679	(558)	(33.2 %)
Net interest income (expense)	(403)	(1,605)	1,202	(74.9 %)
Provision for loan losses	—	—	—	—
Net interest income (expense) after provision	(403)	(1,605)	1,202	(74.9 %)
Noninterest income	1,040	672	368	54.8 %
Noninterest expense	5,879	4,872	1,007	20.7 %

Operating income (loss)	$(5,242)	$(5,805)	$563	(9.7 %)

The Corporate segment's operating loss totaled $5.2 million for the year ended December 31, 2015, compared with an operating loss of $5.8 million for the year ended December 31, 2014. The increase in loans and associated interest income at the holding company is primarily due to the investment in $18.6 million of shared national credits held at the holding company during the year ended December 31, 2015. Also included in the Corporate segment's operating loss is an increase of $1.0 million in operating expenses for the year ended December 31, 2015, related primarily to increases in management and administrative expenses at the holding company level not attributable to an operating segment in conjunction with our transition to being a public company.

Financial Condition

Assets

Total assets were $2.641 billion at December 31, 2016, compared to $1.691 billion at December 31, 2015, an increase of $950 million, the components of which are discussed below.

Loan Portfolio

Loans held for investment were $2.028 billion at December 31, 2016, compared with $1.292 billion at December 31, 2015.

We offer a broad range of lending and credit products. Within our bank subsidiary, we offer a full range of lending products, including commercial real estate, construction and development, residential real estate, production agriculture, general commercial, mortgage warehouse facilities, farmland and consumer loans, focused on our community banking markets in Iowa, Illinois, Colorado, and Kansas. We also originate a variety of commercial finance products offered on a nationwide basis. These products include our factored receivables, the asset-based loans and equipment loans originated under our Triumph Commercial Finance brand, the healthcare asset-based loans originated under our Triumph Healthcare Finance brand, and the premium finance loans originated under our Triumph Premium Finance brand.

As part of the ColoEast acquisition on August 1, 2016, the Company acquired loans with an unpaid principal balance of $473 million and recorded a fair value purchase discount of $12 million, reflecting a fair value of $461 million. The following table provides the acquired ColoEast loans by loan portfolio category as of the acquisition date:

(Dollars in thousands)	Fair Value
Commercial real estate	$97,476
Construction, land development, land	61,651
1-4 family residential properties	36,503
Farmland	101,210
Commercial	156,734
Factored receivables	694
Consumer	6,507
	$460,775

The following table shows our loans by portfolio categories as of December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
(Dollars in thousands)	Recorded Investment	% of Total	Recorded Investment	% of Total
Commercial real estate	$442,237	22 %	$291,819	23 %
Construction, land development, land	109,812	5 %	43,876	3 %
1-4 family residential properties	104,974	5 %	78,244	6 %
Farmland	141,615	7 %	33,573	3 %
Commercial	778,643	39 %	495,356	38 %
Factored receivables	238,198	12 %	215,088	17 %
Consumer	29,764	1 %	13,050	1 %

Mortgage warehouse	182,381	9	%	120,879	9	%
Total Loans	$2,027,624	100	%	$1,291,885	100	%

Commercial Real Estate Loans. Our commercial real estate loans were $442.2 million at December 31, 2016, an increase of $150.4 million from $291.8 million at December 31, 2015, due primarily to the $97.5 million of ColoEast loans acquired and new loan origination activity during 2016 as we allocated internal resources to source additional commercial real estate opportunities.

Construction and Development Loans. Our construction and development loans were $109.8 million at December 31, 2016, an increase of $65.9 million from $43.9 million at December 31, 2015, due primarily to the $61.7 million of ColoEast loans acquired and limited growth of this category in our markets.

Residential Real Estate Loans. Our one-to-four family residential loans were $105.0 million at December 31, 2016, an increase of $26.8 million from $78.2 million at December 31, 2015, due primarily to the $36.5 million of ColoEast loans acquired. This increase was partially offset by paydowns in excess of new loan activity for the period. As previously discussed, we made the decision to exit the residential mortgage production business in the fourth quarter of 2015. As a result, we expect our residential real estate loan balances, including the acquired ColoEast residential real estate loans, to continue to decline as existing loans payoff.

Farmland Loans. Our farmland loans were $141.6 million at December 31, 2016, an increase of $108.0 million compared to $33.6 million at December 31, 2015, due primarily to the $101.2 million of ColoEast loans acquired.

Commercial Loans. Our commercial loans held for investment were $778.6 million at December 31, 2016, an increase of $283.2 million from $495.4 million at December 31, 2015. The increase in commercial loans was driven by growth in the asset-based and equipment finance loans originated under our Triumph Commercial Finance brand as we continue to execute on our growth strategy for such products. In addition, premium finance loans originated under our Triumph Premium Finance brand continued to grow during the period. The increase in commercial loans was also impacted by the $156.7 million of ColoEast loans acquired. The ColoEast commercial loans acquired included $103.7 million of balances to support agricultural operations in the Colorado and Kansas markets, which increased our total commercial agriculture lending to $108.2 million at December 31, 2016. Our other commercial lending products, comprised primarily of general commercial loans originated in our community banking markets and purchased shared national credits, increased from $168.8 million at December 31, 2015 to $215.0 million at December 31, 2016. This increase included $53.0 million of acquired ColoEast loans. The remaining increase is a result of new originations in our community banking markets in excess of paydowns as we continue to focus on lending activities to support businesses within our local communities. A portion of this increase was offset by a decrease due to $24.5 million of shared national credits being transferred to the held for sale classification and sold during the year ended December 31, 2016. The following table shows our commercial products as of December 31, 2016 and December 31, 2015:

(Dollars in thousands)	December 31, 2016	December 31, 2015
Commercial		
TCF equipment	$ 190,393	$ 148,951
TCF asset-based lending	161,454	75,134
THF asset-based lending	79,668	80,200
Premium finance	23,971	1,612
Agriculture	108,197	20,665
Other commercial lending	214,960	168,794
Total commercial loans	$ 778,643	$ 495,356

Factored Receivables. Our factored receivables were $238.2 million at December 31, 2016, an increase of $23.1 million, from $215.1 million at December 31, 2015, as we continue to execute on our growth strategy for this product at Triumph Business Capital, our factoring subsidiary, as well as through growth in factored receivables purchased under our Triumph Commercial Finance brand. Purchase volumes at Triumph Business Capital were $1.828 billion during the year ended December 31, 2016 and Triumph Commercial Finance recorded purchase volume of $229 million for the year ended December 31, 2016.

Consumer Loans. Our consumer loans were $29.8 million at December 31, 2016, an increase of $16.7 million compared to $13.1 million at December 31, 2015, due in part to the $6.5 million of ColoEast loans acquired and new loan consumer loan origination activity during the year ended December 31, 2016.

Mortgage Warehouse. Our mortgage warehouse facilities maintained outstanding balances of $182.4 million at December 31, 2016, an increase of $61.5 million from $120.9 million at December 31, 2015. The increase was primarily due to higher utilization of our clients' mortgage warehouse facilities during the period, as well as the addition of new clients. Client utilization of mortgage warehouse facilities may experience significant fluctuation on a

day-to-day basis given mortgage origination market conditions.

The following table sets forth the contractual maturities, including scheduled principal repayments, of our loan portfolio and the distribution between fixed and floating interest rate loans as of December 31, 2016.

	December 31, 2016			
(Dollars in thousands)	One Year or Less	After One but within Five Years	After Five Years	Total
Commercial real estate	$67,148	$245,826	$129,263	$442,237
Construction, land development, land	67,466	35,781	6,565	109,812
1-4 family residential properties	7,235	33,557	64,182	104,974
Farmland	15,378	19,727	106,510	141,615
Commercial	335,513	398,321	44,809	778,643
Factored receivables	238,198	—	—	238,198
Consumer	5,343	10,556	13,865	29,764
Mortgage warehouse	182,381	—	—	182,381
	$918,662	$743,768	$365,194	$2,027,624
Sensitivity of loans to changes in interest rates:				
Predetermined (fixed) interest rates		$563,606	$112,700	
Floating interest rates		180,162	252,494	
Total		$743,768	$365,194	

As of December 31, 2016, most of the Company’s non-factoring business activity is with customers located within certain states. The states of Texas (23%), Colorado (22%), Illinois (21%), and Iowa (7%) make up 73% of the Company’s gross loans, excluding factored receivables. Therefore, the Company’s exposure to credit risk is affected by changes in the economies in these states. At December 31, 2015, the states of Texas (31%), Illinois (30%) and Iowa (14%) made up 75% of the Company’s gross loans, excluding factored receivables.

Further, a majority (77%) of our factored receivables, representing approximately 9% of our total loan portfolio as of December 31, 2016, are receivables purchased from trucking fleets and owner-operators in the transportation industry. Although such concentration may cause our future income with respect to our factoring operations to be correlated with demand for the transportation industry in the United States generally, and small-to-mid-sized operators in such industry specifically, we feel the credit risk with respect to our outstanding portfolio is appropriately mitigated as we limit the amount of receivables acquired from individual debtors and creditors thereby achieving diversification across a number of companies and industries. At December 31, 2015, 82% of our factored receivables, representing approximately 14% of our total loan portfolio, were receivables purchased from trucking fleets and owner-operators in the transportation industry.

Nonperforming Assets

We have established procedures to assist us in maintaining the overall quality of our loan portfolio. In addition, we have adopted underwriting guidelines to be followed by our lending officers and require significant senior management review of proposed extensions of credit exceeding certain thresholds. When delinquencies exist, we

rigorously monitor them for any negative or adverse trends. Our loan review procedures include approval of lending policies and underwriting guidelines by the Board of Directors of our bank subsidiary, independent loan review, approval of large credit relationships by our bank subsidiary's Management Loan Committee and loan quality documentation procedures. We, like other financial institutions, are subject to the risk that our loan portfolio will be subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

The accrual of interest income on non-PCI loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection, or at an earlier date if full collection of interest or principal becomes doubtful. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued when a loan is placed on nonaccrual is reversed from interest income. Interest received on these loans is accounted for on the cash-basis or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The accretion of interest income on PCI loans is discontinued if the estimation of the timing and amount of cash flows expected to be collected involves a high degree of uncertainty and cannot be reasonably projected. Such PCI loans are considered nonaccrual and included in our nonaccrual loan totals, but are not considered impaired unless the loans have experienced credit deterioration and an allowance has been recorded subsequent to acquisition. PCI loans for which the timing and amount of expected cash flows can be reasonably estimated accrete interest income, regardless of the contractual past due status of the loan, however, the disclosure of past due status of all PCI loans is based on the contractual terms of the loan, including those placed on nonaccrual due to the contractual payment status of the loan.

We obtain appraisals or other valuations of real property and other collateral which secure loans, and may update these valuations of collateral securing loans categorized as nonperforming loans and potential problem loans. In instances where updated valuations reflect reduced collateral values, an evaluation of the borrower’s overall financial condition is made to determine the need, if any, for possible write-downs or appropriate additions to the ALLL.

OREO acquired as a result of foreclosure or as part of a business acquisition are held for sale and are initially recorded at fair value less estimated cost to sell at the date of acquisition, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. At the time of acquisition of properties not acquired as part of an acquisition, losses are charged against the ALLL, and gains are realized to the extent fair value exceeds the carrying amount of the foreclosed loan. Improvements to the value of the properties are capitalized, but not in excess of the net realizable value of the property.

The following table sets forth the allocation of our nonperforming assets among our different asset categories as of the dates indicated. We classify nonperforming assets as nonaccrual loans, loans modified under restructurings as a result of the borrower experiencing financial difficulties (“TDR”), factored receivables greater than 90 days past due, OREO, and other repossessed assets. The balances of nonperforming loans reflect the recorded investment in these assets, including deductions for purchase discounts.

(Dollars in thousands)	December 31, 2016	December 31, 2015
Nonperforming loans:		
Commercial real estate	$ 1,456	$ 725
Construction, land development, land	362	—
1-4 family residential properties	1,039	551
Farmland	1,334	—
Commercial	30,640	3,281
Factored receivables	2,153	1,931
Consumer	89	—
Mortgage Warehouse	—	—
Purchased credit impaired	8,233	6,867
Total nonperforming loans	45,306	13,355
OREO acquired through foreclosure, net	6,077	5,177
Other repossessed assets	817	—
Total nonperforming assets	$ 52,200	$ 18,532
Nonperforming assets to total assets	1.98 %	1.10 %
Nonperforming loans to total loans held for investment	2.23 %	1.03 %
Total past due loans to total loans held for investment	3.61 %	2.41 %

We had $45.3 million and $13.4 million in nonperforming loans, including nonaccrual PCI loans, as of December 31, 2016 and December 31, 2015, respectively. Nonperforming loans increased from December 31, 2015 to December 31, 2016, primarily due to the deterioration of certain commercial finance equipment and asset-based loans as well as an individual commercial operating loan, including relationships restructured as TDRs. We recorded an additional $1.8 million of specific loan loss reserves against these nonperforming balances during the year ended December 31, 2016. We also acquired approximately $7.4 million of nonaccrual PCI loans in the ColoEast acquisition, which are included in the nonperforming loan balances in the table above as of December 31, 2016. Acquired PCI loans for which we are accreting interest are not reported in the nonperforming loan classification.

As a result of the above activity, the ratio of nonperforming loans to total loans increased to 2.23% at December 31, 2016 compared to 1.03% at December 31, 2015, and, combined with the increase in our OREO balances, our ratio of nonperforming assets to total assets increased to 1.98% at December 31, 2016 compared to 1.10% at December 31, 2015.

We experienced a reported increase in our total past due loans to total loans during the year ended December 31, 2016 to 3.61% from 2.41% at December 31, 2015. This increase was partially attributable to the increase in contractually past due loans acquired in the ColoEast acquisition of approximately $19.2 million as well as the additional nonperforming commercial finance loans described above.

Our OREO as of December 31, 2016 totaled $6.1 million, an increase of $0.9 million from the $5.2 million as of December 31, 2015. The increase was primarily due to OREO with a fair value of $3.0 million acquired in the ColoEast acquisition on August 1, 2016, offset by OREO sales during the year ended December 31, 2016.

Potential problem loans consist of loans that are performing in accordance with contractual terms but for which management has concerns about the ability of an obligor to continue to comply with repayment terms because of the obligor's potential operating or financial difficulties. Management monitors these loans and reviews their performance on a regular basis. Potential problem loans contain potential weaknesses that could improve, persist or further deteriorate. At December 31, 2016 and December 31, 2015, we had $20.1 million and $13.9 million in loans of this type which are not included in any of the nonperforming loan categories. All of the loans identified as potential problem loans at December 31, 2016 and December 31, 2015 were graded as "substandard".

Allowance for Loan and Lease Losses

ALLL is a valuation allowance for probable incurred credit losses. Loan losses are charged against the ALLL when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ALLL. Management estimates the ALLL balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the ALLL may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The ALLL consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered TDRs and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. PCI loans are not considered impaired on the acquisition date. For PCI loans, a decline in the present value of current expected cash flows compared to the previously estimated expected cash flows, due in any part to change in credit, is referred to as credit impairment and recorded as a provision for loan losses during the period.

Impaired loans generally include nonaccrual loans, factored receivables greater than 90 days past due, TDRs, partially charged off loans, and PCI loans with subsequent deterioration in expected cash flows. All impaired loans are subject to being individually evaluated for specific loss reserves. If an impaired loan is determined to have incurred a loss, a portion of the ALLL is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

TDRs are separately identified for impairment and are measured at the present value of estimated future cash flows using the loan’s effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the ALLL.

The general component of the ALLL covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Purchased loans are recorded at fair value at the date of acquisition without carryover of the seller's ALLL. Therefore we maintain an ALLL on purchased loans based on credit deterioration subsequent to the acquisition date. On August 1, 2016, we acquired loans with a fair value of $460.8 million in the ColoEast acquisition. This fair value included a purchase discount of $12.0 million from the acquisition date unpaid principal balance of the ColoEast loans. This purchase discount incorporated expected credit exposure associated with the acquired loans and as a result, the acquired ColoEast loan portfolio had minimal impact on the ending ALLL balance at December 31, 2016.

Analysis of the Allowance for Loan and Lease Losses

The following table sets forth the ALLL by category of loan:

	December 31, 2016			December 31, 2015		
(Dollars in thousands)	Allocated Allowance	% of Loan Portfolio	ALLL to Loans	Allocated Allowance	% of Loan Portfolio	ALLL to Loans
Commercial real estate	$1,813	22 %	0.41 %	$1,489	23 %	0.51 %
Construction, land development, land	465	5 %	0.42 %	367	3 %	0.84 %
1-4 family residential properties	253	5 %	0.24 %	274	6 %	0.35 %
Farmland	170	7 %	0.12 %	134	3 %	0.40 %
Commercial	8,014	39 %	1.03 %	5,276	38 %	1.07 %
Factored receivables	4,088	12 %	1.72 %	4,509	17 %	2.10 %
Consumer	420	1 %	1.41 %	216	1 %	1.66 %
Mortgage Warehouse	182	9 %	0.10 %	302	9 %	0.25 %
Total Loans	$15,405	100 %	0.76 %	$12,567	100 %	0.97 %

From December 31, 2015 to December 31, 2016, the ALLL increased from $12.6 million or 0.97% of total loans to $15.4 million or 0.76% of total loans. The increase in ALLL was partially driven by a $1.2 million increase in net specific allowances recorded on impaired loans during the year ended December 31, 2016. In addition, our ALLL increased due to the $275 million increase in the loan portfolio during the year ended December 31, 2016, excluding the ColoEast acquired loans.

The following table presents the unpaid principal and recorded investment for loans at December 31, 2016. The difference between the unpaid principal balance and recorded investment is associated with (1) premiums and discounts associated with acquisition date fair value adjustments on acquired loans (both PCI and non-PCI) totaling $15.2 million and (2) net deferred origination and factoring fees totaling $2.8 million. The net difference can provide protection from credit loss in addition to the ALLL as future potential charge-offs for an individual loan are limited to the recorded investment plus unpaid accrued interest.

(Dollars in thousands) December 31, 2016	Recorded Investment	Unpaid Principal	Difference
Commercial real estate	$442,237	$447,926	$ (5,689)
Construction, land development, land	109,812	113,211	(3,399)
1-4 family residential properties	104,974	106,852	(1,878)
Farmland	141,615	142,673	(1,058)
Commercial	778,643	783,349	(4,706)

Factored receivables	238,198	239,432	(1,234)
Consumer	29,764	29,782	(18)
Mortgage warehouse	182,381	182,381	—
	$2,027,624	$2,045,606	$(17,982)

At December 31, 2016 and December 31, 2015, we had $23.6 million and $21.2 million, 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 on our consolidated balance sheets.

The following table provides an analysis of the provisions for loan losses, net charge-offs and recoveries for the years ended December 31, 2016, 2015 and 2014, and the effects of those items on our ALLL:

	Years Ended December 31,		
(Dollars in thousands)	2016	2015	2014
Balance at beginning of period	$12,567	$8,843	$3,645
Loans charged-off:			
Commercial real estate	(5)	(152)	(18)
Construction, land development, land	—	—	(100)
1-4 family residential properties	(84)	(205)	(409)
Farmland	—	—	—
Commercial	(3,643)	(145)	(13)
Factored receivables	(856)	(540)	(419)
Consumer	(564)	(347)	(393)
Mortgage warehouse	—	—	—
Total loans charged-off	$(5,152)	$(1,389)	$(1,352)
Recoveries of loans charged-off:			
Commercial real estate	$16	$53	$4
Construction, land development, land	6	—	13
1-4 family residential properties	85	204	108
Farmland	—	—	—
Commercial	991	43	219
Factored receivables	120	79	68
Consumer	79	205	280
Mortgage warehouse	—	—	—
Total loans recoveries	$1,297	$584	$692
Net loans charged-off	$(3,855)	$(805)	$(660)
Provision for (reversal of) loan losses:			
Commercial real estate	$313	$1,055	$199
Construction, land development, land	92	34	310
1-4 family residential properties	(22)	60	416
Farmland	36	115	12
Commercial	5,390	1,375	2,652
Factored receivables	315	1,508	1,971
Consumer	689	218	204
Mortgage warehouse	(120)	164	94
Total provision for (reversal of) loan losses	$6,693	$4,529	$5,858
Balance at end of period	$15,405	$12,567	$8,843
Average total loans held for investment	$1,549,788	$1,106,489	$942,144
Net charge-offs to average total loans held for investment	0.25%	0.07%	0.07%
Allowance to total loans held for investment	0.76%	0.97%	0.88%

Net loans charged off for the year ended December 31, 2016 were $3.9 million, compared to net loans charged off of $0.8 million for the year ended December 31, 2015 and $0.7 million for the year ended December 31, 2104. The commercial loan charge-off activity during the year ended December 31, 2016 was primarily due to three client relationships. Net charge-offs as a percentage of average total loans held for investment were 0.25% for the year ended December 31, 2016 and 0.07% for each of the years ended December 31, 2015 and 2014, respectively.

Loans Held for Sale

At December 31, 2016 we held no originated residential mortgage loans for sale. The Company made the decision to exit the residential mortgage production business in the fourth quarter of 2015. We chose to exit this business as the infrastructure investments necessary to appropriately address the operational and compliance risk associated with the business outweighed the amount of profitability generated. At December 31, 2015, originated mortgage loans held for sale were $1.3 million.

Residential mortgage loan sales of $2.2 million occurred during the year ended December 31, 2016, with negligible gains recorded. Residential mortgage loan sales of $62.8 million occurred during the year ended December 31, 2015 and resulted in recognized net gains on sale of $1.6 million.

During the year ended December 31, 2016, other loans were held for sale, primarily shared national credits. These loans were transferred to the held for sale classification and sold during the year ended December 31, 2016.

Securities

We held securities classified as available for sale with a fair value of $275.0 million as of December 31, 2016, an increase of $111.8 million from $163.2 million at December 31, 2015. The increase is primarily due to $161.7 million of available for sale investment securities acquired in the ColoEast acquisition on August 1, 2016, of which $20.0 million were subsequently sold. An offsetting decrease is also attributable to normal portfolio management activities, with the net reduction being attributed to normal sales, payment, and amortization activity. For the year ended December 31, 2016, securities, including the sale of $20.0 million of ColoEast acquired securities discussed above, were sold resulting in proceeds of $34.3 million and a net loss on sale of $0.1 million. Our available for sale securities can be used for pledging to secure FHLB borrowings and public deposits, or can be sold to meet liquidity needs.

Equity securities classified as available for sale at December 31, 2016 represent investments in a publicly traded Community Reinvestment Act mutual fund and are subject to market pricing volatility.

As of December 31, 2016, we have investments classified as held to maturity with an amortized cost of $29.4 million, all of which were purchased during the year ended December 31, 2016. Approximately $26.0 million of these securities represent investments in "A" rated floating rate CLO securities. Credit spreads on these products widened early this year due to market volatility, providing an opportunity to purchase these securities at attractive risk-adjusted yields. We were able to leverage the expertise of our Triumph Capital Advisors team to underwrite and select the securities purchased. These floating rate CLO securities provide an initial yield of approximately 4.7% with an estimated average expected life of approximately 6.5 years. These are not CLO securities issued or managed by Triumph Capital Advisors, but by other CLO managers. The remaining $3.4 million of held to maturity securities represent a minority investment in the unrated subordinated notes of recently issued CLOs managed by Trinitas Capital Management. Triumph Capital Advisors provides certain middle and back office services to Trinitas Capital Management with respect to the CLOs, but does not serve as asset manager.

The following tables set forth the amortized cost and average yield of our securities, by type and contractual maturity as of December 31, 2016:

	Maturity as of December 31, 2016									
	1 Year or Less		1 to 5 Years		5 to 10 Years		Over 10 Years		Total	
	Amortized	Average	Amortized	Average	Amortized	Average	Amortized	Average	Amortized	Average
(Dollars in thousands)	Cost	Yield	Cost	Yield	Cost	Yield	Cost	Yield	Cost	Yield

U.S. Government agency obligations	$69,579	0.62 %	$111,366	1.51 %	$—	—	$—	—	$180,945	1.16 %
Mortgage-backed securities	5	5.55 %	537	1.87 %	2,406	1.95 %	21,762	2.03 %	24,710	2.02 %
Asset backed securities	—	—	4,940	1.86 %	—	—	8,091	2.19 %	13,031	2.06 %
State and municipal	858	1.16 %	2,407	1.32 %	4,774	1.11 %	19,300	1.19 %	27,339	1.19 %
Corporate bonds	10,727	1.87 %	14,870	2.09 %	1,414	2.78 %	276	5.13 %	27,287	2.07 %
SBA pooled securities	1	2.13 %	4	2.62 %	151	2.83 %	—	—	156	2.81 %
Mutual fund[(1)]	2,000	—	—	—	—	—	—	—	2,000	—
Total securities available for sale	$83,170	0.79 %	$134,124	1.58 %	$8,745	1.69 %	$49,429	1.76 %	$275,468	1.38 %
Securities held-to-maturity	$—	—	$—	—	$13,234	5.13 %	$16,118	6.55 %	$29,352	5.91 %

[(1)] These equity securities do not have a stated maturity.

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Liabilities

Our total liabilities were $2.352 billion as of December 31, 2016, an increase of $929 million, from $1.423 billion at December 31, 2015. The net change was primarily due to a $767 million increase in customer deposits, a $1 million increase in customer repurchase agreements, a $100 million increase in Federal Home Loan Bank advances, an $8 million increase in junior subordinated debentures, a $49 million increase in subordinated notes, and a $4 million increase in other liabilities.

As part of the ColoEast acquisition on August 1, 2016, the Company assumed customer deposits with a balance of $653.0 million, junior subordinated debentures with a fair value of $7.7 million, and other liabilities with a balance of $6.8 million.

Deposits

Deposits represent our primary source of funds. We intend to continue to focus on growth in transactional deposit accounts as part of our growth strategy, both in our existing branch networks and through targeted acquisitions.

Our total deposits were $2.016 billion as of December 31, 2016, compared to $1.249 billion as of December 31, 2015, an increase of $767 million, due primarily to the $653.0 million of deposits assumed in the ColoEast acquisition. As of December 31, 2016, interest bearing demand deposits, noninterest bearing deposits, money market deposits and savings deposits accounted for 54% of our total deposits, while individual retirement accounts, certificates of deposit, and brokered deposits made up 46% of total deposits. See Note 9 – Deposits in the accompanying notes to consolidated financial statements included elsewhere in this report for details of our deposit balances as of December 31, 2016 and December 31, 2015.

The following table summarizes our average deposit balances and weighted average yields for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016			Year Ended December 31, 2015		
(Dollars in thousands)	Average Balance	Weighted Avg Yields	% of Total	Average Balance	Weighted Avg Yields	% of Total
Interest bearing demand	$269,635	0.10 %	17 %	$227,251	0.06 %	19 %
Individual retirement accounts	78,979	1.17 %	5 %	57,216	1.21 %	5 %
Money market	156,637	0.21 %	10 %	116,654	0.23 %	10 %
Savings	116,928	0.05 %	8 %	72,964	0.05 %	6 %
Certificates of deposit	640,490	1.09 %	41 %	501,293	1.05 %	42 %
Brokered deposits	52,816	1.04 %	3 %	49,867	1.00 %	4 %
Total interest bearing deposits	1,315,485	0.70 %	84 %	1,025,245	0.67 %	86 %
Noninterest bearing demand	243,349	—	16 %	168,565	—	14 %
Total deposits	$1,558,834	0.59 %	100 %	$1,193,810	0.58 %	100 %

The following table provides information on the maturity distribution of time deposits with individual balances of $100,000 to $250,000 and of time deposits with individual balances of $250,000 or more as of December 31, 2016:

$100,000 to	Over

(Dollars in thousands)	$250,000	$250,000	Total
Maturity			
3 months or less	$87,700	$25,899	$113,599
Over 3 through 6 months	63,398	21,434	84,832
Over 6 through 12 months	164,401	63,273	227,674
Over 12 months	82,901	38,652	121,553
	$398,400	$149,258	$547,658

Other Borrowings

Customer Repurchase Agreements

Customer repurchase agreements outstanding totaled $10.5 million as of December 31, 2016 and $9.3 million at December 31, 2015. Our customer repurchase agreements generally have overnight maturities. Variances in these balances are attributable to normal customer behavior and seasonal factors affecting their liquidity positions. The following table provides a summary of our customer repurchase agreements as of and for the years ended December 31, 2016 and 2015:

(Dollars in thousands)	December 31, 2016	December 31, 2015
Amount outstanding at end of period	$ 10,490	$ 9,317
Weighted average interest rate at end of period	0.02 %	0.02 %
Average daily balance during the year	$ 11,984	$ 13,158
Weighted average interest rate during the year	0.02 %	0.02 %
Maximum month-end balance during the year	$ 15,329	$ 16,033

FHLB Advances

As part of our overall funding and liquidity management program, from time to time we borrow from the Federal Home Loan Bank. Our FHLB advances are collateralized by assets, including a blanket pledge of certain loans. Our FHLB borrowings totaled $230.0 million as of December 31, 2016 and $130.0 million as of December 31, 2015. Of the FHLB borrowings outstanding as of December 31, 2016, $185.0 million were short term borrowings maturing within one year and $45.0 million were long term borrowings maturing after one but within three years. As of December 31, 2016 and December 31, 2015, we had $267.1 million and $150.3 million, respectively, in unused and available advances from the FHLB. The increase in our total borrowing capacity from December 31, 2015 to December 31, 2016 was primarily the result of the addition of the ColoEast portfolio in August 2016. The following table provides a summary of our FHLB borrowings as of and for the years ended December 31, 2016 and 2015:

(Dollars in thousands)	December 31, 2016	December 31, 2015
Amount outstanding at end of period	$ 230,000	$ 130,000
Weighted average interest rate at end of period	0.58 %	0.32 %
Average daily balance during the year	$ 174,784	$ 34,244
Weighted average interest rate during the year	0.41 %	0.19 %
Maximum month-end balance during the year	$ 291,000	$ 130,000

Junior Subordinated Debentures

The following provides a summary of our junior subordinated debentures as of December 31, 2016:

(Dollars in thousands)	Face Value	Carrying Value	Maturity Date	Variable Interest Rate	Interest Rate At December 31, 2016
National Bancshares Capital Trust II	$ 15,464	$ 12,754	September 2033	LIBOR + 3.00%	3.96%

National Bancshares Capital Trust III	17,526	12,209	July 2036	LIBOR + 1.64%	2.52%
ColoEast Capital Trust I	5,155	3,358	September 2035	LIBOR + 1.60%	2.60%
ColoEast Capital Trust II	6,700	4,419	March 2037	LIBOR + 1.79%	2.79%
	$44,845	$32,740			

These debentures are unsecured obligations and were issued to trusts that are unconsolidated subsidiaries. The trusts in turn issued trust preferred securities with identical payment terms to unrelated investors. The debentures may be called by the Company at par plus any accrued but unpaid interest; however, we have no current plans to redeem them prior to maturity. Interest on the debentures is calculated quarterly, based on a rate equal to three month LIBOR plus a weighted average spread of 1.82%. As part of the purchase accounting adjustments made with the National Bancshares, Inc. acquisition on October 15, 2013 and the ColoEast acquisition on August 1, 2016, we adjusted the carrying value of the junior subordinated debentures to fair value as of the respective acquisition dates. The discount on the debentures will continue to be amortized through maturity and recognized as a component of interest expense.

The debentures are included on our consolidated balance sheet as liabilities; however, for regulatory purposes, these obligations are eligible for inclusion in regulatory capital, subject to certain limitations. All of the carrying value of $32.7 million was allowed in the calculation of Tier I capital as of December 31, 2016.

Subordinated Notes

In September 2016, we issued $50,000,000 of Fixed-to-Floating Rate Subordinated Notes due 2026 (the "Notes"). The Notes, which will initially bear interest at 6.50% per annum, payable semi-annually in arrears, to, but excluding, September 30, 2021, and, thereafter and to, but excluding, the maturity date or earlier redemption, interest shall be payable quarterly in arrears, at an annual floating rate equal to three-month LIBOR as determined for the applicable quarterly period, plus 5.345%. We may, at our option, beginning on September 30, 2021 and on any scheduled interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the date of redemption.

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

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

Capital Resources and Liquidity Management

Capital Resources

Our stockholders' equity totaled $289.3 million as of December 31, 2016, an increase of $21.3 million from $268.0 million as of December 31, 2015. Stockholders' equity increased during this period primarily due to net income for the period of $20.7 million. Offsetting this increase were dividends paid on our preferred stock.

Liquidity Management

We define liquidity as our ability to generate sufficient cash to fund current loan demand, deposit withdrawals, or other cash demands and disbursement needs, and otherwise to operate on an ongoing basis.

We manage liquidity at the holding company level as well as that of our bank subsidiary. The management of liquidity at both levels is critical, because the holding company and our bank subsidiary have different funding needs and sources, and each are subject to regulatory guidelines and requirements which require minimum levels of liquidity. We believe that our liquidity ratios meet or exceed those guidelines and our present position is adequate to meet our current and future liquidity needs.

Our liquidity requirements are met primarily through cash flow from operations, receipt of pre-paid and maturing balances in our loan and investment portfolios, debt financing and increases in customer deposits. Our liquidity position is supported by management of liquid assets and liabilities and access to other sources of funds. Liquid assets include cash, interest earning deposits in banks, federal funds sold, securities available for sale and maturing or prepaying balances in our investment and loan portfolios. Liquid liabilities include core deposits, federal funds purchased, securities sold under repurchase agreements and other borrowings. Other sources of funds include the sale of loans, brokered deposits, the issuance of additional collateralized borrowings such as FHLB advances, the issuance of debt securities and the issuance of common securities. For additional information regarding our operating, investing and financing cash flows, see the Consolidated Statements of Cash Flows provided in our consolidated financial statements.

In addition to the liquidity provided by the sources described above, our subsidiary bank maintains correspondent relationships with other banks in order to sell loans or purchase overnight funds should additional liquidity be needed. As of December 31, 2016, TBK Bank had unsecured federal funds lines of credit with six unaffiliated banks totaling

$122.5 million, with no amounts advanced against those lines at that time.

Regulatory Capital Requirements

Our capital management consists of providing equity to support our current and future operations. We 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 each 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 regulations to ensure capital adequacy require the Company and TBK Bank to maintain minimum amounts and ratios (as set forth in the table below) of total, Tier 1, and common equity Tier 1 capital to risk weighted assets, and of Tier 1 capital to average assets. Management believes, as of 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 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 December 31, 2016 that management believes would 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 December 31, 2016.

(Dollars in thousands)	Actual Amount	Ratio	Minimum for Capital Adequacy Purposes Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
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%

Contractual Obligations

The following table summarizes our contractual obligations and other commitments to make future payments as of December 31, 2016. The amount of the obligations presented in the table reflect principal amounts only and exclude the amount of interest we are obligated to pay. Also excluded from the table are a number of obligations to be settled in cash. These excluded items are reflected in our consolidated balance sheet and include deposits with no stated maturity, trade payables, and accrued interest payable.

	Payments Due by Period - December 31, 2016				
(Dollars in thousands)	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Customer repurchase agreements	$10,490	$10,490	$—	$—	$—
FHLB advances	230,000	185,000	45,000	—	—
Junior subordinated debentures	44,845	—	—	—	44,845
Subordinated notes	50,000	—	—	—	50,000
Operating lease agreements	6,220	1,894	2,733	1,581	12
Time deposits with stated maturity dates	927,465	686,255	203,957	37,253	—
Total contractual obligations	$1,269,020	$883,639	$251,690	$38,834	$94,857

Off Balance Sheet Arrangements

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby and commercial letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The following table details our commitments associated with outstanding standby and commercial letters of credit and commitments to extend credit. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect actual future cash funding requirements.

(Dollars in thousands)	December 31, 2016	December 31, 2015
Commitments to make loans	$ 14,925	$ 9,520
Unused lines of credit	255,086	116,703
Standby letters of credit	7,253	3,029
Total other commitments	$ 277,264	$ 129,252

Critical Accounting Policies and Estimates

Our accounting policies are fundamental to understanding our management's discussion and analysis of our financial condition and results of operations. We have identified certain significant accounting policies which involve a higher degree of judgment and complexity in making certain estimates and assumptions that affect amounts reported in our consolidated financial statements. The significant accounting policies which we believe to be the most critical in preparing our consolidated financial statements relate to originated loans, purchased loans, factored receivables, ALLL, goodwill and intangibles, and fair values of financial instruments. See Note 1 – Summary of Significant Accounting Policies in the accompanying notes to consolidated financial statements included elsewhere in this report for descriptions of these critical accounting policies.

Adoption of New Accounting Standards

See Note 1 – Summary of Significant Accounting Policies in the accompanying notes to consolidated financial statements included elsewhere in this report for details of recently issued accounting pronouncements and their expected impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Asset/Liability Management and Interest Rate Risk

The principal objective of our asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing net income and preserving adequate levels of liquidity and capital. The Board of Directors of our subsidiary bank has oversight of our asset and

liability management function, which is managed by our Chief Financial Officer. Our Chief Financial Officer meets with our senior executive management team regularly to review, among other things, the sensitivity of our assets and liabilities to market interest rate changes, local and national market conditions and market interest rates. That group also reviews our liquidity, capital, deposit mix, loan mix and investment positions.

As a financial institution, our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the fair value of all interest earning assets and interest bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair values.

We manage our exposure to interest rates primarily by structuring our balance sheet in the ordinary course of business. We do not typically enter into derivative contracts for the purpose of managing interest rate risk, but we may elect to do so in the future. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

We use an interest rate risk simulation model to test the interest rate sensitivity of net interest income and the balance sheet. Instantaneous parallel rate shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in projected net interest margin. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and use various assumptions, including, but not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment and replacement of asset and liability cash flows. We also analyze the economic value of equity as a secondary measure of interest rate risk. This is a complementary measure to net interest income where the calculated value is the result of the fair value of assets less the fair value of liabilities. The economic value of equity is a longer term view of interest rate risk because it measures the present value of all future cash flows. The impact of changes in interest rates on this calculation is analyzed for the risk to our future earnings and is used in conjunction with the analyses on net interest income.

The following table summarizes simulated change in net interest income versus unchanged rates as of December 31, 2016 and December 31, 2015:

	December 31, 2016		December 31, 2015	
	Following 12 Months	Months 13-24	Following 12 Months	Months 13-24
+400 basis points	5.0 %	1.0 %	5.5 %	(1.7 %)
+300 basis points	3.6 %	0.8 %	3.9 %	(1.4 %)
+200 basis points	2.1 %	0.2 %	2.3 %	(1.2 %)
+100 basis points	0.8 %	(0.2 %)	0.9 %	(0.7 %)
Flat rates	0.0 %	0.0 %	0.0 %	0.0 %
-100 basis points	(2.8 %)	(3.6 %)	(1.9 %)	(1.6 %)

The following table presents the change in our economic value of equity as of December 31, 2016 and December 31, 2015, assuming immediate parallel shifts in interest rates:

	Economic Value of Equity at Risk (%)	
	December 31, 2016	December 31, 2015
+400 basis points	(2.0 %)	0.2 %
+300 basis points	(3.2 %)	(0.2 %)
+200 basis points	(4.3 %)	(1.0 %)
+100 basis points	(4.1 %)	(1.2 %)
Flat rates	0.0 %	0.0 %
-100 basis points	(12.2 %)	(5.9 %)

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include actions that our management may undertake to manage the risks in response to anticipated changes in interest rates, and actual results may also differ due to any actions taken in response to the changing rates.

As part of our asset/liability management strategy, our management has emphasized the origination of shorter duration loans as well as variable rate loans to limit the negative exposure to a rate increase. We also desire to acquire deposit transaction accounts, particularly noninterest or low interest bearing non-maturity deposit accounts, whose cost is less sensitive to changes in interest rates. We intend to focus our strategy on utilizing our deposit base and operating platform to increase these deposit transaction accounts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Triumph Bancorp, Inc. and Subsidiaries

Dallas, Texas

We have audited the accompanying consolidated balance sheets of Triumph Bancorp, Inc. and Subsidiaries (Company) as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Horwath LLP

Dallas, Texas
February 17, 2017

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

	December 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$38,613	$23,447
Interest bearing deposits with other banks	75,901	81,830
Total cash and cash equivalents	114,514	105,277
Securities - available for sale	275,029	163,169
Securities - held to maturity, fair value $30,821 and $0, respectively	29,352	—
Loans held for sale, at fair value	—	1,341
Loans, net of allowance for loan and lease losses of $15,405 and $12,567, respectively	2,012,219	1,279,318
Federal Home Loan Bank stock, at cost	8,430	3,818
Premises and equipment, net	45,460	22,227
Other real estate owned, net	6,077	5,177
Goodwill	28,810	15,968
Intangible assets, net	17,721	11,886
Bank-owned life insurance	36,509	29,535
Deferred tax asset, net	18,825	15,945
Other assets	48,121	37,652
Total assets	$2,641,067	$1,691,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$363,351	$168,264
Interest bearing	1,652,434	1,080,686
Total deposits	2,015,785	1,248,950
Customer repurchase agreements	10,490	9,317
Federal Home Loan Bank advances	230,000	130,000
Junior subordinated debentures	32,740	24,687
Subordinated notes	48,734	—
Other liabilities	13,973	10,321
Total liabilities	2,351,722	1,423,275
Commitments and contingencies - See Notes 13 and 14		
Stockholders' equity - See Note 18		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196
Common stock	182	181
Additional paid-in-capital	197,157	194,297
Treasury stock, at cost	(1,374)	(560)
Retained earnings	83,910	64,097
Accumulated other comprehensive income (loss)	(276)	277

Total stockholders’ equity	289,345	268,038
Total liabilities and stockholders' equity	$2,641,067	$1,691,313

See accompanying notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2016, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

	2016	2015	2014
Interest and dividend income:			
Loans, including fees	$84,244	$61,637	$56,080
Factored receivables, including fees	35,213	33,944	28,158
Taxable securities	4,204	2,655	2,630
Tax exempt securities	178	59	60
Cash deposits	653	465	302
Total interest income	124,492	98,760	87,230
Interest expense:			
Deposits	9,156	6,906	5,036
Senior secured note	—	—	584
Subordinated notes	835	—	—
Junior subordinated debentures	1,427	1,121	1,095
Other borrowings	716	82	55
Total interest expense	12,134	8,109	6,770
Net interest income	112,358	90,651	80,460
Provision for loan losses	6,693	4,529	5,858
Net interest income after provision for loan losses	105,665	86,122	74,602
Noninterest income:			
Service charges on deposits	3,447	2,732	3,009
Card income	2,732	2,234	2,098
Net OREO gains (losses) and valuation adjustments	(1,427)	(108)	(582)
Net gains (losses) on sale of securities	(56)	259	88
Net gains on sale of loans	16	1,630	1,495
Fee income	2,240	1,931	1,820
Bargain purchase gain	—	15,117	—
Gain on branch sale	—	—	12,619
Asset management fees	6,574	5,646	989
Other	7,430	3,856	3,231
Total noninterest income	20,956	33,297	24,767
Noninterest expense:			
Salaries and employee benefits	54,531	50,175	42,131
Occupancy, furniture and equipment	7,301	6,259	5,474
FDIC insurance and other regulatory assessments	913	1,086	1,042
Professional fees	5,529	4,429	3,574
Amortization of intangible assets	3,782	3,979	2,923
Advertising and promotion	2,716	2,061	2,594
Communications and technology	6,491	4,360	3,748
Other	11,849	9,516	7,716

Total noninterest expense	93,112	81,865	69,202
Net income before income tax	33,509	37,554	30,167
Income tax expense	12,809	8,421	10,378
Net income	20,700	29,133	19,789
Income attributable to noncontrolling interests	—	—	(2,060)
Net income attributable to Triumph Bancorp, Inc.	20,700	29,133	17,729
Dividends on preferred stock	(887)	(780)	(780)
Net income available to common stockholders	$19,813	$28,353	$16,949
Earnings per common share			
Basic	$1.11	$1.60	$1.55
Diluted	$1.10	$1.57	$1.52

See accompanying notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2016, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

	2016	2015	2014
Net income	$20,700	$29,133	$19,789
Other comprehensive income:			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding gains (losses) arising during the period	(934)	(787)	1,384
Reclassification of amount realized through sale of securities	56	(259)	(88)
Tax effect	325	372	(478)
Total other comprehensive income (loss)	(553)	(674)	818
Comprehensive income	20,147	28,459	20,607
Income attributable to noncontrolling interests	—	—	(2,060)
Comprehensive income attributable to Triumph Bancorp, Inc.	$20,147	$28,459	$18,547

See accompanying notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2016, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

	Preferred Stock Liquidation Preference	Common Stock		Additional Paid-in-	Treasury Stock		Retained	Accumulated Other Comprehensive Income	Non Controlling	Total
	Amount	Shares Outstanding	Par Amount	Capital	Shares Outstanding	Cost	Earnings	(Loss)	Interest	Equity
Balance, January 1, 2014	$9,746	9,832,585	$98	$104,631	—	$—	$18,992	$133	$26,997	$160,597
Issuance of common stock in connection with initial public offering, net of expenses	—	7,705,000	77	83,690	—	—	—	—	—	83,767
Issuance of restricted stock	—	436,738	5	32	—	—	—	—	—	37
Stock based compensation	—	—	—	2,690	—	—	—	—	—	2,690
Common stock issuance, net of costs	—	444	—	6	—	—	—	—	—	6
Purchase of treasury stock	—	(10,984)	—	—	10,984	(161)	—	—	—	(161)
Series T-1 and T-2 dividends	—	—	—	—	—	—	(2,194)	—	—	(2,194)
Series A Preferred dividends	—	—	—	—	—	—	(364)	—	—	(364)
Series B Preferred dividends	—	—	—	—	—	—	(416)	—	—	(416)
TCF Class B distributions	—	—	—	—	—	—	(63)	—	—	(63)
TCF Class B redemption	—	—	—	—	—	—	—	—	(1,100)	(1,100)
Series T-1 and T-2 redemption	—	—	—	—	—	—	—	—	(25,897)	(25,897)
Net income	—	—	—	—	—	—	19,789	—	—	19,789
	—	—	—	—	—	—	—	818	—	818

Other comprehensive income (loss)										
Balance, December 31, 2014	$9,746	17,963,783	$180	$191,049	10,984	$(161)	$35,744	$951	$—	$237,509
Issuance of restricted stock awards	—	77,956	1	(1)	—	—	—	—	—	—
Forfeiture of restricted stock awards	—	(3,632)	—	56	3,632	(56)	—	—	—	—
Excess tax benefit on restricted stock vested	—	—	—	116	—	—	—	—	—	116
Stock based compensation	—	—	—	3,077	—	—	—	—	—	3,077
Purchase of treasury stock	—	(19,907)	—	—	19,907	(343)	—	—	—	(343)
Series A Preferred dividends	—	—	—	—	—	—	(365)	—	—	(365)
Series B Preferred dividends	—	—	—	—	—	—	(415)	—	—	(415)
Net income	—	—	—	—	—	—	29,133	—	—	29,133
Other comprehensive income (loss)	—	—	—	—	—	—	—	(674)	—	(674)
Balance, December 31, 2015	$9,746	18,018,200	$181	$194,297	34,523	$(560)	$64,097	$277	$—	$268,038
Issuance of restricted stock awards	—	101,642	1	(1)	—	—	—	—	—	—
Forfeiture of restricted stock awards	—	(9,820)	—	160	9,820	(160)	—	—	—	—
Excess tax benefit on restricted stock vested	—	—	—	334	—	—	—	—	—	334
Stock based compensation	—	—	—	2,367	—	—	—	—	—	2,367
Purchase of treasury stock	—	(31,775)	—	—	31,775	(654)	—	—	—	(654)
Series A Preferred dividends	—	—	—	—	—	—	(366)	—	—	(366)
	—	—	—	—	—	—	(417)	—	—	(417)

Series B Preferred dividends										
TARP Preferred Stock assumed in acquisition	10,500	—	—	—	—	—	—	—	—	10,500
TARP Preferred dividends	—	—	—	—	—	—	(104)	—	—	(104)
Redemption of TARP Preferred Stock	(10,500)	—	—	—	—	—	—	—	—	(10,500)
Net income	—	—	—	—	—	—	20,700	—	—	20,700
Other comprehensive income (loss)	—	—	—	—	—	—	—	(553)	—	(553)
Balance, December 31, 2016	$9,746	18,078,247	$182	$197,157	76,118	$(1,374)	$83,910	$(276)	$—	$289,345

See accompanying notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

	2016	2015	2014
Cash flows from operating activities:			
Net income	$20,700	$29,133	$19,789
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	2,817	2,143	1,946
Net accretion on loans and deposits	(7,482)	(4,928)	(8,992)
Amortization of junior subordinated debentures	325	264	252
Amortization of subordinated notes issuance costs	23	—	—
Net amortization on securities	2,285	590	1,010
Amortization of intangible assets	3,782	3,979	2,923
Deferred taxes	1,887	(280)	4,373
Provision for loan losses	6,693	4,529	5,858
Stock based compensation	2,367	3,077	2,690
Origination of loans held for sale	(891)	(59,261)	(58,123)
Proceeds from sale of loans originated for sale	2,248	62,838	68,845
Net (gains) losses on sale of securities	56	(259)	(88)
Net gain on loans transferred to loans held for sale	(154)	—	—
Net gains on sale of loans	(16)	(1,630)	(1,495)
Net OREO (gains) losses and valuation adjustments	1,427	108	582
Income from CLO warehouse investments	(3,184)	(1,151)	(545)
Bargain purchase gain	—	(15,117)	—
Gain on branch sale	—	—	(12,619)
(Increase) decrease in other assets	1,197	1,075	(1,525)
Increase (decrease) in other liabilities	(3,097)	186	(5,201)
Net cash provided by (used in) operating activities	30,983	25,296	19,680
Cash flows from investing activities:			
Purchases of securities available for sale	(19,942)	(30,544)	(27,970)
Proceeds from sales of securities available for sale	34,338	17,635	24,424
Proceeds from maturities, calls, and pay downs of securities available for sale	31,847	11,132	26,548
Purchases of securities held to maturity	(29,117)	—	—
Proceeds from maturities, calls, and pay downs of securities held to maturity	136	—	—
Purchases of loans (shared national credits)	(995)	(28,619)	—
Proceeds from sale of loans	24,538	—	—
Net change in loans	(295,315)	(252,390)	(156,946)
Purchases of premises and equipment, net	(4,325)	(2,437)	(2,745)
Net proceeds from sale of OREO	3,320	3,881	5,321
Net cash paid for CLO warehouse investments	(25,000)	(20,500)	(7,000)
Net proceeds from CLO warehouse investments	25,500	2,450	7,450

(Purchases) redemptions of FHLB and Federal Reserve Bank stock, net	(4,062)	1,085	899
Cash paid for acquisitions, net	(14,479)	(127,591)	(49,482)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765	—
Net proceeds from sale of branch	—	—	57,409
Net cash provided by (used in) investing activities	(273,556)	(389,133)	(122,092)
Cash flows from financing activities:			
Net increase in deposits	114,002	83,998	156,509
Increase (decrease) in customer repurchase agreements	1,173	35	(2,048)
Increase (decrease) in Federal Home Loan Bank advances	100,000	127,000	(18,000)
Repayment of senior secured note	—	—	(12,573)
Proceeds from issuance of subordinated notes, net	48,676	—	—
Proceeds from issuance of other borrowings	—	99,975	—
Repayment of other borrowings	—	(1,659)	—
Issuance of common stock in connection with initial public offering, net of expenses	—	—	83,767
Issuance of common stock, net of costs	—	—	43
Purchase of Treasury Stock	(654)	(343)	(161)
Distributions on noncontrolling interest and preferred stock	(887)	(780)	(3,037)
Redemption of TARP preferred stock	(10,500)	—	—
Redemption of Senior Preferred Stock Series T-1 and T-2	—	—	(25,897)
Redemption of TCF Class B units	—	—	(1,100)
Net cash provided by (used in) financing activities	251,810	308,226	177,503
Net increase (decrease) in cash and cash equivalents	9,237	(55,611)	75,091
Cash and cash equivalents at beginning of period	105,277		