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PRESENTATION

Operator

Welcome to the Triumph Bancorp Incorporated third-quarter call. My name is Christine and I will be your operator for today's call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session.

I will now turn the call over to Luke Wyse. You may begin.

Luke Wyse - *Triumph Bancorp, Inc. - VP of IR*

Good morning. Welcome to the Triumph Bancorp conference call to discuss our third-quarter 2014 financial results. I'm Luke Wyse of Triumph, and I would like to thank you for joining us this morning. I will go over a few housekeeping items and then hand it over to Aaron Graft, our CEO, to lead the presentation.

Triumph Bancorp filed its third-quarter 10-Q last evening and we will be reviewing the highlights of that 10-Q on our call this morning. If needed, a copy of the 10-Q is available on the investor relations section of our website at www.TriumphBancorp.com or by calling our investor relations department at 214-365-6936.

To begin, I would like to offer a few reminders. Some of the remarks made today will constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We intend such statements to be covered by the Safe Harbor provisions for forward-looking statements contained in the Act. We caution you that 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 or events may differ materially from those expressed in or suggested by the forward-looking statements. Any forward-looking statement made by Triumph on this conference call speaks only as of the date hereof. New risks and uncertainties come up from time to time and it is impossible for Triumph to predict these events or how they may affect us. Triumph has no obligation and does not intend to update forward-looking statements after the date hereof except as required by federal securities law.

On this call we may discuss a number of financial measures considered to be non-GAAP under the SEC's rules. Reconciliations of these financial measures with GAAP are included in our 10-Q filed last evening. At the conclusion of our remarks, we will open the telephone lines for questions.

With those reminders I would like to turn the call over to Aaron. Aaron?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Thank you, Luke. Good morning and thank you for joining us. It is my pleasure to review the third-quarter 2014 financial results for Triumph. Following that, our CFO, Bryce Fowler, will provide additional comments. After that we will be happy to answer any of your questions.

Since this is our first earnings call, I thought it might be helpful to provide a framework for our approach. Each quarter I plan to discuss what went well, what didn't go as well as we would have liked, and what our priorities are for the future.

Before doing that on this call, we have some recent developments to discuss. These can be found in greater detail in our 10-Q filed last evening but I will provide an overview here.

On November 13, we completed the initial public offering of our common stock. Net proceeds from the IPO and the subsequent exercising of the underwriter's option to purchase additional shares were approximately $83 million net of discounts and estimated expenses. Prior to the offering, we adopted our 2014 Omnibus incentive plan which provides for the grant of a variety of awards that may be settled in or based upon the value of our common stock.

The aggregate number of shares of our common stock available for issuance under the Omnibus incentive plan is 1.2 million shares. On December 1, 2014, we granted approximately 378,000 restricted shares to certain officers and employees in consideration for their efforts in bringing Triumph to this point and for purposes of retention. On November 13, we retired our senior secured indebtedness consisting of a senior secured note with a principal amount of $11.3 million, a 1% prepayment penalty of $113,000 and accrued but unpaid interest of $41,000.

On December 2, 2014, we announced that we had received all necessary regulatory approvals to redeem all of the outstanding shares of the TARP preferred stock outstanding at National Bancshares Inc., our wholly-owned subsidiary acquired as part of the Triumph Community Bank acquisition. The TARP preferred stock will be redeemed for a total redemption price of approximately $26.2 million on or about December 31, 2014. We will have in excess of $45 million in net proceeds from the IPO remaining after retirement of the debt and TARP providing us the ability to continue to execute on our growth strategy.

Among the things that went well this quarter, we closed on the sale of our Pewaukee, Wisconsin branch for a pretax gain of $12.6 million. As mentioned previously, we also successfully completed our IPO and will have retired a significant debt and preferred stock burden by year end. Bryce will get into greater detail but loan growth is up on the quarter and for the year despite the fact that we sold $78.1 million in loans with the Pewaukee branch sale.

Net interest margins are improving due to the continuing growth in our commercial finance lending products including the effect of a full quarter with our Triumph Healthcare Finance unit. We acquired this business last June. We are also beginning to see recurring fee income in our asset management business with two CLOs closed this year.

Things that didn't go as well as we would have liked and remain areas for improvement include the improvement of our expense ratios from their current levels. Whether you measure that through the efficiency ratio which was 78.3% for the quarter adjusted for Pewaukee, or through our net noninterest expense to average assets ratio which was 4.5% again adjusted for the Pewaukee sale. Even if we were to adjust for other certain one-time items such as our rebranding efforts or IPO-related expenses, these ratios are higher than we would like for the long-term. This is not a surprise as we have made significant investments to build our corporate infrastructure and to put in place the leadership team necessary to operate Triumph the way we envisioned it. But nevertheless, we view this as an area of improvement.

The core team for Triumph is now largely in place and the expenses of the IPO are behind us. It is now time for us to execute on our growth strategy and integration plans to create long-term value by growing revenues at a significantly greater rate than expenses.

As to future opportunities, M&A is top of mind as a key element of our growth strategy and a natural use of our IPO proceeds. While we have nothing substantive to discuss yet, we have been approached by and are approaching a number of institutions around the country. We are evaluating strategic and opportunistic acquisitions. We view acquisitions in two ways; opportunistic acquisitions are acquisitions that would essentially reproduce our Triumph Community Bank acquisition that we completed last October and do it again in the new market. The parameters we are looking for the theoretical target would be a low return on assets, low loan to deposit ratio and low net noninterest expense to average asset institution in a market where it is one of the leading deposit gatherers.

Strategic opportunities for Triumph would include bolt-on institutions or branch acquisitions in or near our existing markets.

With that introduction, I would like to turn the call over to Bryce to provide his thoughts on our financial performance in the third quarter. Bryce?

Bryce Fowler - *Triumph Bancorp, Inc. - CFO*

Thank you, Aaron. I will begin by addressing the overall operating results for the third quarter then address the impact of the branch sale and the nonrecurring expenses that we previously disclosed in the recent development section of our S1. Then provide a recap of other significant items affecting the balance sheet and income statement.

Third-quarter net income was $10.3 million. After giving effect to our preferred shares, net income to common shareholders was $9.5 million resulting in basic earnings per share of $0.96 and diluted earnings per share of $0.91.

As Aaron mentioned, the sale of our Pewaukee, Wisconsin branch resulted in a $12.6 million gain which is an after-tax gain of $7.9 million.

Besides the material impact on net income for the third quarter, the sale also impacts comparisons of balance sheet metrics to prior quarters this year as we sold branch deposits of $36.3 million, selected loans in the local market with the carrying amount of $78.1 million, and $2.3 million of premises and equipment.

Triumph received net cash proceeds of $57.4 million and overall this transaction contributed to the reduction in total assets quarter over quarter from $1.407 billion to $1.348 billion. Basic and diluted earnings per share for the third quarter excluding the gain on the sale of branch were both $0.16 per share.

Year to date net income available to common shareholders is $14.9 million or $1.47 per diluted share. Excluding the branch gain, basic and diluted earnings per share was $0.71 year to date.

Third-quarter results were also impacted by nonrecurring expenses of $1.5 million. These items include approximately $800,000 in rebranding expenses, approximately $300,000 in IPO-related consulting expenses, and approximately $400,000 in accelerated stock-based compensation vesting as we terminated our old stock plan in anticipation of implementing our new omnibus plan in conjunction with the offering.

With regard to the balance sheet, loans held for investment were $977.1 million at September 30, 2014 versus $881.1 million on December 31, 2013, representing an increase of $96 million. This $96 million increase is after the effect of the sale of $78.1 million of loans in the Pewaukee branch sale and includes the acquisition in June of our Triumph Healthcare Group which has $40.9 million of loans as of September 30.

Loans held for investment increased from June 30, 2014 by $37.6 million which is an annualized growth rate of 16%. Loan growth in the third quarter was primarily due to continued growth in our commercial loans and factored receivables. Our commercial finance portfolio overall which includes our factored receivables, our equipment and ABL products marketed under our Triumph Commercial Finance name and our Healthcare ABL portfolio marketed under Triumph Healthcare Finance, increased $32.6 million to $354.5 million as of September 30, 2014 from $321.9 million as of June 30. This is an annualized growth rate of 40.5%.

As of September 30, our Triumph Commercial Finance equipment loan portfolio increased $23.3 million to $94.5 million. Our Triumph Commercial Finance and Healthcare ABL portfolio was down $3.5 million to $90.9 million and factored receivables increased approximately $12.8 million to $169.1 million.

Our GAAP annualized yield on loans declined 17 basis points for the quarter ended September versus the June quarter declining from 8.83% to 8.66% with a decrease in these yields attributable to the expected and continued reduction in discount accretion on the acquired loan portfolios. Importantly however, adjusted loan yields excluding the impact of discount accretion were up 28 basis points in the quarter ended September over the quarter ended June 30 increasing from 7.75% to 8.03%.

This increase is primarily due to the continued growth of our commercial finance loan portfolio as a percentage of total loans and the impact of the Triumph Healthcare Finance ABL portfolio acquired in June 2014 being included in our portfolio over the full third quarter.

Our commercial finance portfolio as a percentage of total loans increased to 36% as of September 30, up from 34% as of June 30.

Our net interest margin in the September quarter increased from the June quarter by 11 basis points to 6.69%. Our adjusted net interest margin increased quarter over quarter by 43 basis points from 5.76% to 6.19%.

Total deposits were $1.106 billion as of the quarter ended September 30, an increase of $60.8 million year to date. This increase is net of $36.3 million in deposits sold in the Pewaukee branch. Despite the sale, year-to-date total deposits were up $60.8 million or an annualized rate of 7.8%. Total deposits as of September 30, decreased from June 30 by $2.6 million which again is primarily attributable to the $36 million of branch deposits sold during this quarter.

The average cost of interest-bearing deposits was 56 basis points for the quarter ended September 30, 2014 versus 50 basis points for the quarter ended June 30, on an annualized basis. The increase in our cost of deposits was mostly related to growth in time deposits during the quarter as the rate of our loan growth exceeded our organic growth in time deposits during the period.

We earned noninterest income of $15.8 million for the three months ended September 30, 2014 or $3.2 million excluding the gain on the sale of the Pewaukee branch. Excluding the branch gain, noninterest income increased approximately $550,000 over the June quarter. This increase was principally from increased CLO asset management fees related to the closing of Triumph Capital Advisors first CLO offering in May of 2014 and second CLO offering in August of 2014. For the quarter, we earned $374,000 in asset management fees.

Noninterest expense totaled $18.5 million for the three months ended September 30, 2014 compared to $16.2 million for the three months ended June 30, an increase of $2.3 million of which $1.5 million is attributable to nonrecurring items I addressed earlier. The remaining increase was mostly related to personnel infrastructure support growth and organically generated product lines and other strategic initiatives.

From June 30, 2014 to September 30, 2014, our allowance for loan and lease loss increased from $6.3 million or 67 basis points of total loans to $7.3 million or 75 basis points of total loans. The increase was principally driven by growth in commercial finance loans and factored receivables as well as changes in mix of collectively evaluated loans. Net charge-offs were $308,000 for the September quarter representing an annualized charge-off rate to average loans of 3 basis points.

With that I would like to turn the call back over to Aaron.

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Thank you, Bryce. As you can see, the third quarter was very busy for Triumph. We sold a branch, took our first steps towards becoming a public company and completed a significant rebranding effort for two of our acquired business lines. We are very proud of the work we have done and the results we achieved in this quarter. Now we are laser focused on executing our growth strategy while improving the efficiency of our operations.

At this point I would like to turn the call back over to the operator for any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Brad Milsaps, Sandler O'Neill.

Brad Milsaps - *Sandler O'Neill & Partners - Analyst*

Good morning. Bryce or Aaron, just curious if you guys maybe could talk a little bit more about your NIM outlook, most of your growth this quarter came from the specialty finance book which certainly helps. Just maybe a little more color on your outlook and what you are seeing there in terms of maybe additional expansion?

And then additionally, just how much you have left in terms of accretable yield to come through? I know you had talked about sort of two-thirds of that $13.8 million number coming through by the end of 2016. Just wanted to see if there had been any change in regard to the pace of that flowing through net interest income?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Great question. Let me take it, Brad, at a high level and then I will turn it over to Bryce to answer from an accretable -- the question regarding the remaining accretable yield.

I would say that on an organic growth trajectory, what you have seen the last few quarters we would expect to continue for the next few quarters which is the commercial finance portfolio growing at a faster pace than the Community Bank portfolio which is going to -- if you take away the effect of the discount accretion we have been recognizing is going to drive our net interest margin higher.

Were we to do any type of acquisition of course you would expect that to drive our net interest margin lower as we would bring in lower yielding assets. And so the growth of commercial finance as a relative percentage of our portfolio continues on our expected trajectory.

With that, I will turn it over to Bryce to talk about the remaining accretable yield on the portfolio.

Bryce Fowler - *Triumph Bancorp, Inc. - CFO*

Sure. Brad, I think we had discussed previously that as of the end of June, we had about $13.8 million of accretable yield and expected on a go-forward basis to accrete about two-thirds of that by the end of 2016. That accretion of course is driven on a period basis by the actual performance of the portfolio and runoff because it is a level yield calculation. So it is not an exact science predicted out into the future but I think it is continuing to accrete at the levels we have estimated at least on a material basis. We've accreted probably a little over $1.4 million, close to $1.5 million in the September quarter. So we have like $12.4 million of the accretable yield left at the end of September. And I think you have to kind of look at those numbers there again through the end of 2016 now given the accretion that has occurred, we would still expect to accrete about 64% of that remaining amount by the end of 2016. But the accretable or the amount that is accreted quarter to quarter declines as the portfolio runs off as it is just the results of the [level] yield calculations.

Brad Milsaps - *Sandler O'Neill & Partners - Analyst*

Absolutely. That is very helpful and just one follow-up. Aaron, I know you guys don't do a lot of direct energy lending but just curious with the decline in oil prices and gas prices, how does that affect your factoring business? Does that -- obviously that should improve cash flows for truckers but does that hurt their need to factor or is there more activity so maybe it picks up? Just kind of curious any additional color there would be great.

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

The price of oil affects a lot more people than as you know just the oil and gas producers. As you said just to clarify for those on the call, we don't do direct lending in that space. So when we think about our oil and gas exposure, we think about it through primarily our commercial finance clients who are exposed to that industry either through oilfield services companies or for whom we are factoring receivables or equipment finance clients who are utilizing equipment in that space or even trucking clients who are hauling for that industry.

With respect to the immediate effects, what will happen is to the extent that diesel prices drop, that would -- notwithstanding another move in freight, that would on an absolute basis reduce the size of each individual receivable you would expect us to buy because there is a correlation in there.

When you reduce the size of the individual receivable, then that is correspondingly going to reduce our factoring fee. We don't have -- I think a lot has already been said about the effects on the economy and whether that will increase spending of consumer discretionary spending. As of yet we haven't seen anything. Our portfolio continues to grow so any discount or any loss of factoring fee due to a slightly smaller average invoice size has been more than offset by an increase in the number of invoices being purchased.

Brad Milsaps - *Sandler O'Neill & Partners - Analyst*

Great, that is helpful. Thank you, guys.

Operator

John Pancari, Evercore ISI.

John Pancari - *Evercore ISI - Analyst*

Good morning, guys. So back to the margin. So the core margin excluding the purchase accounting accretion just so I understand you correctly, if we exclude purchase accounting and we exclude the likelihood of any additional unannounced acquisitions, is it fair to assume that the core margin is relatively stable here or should still edge higher because of the mix shift to the higher yielding loan portfolios?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

I think it would, I would expect if it does move higher it would be nominally higher.

John Pancari - *Evercore ISI - Analyst*

And mainly because of the mix shift, correct?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Yes, that is correct.

John Pancari - *Evercore ISI - Analyst*

Okay. And then on the loan growth side, you saw some pretty good growth in equipment finance this quarter. Want to see if you can give us a little bit of color there on what drove that? And then also in the ABL business this quarter I was surprised to see the total ABL balance down on a linked quarter basis so wanted to get a little bit of color on that as well.

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Sure. Let's start with that one. When your -- ABL lending is a much longer sales cycle than an equipment finance loan and many of our equipment finance clients use multiple lenders. We are financing discrete pieces of equipment so that process moves much quicker. For an ABL line you are the primary lender for that client and so it is a longer sales cycle.

I would say that the decrease is just a function of timing. Our pipeline, we are very pleased with. I think it just becomes lumpy when you look at it only being a $90 million portfolio and $4 million to $5 million average credit sizes can move that portfolio substantially in a single quarter. So we don't see any ongoing trends as a result of a lack of growth in the third quarter.

With respect to equipment finance, there is a lot of factors at play. The one that may be the hardest for us to quantify is I think we are growing our brand recognition in the industry and so a lot of repeat customers, a lot of customer referrals as we have grown this business. We think we are taking some market share from other competitors by virtue of being in the niche that I have often described where we are generally a cheaper source of credit than non-bank competitors but we are faster and more creative than bank competitors and that niche seems to serve us very well.

There has been no specific catalyst in that area, it is a lot of repeat customers and customer growth. And so I can't point you to anything other than we just -- I think the only other thing I would say is we continue to add markets that we cover with salespeople and of course when you do that you would expect your portfolio to grow.

John Pancari - *Evercore ISI - Analyst*

Okay, that is helpful. And then lastly is around M&A. You mentioned the ongoing interest in acquisitions. Can you talk about the landscape for bank deals? Have you seen any notable changes in pricing and the availability of deals and the type of targets you are looking at from the acquirer perspective?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Sure. As you know, we have a slightly different criteria set for acquisitions than I would think most competitors who are looking at end market deals where they are highly focused on having loan books that are acquiring institutions that are perhaps more loaned up than we are looking at.

A lot has been written about macro shifts and price increases in the M&A landscape. But what we have found and the deals that we are working on is every deal is a story and I think that there are pieces of our story that make us a unique fit with some of the people we are looking at. And I don't from what I see at the current time, I don't see that the change in the market landscape has been such that the pricing expectations along the lines of where we have done deals in the past that there is a material shift. But we are always looking for a unique set of circumstances in every deal we pursue.

John Pancari - *Evercore ISI - Analyst*

Okay. And then on that topic, you said one other thing that was interesting. You said that in your comment around M&As that you have also been approached. Have you seen a stepped up increase in your franchise by potential acquirers that you point that out?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Stepped up would probably be too strong of a statement. I do think we are on a lot more people's radar by virtue of going public.

John Pancari

Got it. All right. Thank you.

Operator

Jefferson Harralson, KBW.

Jefferson Harralson - *Keefe, Bruyette & Woods - Analyst*

Thanks, guys. Is the $17 million number a decent base for us to build our models off of in the future?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Can you clarify, Jefferson, what you are referring to there?

Jefferson Harralson - *Keefe, Bruyette & Woods - Analyst*

Because you reported $18.5 million of expenses but you kind of add up the one-times and subtract them out, it gets you back down to a $17 million base if I'm thinking about that correctly as being one time. And so if I kind of put a decent growth rate up that $17 million number, is that the right way to think about what we should expect from the expense line in the next year or two?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Jefferson, I would say that as we have alluded to, we all know that the area for us to improve is in expenses relative to average assets. It is a little difficult for me to answer that because I know you are modeling us on an organic basis but we are also looking at things in our seat through the lens of M&A and how that affects things.

So I don't know that we could give you specific guidance on that. I don't think that you are far afield but I would also say that we are, as our expectations for the next year involve some items that could move expenses around but also would have significant impacts elsewhere in the balance sheet.

Jefferson Harralson - *Keefe, Bruyette & Woods - Analyst*

Okay, that makes sense. Can you update us on where the CLO number three is, what stage it is and when it is likely to finish out and sell to investors?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Sure, Jefferson, the CLO number three is in the warehouse phase. We have approximately $250 million of assets in the warehouse. Our expectation is we will be marketing the deal in early to mid January and that it will close in the first quarter and that it will be a $500 million securitization.

Jefferson Harralson - *Keefe, Bruyette & Woods - Analyst*

Okay. Thanks, guys.

Operator

(Operator Instructions). Bill Carcache, Nomura Securities.

Unidentified Participant

Good morning. Thank you for the opportunity. This is actually Yuman filling in for Bill. Most of my questions have been asked and answered. So there has been increased focus recently on large banks that are considering charging fees on deposits that they don't view as LCR friendly. So to what extent do you think there is an opportunity for smaller banks to pick up deposits?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Well, I think there is a lot of things that go into the ability of smaller banks to pick up deposits. The thing we have to overcome that I think big banks are able to offer is obviously they are able to -- the amount they spend on technology is substantially in excess of what a smaller bank can spend. They have large branch networks, etc., but I think those regulations to which you referred among a host of other things are what create the opportunity for smaller banks to take market share. But I don't think we are predicting any long-term trend in smaller banks taking substantial market share from larger institutions but we expect to do it in our local markets through superior execution and because we offer products that not a lot of our competition is willing to offer.

Unidentified Participant

Got it. Thank you.

Operator

Rod Hinze, Keypoint Capital.

Rod Hinze - *Keypoint Capital - Analyst*

Good morning. Thanks for taking my question. There were a number of acquisitions of your stock by insiders during the month and I am wondering if those were all part of the stock-based compensation plan or were those open market transactions?

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

Rod, I don't remember the exact number but I know that several of our executives and team members bought stock in the open market and through the directed share program. There was a one-time IPO grant that is further disclosed in the 10-Q but in addition to that, there was a substantial purchase of stock by Board members and senior executives.

Rod Hinze - *Keypoint Capital - Analyst*

Got it. Okay, thank you.

Operator

We have no further questions at this time. I will now turn the call back over to your hosts, Aaron Graft and Bryce Fowler.

Aaron Graft - *Triumph Bancorp, Inc. - CEO*

We want to thank everybody for joining us on our first call and we look forward to successful days ahead. Have a great day and Merry Christmas.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.