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TBK - Q3 2015 Triumph Bancorp Inc Earnings Call

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PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Triumph Bancorp for Third Quarter, 2015, earnings conference call. At this time all participants are in a listen only mode. Later, we will conduct a question and answer session, and instructions will follow at that time.

(Operator Instructions)

As a reminder, this conference call may be recorded. I would now like to turn the conference over Luke Wyse. You may begin.

Luke Wyse - *Triumph Bancorp, Inc. - VP- Finance & IR*

Thank you. Good morning, welcome to the Triumph Bancorp conference call to discuss our 2015 third quarter financial results. I am Luke Wyse, vice president of finance and investor relations at Triumph and I would to thank you for joining us this morning. I'll 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 earnings release last evening as well a slide deck, and these items will form the substance of our call this morning. If needed, copies of the earnings release and slide deck are available on the investor relations section of our website, 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 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's impossible for Triumph to predict these events or how they may affect it. Triumph has no obligation, and does not intend to update any forward looking statements after the date hereof, except as required by applicable laws.

On this call we may discuss a number of financial measures considered to be non-GAAP under SEC rules. Reconciliations of these financial measures with GAAP are included in that earnings release and slide deck filed last evening. At the conclusion of our remarks we will open the telephone lines for Q&A. 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's my pleasure to review our third quarter results with you. After I finish, our CFO, Bryce Fowler, will provide additional comments and a more detailed overview of some of the underlying metrics. Dan Karas, our chief lending officer, and Gibran Mahmud, our chief investment officer at Triumph Capital Advisors, are also joining us for the Q&A.

Net income to common shareholders for the quarter was $5.7 million, or $0.32 cents per share. These results include a net benefit of $1.7 million recorded this quarter to increase the bargain purchase gain realized on the acquisition of Doral Money, Inc., bringing our gain on this transaction to $14.2 million.

Earnings per share this quarter, excluding this bargain purchase gain adjustment, were $0.22 cents per share on a fully diluted basis. Year to date, we have grown tangible book value by $1.42 per share, which is an increase of 12.8%.

For the quarter, our loan portfolio grew $32.6 million, representing an annualized growth rate of just over 11%. Year to date growth in our loan portfolio has been $179.4 million, which is an annualized rate of 24%. Our commercial finance portfolio grew $30.1 million to $497.8 million, and it now represents 42% of our total loan portfolio.

Net interest margin, adjusted to exclude the effect of loan discount accretion, was 6.14% this quarter. Our reported loan yields and net interest margin are down from the prior quarter, primarily due to the prior quarter, including $2.3 million of interest income and fees realized on the restructuring of an ABL facility, and the resolution of a non-performing loan we acquired in our original bank acquisition in 2010.

Our efficiency ratio and the ratio of net non-interest expense to average assets rose slightly this quarter, primarily due to expenses in our asset management segment. As a reminder, our asset management segment led the acquisition of Doral Money, Inc., which created a substantial value for our shareholders.

We continue to make investments in our Triumph Capital Advisors team to position it for future growth and expansion. In addition, we incurred expenses this quarter associated with our continued evaluation in preparation for the upcoming effectiveness of the risk retention rules associated with CLO Management.

Our asset quality ratios all improved this quarter. The level of non-performing assets to total assets has declined to 1.12% from 1.73% at the end of last year. Net charge-offs to average loans were only one basis point for this quarter on a non-annualized basis.

On our last call, we discussed Triumph Business Capital, our factoring subsidiary, and the continued impact of lower oil and diesel prices have had on the average size of invoices we purchase. This quarter, the balance of outstanding receivables at Triumph Business Capital decreased $500,000 to $175.7 million. We've continued to experience a decline in the average invoice size purchase due to the continuation of lower fuel prices and soft freight rates.

The average invoice size purchased this quarter was $1,431 versus $1,509 in the prior quarter. A decline of 5%. While a softer market and fuel prices are out of our control, I am very pleased by the results in what we can control. We continue to gain market shares. We have added 128 net new clients in the quarter. And, as a result, the number of invoice purchased increased from 276,000 to 292,000 in the current quarter, an increase of almost 6%.

The dollar value of invoices purchased this quarter increased $1 million over the prior quarter to $418 million. As a result, our profitability remains strong, even without the benefit of the higher oil and diesel prices we saw last year, which has us well-positioned to take advantage of the tailwinds that will come when the cycle reverses.

We remain committed to our strategy in this segment of providing institutional quality services to what has historically been a non-institutional market and we remain convinced that in so doing we will separate ourselves from our competitors. We continue our efforts to identify ways in which our Triumph Capital Advisor subsidiary can generate fee income from new CLO activity without incurring material balance sheet risk.

During the third quarter, a new entity, Trinitas Capital Management, was formed and capitalized by independent third party investors. Trinitas Capital, which is also a registered investment advisor, is governed by an independent board of directors. Trinitas will not be consolidated on Triumph's balance sheet. It is anticipated that Trinitas will act as an asset manager for the new CLOs, and will hold the risk retention investment in those CLOs.

Subject to the approval of Trinitas' board of directors for each CLO transaction, we anticipate that Trinitas will engage Triumph Capital Advisors to provide certain middle and back-office services to Trinitas for the CLOs it manages. In connection with the issuance of the first CLO to be managed by Trinitas and our appointment to provide services to Trinitas, we also anticipate making a minority investment in the entity.

Growing our asset management business and expanding the ways in which it can generate non-interest income for Triumph remains a priority for us. We believe that our contemplated relationship with Trinitas will allow us to achieve this goal and to continue to warehouse talent in our asset management group to take advantage of credit opportunities in the future.

Effective October 1st, 2015, we completed the merger of Triumph Community Bank into Triumph Savings Bank. The combined bank was renamed TBK Bank, SSB. The completion of this merger and the conversion of our core operating systems that will follow in the fourth quarter, will give us a single platform on which to integrate new acquisitions and allow us to most efficiently allocate resources across our platform.

We expect to continue improving core earnings as we reap the benefits of our platform investments. Further, we expect to improve our efficiency and earnings power as we invest the excess capital raised in our November, 2014 IPO. We are committed to this process, and are currently engaged in multiple M&A discussions.

While it is impossible to generalize all of the factors of an acquisition target, I can broadly describe acquisition opportunities as meeting the following criteria; being immediately accretive to earnings, improving our core deposit franchise and creating liquidity, representing in-market or near market strategic acquisitions that will lead to material cost savings from synergies of scale and/or distressed targets similar to our past acquisitions which create minimal, tangible book value dilution.

These also give us the opportunity to create franchise value by repositioning a distress bank into a market leader. Of course, not all of these factors exist in any one acquisition opportunity, but, these are descriptive of the types of deals we are pursuing. It is possible that our first announced acquisition may not provide a long-term deposit solution to match our asset growth, but may, instead, be purely accretive to our bottom line.

But, we don't intend to do just one single deal; in my opinion, investors can remain confident that Triumph will stick to its historical playbook of minimizing tangible book value dilution, focusing on long-term value creation opportunities that are created by shorter term market dislocations, and utilizing our talents when it comes to valuing and working out problem loans.

Along the way, we continue to grow our core earnings, improve our platform, and solidify our position as a leader in the markets we serve. With that, I'd like to turn the call over the Bryce, to provide his thoughts on our financial performance in the third quarter. Bryce?

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

Thank you, Aaron. The $1.7 million increase to the bargain purchase gain recognized this quarter is primarily attributable to an additional federal income tax refund available through the carry back of Doral Money's prior year losses. This adjustment is non-taxable, and is a component of the reconciliation of our effective tax rate for this quarter, which I will address later.

Slides seven and eight, as well as the tables attached to the earnings release, present a current and historic mix of loan portfolio. Despite the decline in average invoice size experienced by Triumph Business Capital, the commercial finance loan portfolio continued to experience net growth of

6.4% on a linked quarter basis, with the strongest net growth this quarter in our combined asset based lending loan portfolio which grew approximately $22.6 million, for 17.4% linked quarter.

Outside the commercial finance portfolio, we experienced a small decline of $3.3 million in our mortgage warehouse loans and a net $5.8 million increase in the remainder of the Community Bank loan portfolio. Slide 13 presents our improved asset quality metrics; from June 30th to September 30th, our allowance for loan on lease loss remained relatively flat at $11.5 million or 97 basis points of total loans.

And the provision for loan loss expense this quarter was $165,000 versus $2.5 million in the June quarter. The lower quarter-over-quarter provision for loan loss is due to several factors, including the smaller net loan growth experienced this quarter; net loans charged off for only $83,000 this quarter and we were able to release a $500,000 specific allocation that had been established in the June quarter due to the successful collection of the at-risk balance.

Offsetting these decreases, in part, is the impact of our turnover of the acquired Legacy loan portfolio at Triumph Community Bank, which becomes subject to our allowance evaluation for approximately $146 million of these Legacy loans excluded from allowance at the end of September quarter versus $161 million which were excluded at the end of June, and $218 million at the end of March.

Pages eight through 10 present trend information for net interest margin. The $2.3 million of interest and fees collected in the second quarter contributed to the spike up for these ratios in the second quarter, and the decline seen in the third quarter. Yield on loans this quarter was 8.34%. The adjusted yield on loans, which excludes the impact of approximately $1.1 million of purchased loan discount accretion reported during the third quarter, was 7.96%.

As of September 30th, 2015, we had $13.6 million of remaining loan purchase discount, of which we expect $7.4 million to accrete into income over the remaining lives of the associated loans. The cost of total deposits increased three basis points quarter over quarter to 59 basis points, due to the mixed change caused by growth and time deposits.

The cost of total funds, which includes our borrowing positions, increased one basis point for a lesser amount that the cost of deposits. So, we're now able to include mortgage warehouse loans in our borrowing base for the Federal Home Loan Bank on a daily basis. As a result, our usage of low-cost advances increased to $61 million.

Overall, net interest margin remains very strong at 6.45% and adjusted net interest margin at 6.14%. Year-to-date adjusted net interest margin is 6.23%. We earned non-interest income of $6.3 million for the quarter ended September 30th, 2015, which includes the $1.7 million adjustment to the bargain purchase gain associated with Doral Money.

Non-interest income also includes $1.7 million in asset management fees. An increase of $470,000 over the prior quarter, as a result of fees earned for the full quarter on TCA's issuance of their latest CLO in late June. Triumph Capital Advisors now has approximately $1.95 billion of assets under management earning, approximately 37.5 bases points on average in management fees on non-warehouse balances.

Non-interest expense includes amortization of the intangible asset value assigned to the CLO asset management contracts acquired from Doral Money of $512,000. This amortization expense is an increase of $300,000 over the June quarter, as we have shortened our estimate of expected life of one of the acquired CLOs.

For the third quarter of 2015, non-interest expense totaled $20.5 million compared to $19.6 million for the second quarter. This increase includes the increase in tangible amortization I mentioned earlier, and increased compensation costs, particularly to position TCA to support future growth.

We also experienced elevated professional fees associated with being a public company in various legal matters. I also want to mention, as we move forward with our core system conversion in the fourth quarter, I expect we will incur costs and fees of approximately $500,000.

Finally, coming back to taxes, our effective tax rate for the third quarter, without the bargain purchase gain, was approximately 41% versus our current expected tax rate of approximately 37% for 2015. This variance is primarily due to the establishment of $140,000 valuation allowance on our deferred tax asset against certain state tax NOLs we no longer believe will be realized.

In addition, due to increasing levels of projected taxable income, we increased our estimated effective tax rate, resulting in an additional $139,000 in provision for taxes on a year-to-date income basis.

With that, I'd like to turn the call back over to Aaron.

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

Thank you, Bryce. To wrap up and before taking questions, I want to make it clear and have our investors understand that it's tough out there. The competition, especially on pricing, is intense. Macro level growth is anemic, and the commodities cycle has created headwinds to our transportation factoring segment, which is a core income driver for us.

Regulatory changes have made our asset management business more difficult. Yet, despite all of the headwinds, we continue to grow earnings and complete strategic initiatives that will facilitate future growth. We, also this quarter, realized the additional fruits of our opportunistic deal making efforts, namely in the acquisition of Doral Money, Inc.

When we find opportunities that present compelling risk reward propositions, we will move decisively; along the way we will stay focused on growing core earnings. And, putting the two together, are intent is to create value for our investors, team members, and customers that is well above market.

At this time, we'd like to turn the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

Thank you (Operator Instructions)

Our first question comes from the line of Brad Milsaps, of Sandler O'Neill. Your line is now open.

Brad Milsaps - *Sandler O'Neill - Analyst*

Hello, good morning.

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

Good morning, Brad.

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

Good morning.

Brad Milsaps - *Sandler O'Neill - Analyst*

Aaron, maybe start a bigger picture for a year or so removed from you guys becoming a public company. We talked about driving that net overhead ratio time down into the low threes. Is that a level you still feel comfortable with? You know, where you sit today; your expenses are up about 20% year over year.

Just kind of curious, kind of your bigger picture thoughts on driving that number down. And, then, as that kind of relates to your near term outlook in getting some more operating leverage. Is that all just, you know, the keys to that issue lie with the deal, or are there other things you can do on your end to help improve that number?

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

To do it organically, it can be done. It would just take a very long period of time - or longer than we would be willing to wait. We view that we have positioned ourselves to be a larger institution by the talent that we've acquired, the systems we've built, the things we've done, including the recent merger of our subsidiary banks.

So, my view on where our ultimate target is on the net overhead ratio is the same as we've said all along and, my view on how we get there is in the next billion dollars in asset growth, which I expect a large part of to come through one or more acquisitions.

And, once we complete those acquisitions and integrate them and continue to organically grow, I expect to hit our target, with regards to overhead ratio. If not, ultimately do better than that. That is our story here is making the balance sheet and the operations more efficient through growth.

As you know, we have excess capital; I think we have excess talent for what we're doing. And, so, we're just working on the right acquisition that will allow us to deploy both well.

Brad Milsaps - *Sandler O'Neill - Analyst*

That makes sense, but from an organic basis or stand-alone Triumph, you wouldn't expect, necessarily, the expense growth to slow down, so to speak.

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

I would expect expense growth to certainly grow at a slower pace than it has in the past, yes. And, we're one year out from becoming a publicly-traded company and the things that are attendant with that. As of right now most of the positions we are looking at hiring are in production-type roles or production support roles.

So, the pace of growth of expenses I do believe will taper off in an organic scenario, but I also don't want to sit here and tell you that we're going to be reducing expenses. I don't think there's a lot of fluff in our expense ratios as they currently are. Instead, it's been getting everything ready to go the next stage.

Brad Milsaps - *Sandler O'Neill - Analyst*

Sure. No, that's helpful. Just back to the provision this quarter. I appreciate the color on the reserve release on the specific allocation. Would you suspect - I mean, obviously, dependent upon loan growth, but would you expect that number to move back somewhere in between this quarter and last quarter? I know that's a pretty wide range, but just kind of curious your thoughts on provisioning going forward.

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

This is Bryce, I'll attempt to take that one. Certainly, the dollar amount of the provision expense this quarter was low and I think we laid out the reversal of the specific reserve there that would have contributed to this quarter. So, really that's not a recurring thing to release specific reserves type thing.

So, you would expect to see provisioning expense commensurate with the rate of growth in total loan portfolio. Just as a reminder, the factoring book receives the largest allocation in the ALLL on the general side versus the rest of the loan portfolios. So, as it grows large provision expense will be bigger on that piece versus the rest. But, we should return that's something that makes better math sense on total loan growth in terms of on the provision side.

Brad Milsaps - *Sandler O'Neill - Analyst*

OK, great. Thank you, guys.

Operator

Thank you. And, our next question comes from the line of Jared Shaw, of Wells Fargo Securities. Your line is now open.

Jared Shaw - *Wells Fargo Securities - Analyst*

Good morning.

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

Good morning, Jared.

Jared Shaw - *Wells Fargo Securities - Analyst*

On the CLO business and the relationship with Trinitas, how would that impact the net management fee to Triumph would you expect going forward?

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

Yes. Jared, my goal in the CLO management space, in that segment, would be to grow the fees that Triumph generates in that space between $2 million and $3 million over the next year. Now, the Legacy assets we manage, the Legacy CLOs we manage, obviously, will over time roll off, but we hope to replace that with this new pipeline from the relationship with Trinitas.

And hopefully, even go beyond that as we expand out into other segments in our asset management business. But, just try to give you as specific an answer as I can to a specific question, I think it's between $2 million and $3 million in 2016 would be what I would expect pre-tax income to be to Triumph from that relationship.

Jared Shaw - *Wells Fargo Securities - Analyst*

So, $2 million to $3 million from the asset management fees on an annual basis, not $2 million to $3 million in growth from where we are here, so the run rate of the business being $2 million to $3 million?

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

Well, no; $2 million to $3 million in growth over where we are now. I don't know if we have a material amount of the current portfolio that's under management rolling off into 2016; most of that's out further into the future. So, it would actually be growth on top of where we are now.

Jared Shaw - *Wells Fargo Securities - Analyst*

Got it. What's the assumption on new issuance to get to that point?

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

Yes, I'll let Gibran take that one.

Gibran Mahmud - *Triumph Bancorp, Inc. - CIO*

Hey, Jared, it's Gibran.

I think that's the same that we discussed previously. Same as we discussed previously; we're modeling out two CLOs annually in the context of $400 million to $500 million each.

Jared Shaw - *Wells Fargo Securities - Analyst*

OK, great. And then shifting away from the CLO side and looking at deposits and funding. Apart from M&A, are there opportunities with deposit strategies or different strategies you could have in your existing markets to see meaningful growth in deposits? Or, is it really dependent upon finding a deposit risk acquisition to move that needle?

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

There are always strategies, and probably one of the strategies we're working on the hardest is for our commercial finance segment; moving away from just being their lender to trying to be their banker by offering treasury management services to those customers.

You don't always get a big hit rate on that, but when you do that's obviously good for the relationship and it's good for deposit growth. When you look at the footprint where the majority of our deposit transactional deposits are gathered in the quad cities and in our Triumph Community Bank footprint, there's not a lot of growth in those markets. We are building a new branch in that market, which we think will drive some growth at the margins; will allow us to serve a part of the community that we haven't historically served.

But all that together will still struggle to stay up with, in my opinion, what I think our loan growth will be. And so, those are partial solutions; the ultimate solution, I believe will be found in an M&A transaction and adding a new market or a couple of new markets in which we have a deposit franchise.

Jared Shaw - *Wells Fargo Securities - Analyst*

While you're waiting for that to come about, do you feel comfortable allowing the loan to deposit ratio up over 100% using borrowings to fill in that funding in the meantime?

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

Well, I'll let Bryce speak on this as well. But, I'll just say we can raise deposits; I mean, given the yield profile of our loan book we can afford to pay for time deposits and bring that money in. So, it's not about the ability to gather deposits, it's the kind of deposits we want to create franchise value.

With respect to liquidity management and loan to deposit ratios, Bryce, you want to add anything to that?

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

I would just mention, one of the things we talked about earlier was our increased use of borrowing from the Federal Home Loan Bank, which contributed to the increase in the loan deposit ratio this quarter. There's been a change in our relationship with the Federal Loan Bank; we're able to use the mortgage warehouse loans as collateral there and it's a daily adjustment to that.

So, it provides us a very nice match in liquidity source for that portfolio, which I'm sure you know, turns very rapidly. And it can grow very rapidly and shrink rapidly. And so, from a liquidity management standpoint, we're using that now to fund the bulk of that portfolio and it's available to handle the net increases that have occurred there.

So, I am comfortable with that use of borrowing, you know, for the longer term in support of that overall. Otherwise, I just agree with what Aaron said that getting the deposits is, I think something that we can do. Again, we'd prefer to not do it with the CDs and that's why we're looking for other opportunities.

Jared Shaw - *Wells Fargo Securities - Analyst*

Great. Thank you.

Operator

Thank you. Our next question comes from the line of Steve Moss, of Evercore ISI. Your line is now open.

Rahul Patil - *Evercore ISI - Analyst*

This is Rahul Patil here for Steve. This question on your CRE balances, the loan balances in the CRE book, they look to be trending down in the last few quarters. What drove the 5% to 6% upside in this in your commercial real estate book?

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

I think it was just a few specific loans. Go ahead, Dan.

Dan Karas - *Triumph Bancorp, Inc. - Chief Lending Officer*

Yes. Thank you. Aaron's correct, it really is just a few specific loans that moved the needle. That's a challenging market, as most are today with respect to price in particular. So, we're selective in the CRE opportunities, and where we can develop long-term relationships. That's where we're focused. So, I don't think there's anything unusual in the trends, it just happens to be movement of a few loans.

Rahul Patil - *Evercore ISI - Analyst*

All right. And then, just switching back to the professional fees that picked up in this quarter, it was up $500,000. What drove that increase, and is that, if anything, one off in the quarter? Or, is that a good run rate going forward?

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

This is Bryce. I don't believe that would be a good rate going forward; it better not be. I think that we did have some in there associated with costs; professional costs incurred with our analysis, kind of making sure that our establishment and our relationship with Trinitas Capital Management was appropriate under the banking regs and from an accounting side.

So, there's one-time items in there associated with that. We also had some consulting costs associated with, frankly, some compensation consulting, as we're in this public world we're revamping some of the programs there. And, just generally, some legal costs that associated with -- we mentioned the half million dollar release on specific reserve.

We had a couple of loans we worked through. I had some legal costs associated with those and I hope those are not recurring items at that level. We also had some increased costs on tax preparation works I had to do with Doral Money. A tax issue and the adjustment on the bargain purchase gain we had to spend to get that captured.

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

Those were dollars you're happy to spend when you create a $14 million gain. But those are also one-time expenses that you don't expect to continue in the future, unless we have future $14 million gains, in which case I'm happy to spend those dollars.

Rahul Patil - *Evercore ISI - Analyst*

All right. Perfect. Thank you, guys.

Operator

Thank you. And, our next question comes from the line of Jefferson Harralson, of KBW. Your line is now open.

Jefferson Harralson - *KBW - Analyst*

I was going to ask another Trinitas question. Is there some expense savings on the Triumph income statement on the change to have in the CLOs managed there? So, in addition to $2 to $3 million of higher fee accounts, is their also a save in expenses there, too, or do all of the expenses flow through to the bank?

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

It's still going to flow through, Jefferson; it's not $2 million to $3 million of increased income and expense decreases, the expenses stay the same; $2 million to $3 million and hopefully growing beyond that at even a faster rate for pre-tax income flowing to the bottom line.

Jefferson Harralson - *KBW - Analyst*

All right. And the minority investment and the entity. Is that closer to 49% or 5% or 10%?

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Aaron Graft: Yes, 5% or 10% of it. The rules that prohibit -- so, we have to make sure that we don't do anything, and we have made sure, that Trinitas would be consolidated on our balance sheets to make sure that it would not be consolidated. And so, at that level, you're looking at more likely a 5% investment and possibly a 9% investment, than anything close to half.

Jefferson Harralson - *KBW - Analyst*

And, I think it's the first time I've seen it, you have two CLOs in warehouse right now? Is that a new strategy, or is that just an overlap that happened because one was getting kind of close and one is just starting out?

Gibran Mahmud - *Triumph Bancorp, Inc. - CIO*

Yes, I think that's exactly right, what you stated at the end. There's two warehouses in various stages; the first warehouse is much more further along down the path, in terms of becoming a CLO and the second one is in its early stages just coming on line.

Jefferson Harralson - *KBW - Analyst*

OK.

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

Just sort of prep us for two CLOs, which there is both.

Jefferson Harralson - *KBW - Analyst*

OK, all right. Thanks a lot, guys. I'll pass it on to someone else.

Operator

Thank you. (Operator Instructions) And as there are no further questions at this time, I'd like to hand the call back to Aaron Graft for any closing remarks.

PRESENTATION

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

Yes, thank you all for joining us. As I mentioned before we turned it over for questions, there are headwinds and those are real; there's a lot of competition and there's some slack in the economy that we're experiencing across our enterprise. All of that being said, I think this quarter illustrates us doing our best to overcome those and produce value for our investors, and I expect that will continue.

We will continue to grow our organic earnings while we continue to look for M&A opportunities that will further solidify our position in this franchise. So again, we thank you all and hope you have a great day.

Operator

Ladies and gentlemen, thank you for participating in today's conference. That does conclude today's program. You may all disconnect. Have a great day, everyone.