Triumph Bancorp

2018 First Quarter Earnings Conference Call

April 19, 2018 at 9:30 AM Eastern

CORPORATE PARTICIPANTS

Aaron Graft – *Vice Chairman and Chief Executive Officer*

Bryce Fowler – *Executive Vice President, Chief Financial Officer*

Dan Karas – *Chief Lending Officer*

Luke Wyse – *Investor Relations Officer*

PRESENTATION

Operator
Good morning and welcome to the Triumph Bancorp Inc. 2018 First Quarter Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation there will be an opportunity to ask questions. To ask a question you may press star (*) then one (1) on your touchtone phone. To withdraw your question please press star (*) then two (2). Please note this event is being recorded.

I would now like to turn the conference call over to Luke Wyse, Investor Relations Officer. Please go ahead.

Luke Wyse
Good morning. Welcome to the Triumph Bancorp conference call to discuss our first quarter 2018 financial results.

Before we get started, I would like to remind you that this presentation may include forward-looking statements. Those statements are subject to risks and uncertainties that could cause actual and anticipated results to differ. The Company undertakes no obligation to publicly revise any forward-looking statement. If you are logged into the webcast, please refer to the slide presentation available online, including our Safe Harbor statement on Slide 2. For those joining by phone, please note that the Safe Harbor statement and presentation are available on our website at www.triumphbancorp.com. All comments made during today's call are subject to that Safe Harbor statement.

I am joined this morning by Triumph's Vice Chairman and CEO, Aaron Graft; our Chief Financial Officer, Bryce Fowler; and Dan Karas, our Chief Lending Officer. After the presentation, we'll be happy to address any questions you may have.

At this time, I would like to turn the call over to Aaron. Aaron?

Aaron Graft
Good morning. For the first quarter, we earned net income to common stockholders of $11.9 million or $0.56 per diluted share. This level of earnings and earnings per share includes a $1.1 million pretax gain on the sale of our Triumph Healthcare Finance lending unit and $360,000 net loss on securities and OREO. On an after-tax basis, these two items contributed approximately $0.02 per diluted share.

We see a lot of positives in the first quarter, including loan growth in spite of typical seasonal pressure on our equipment and transportation business, with encouraging signals in our factoring business. Net interest margin that continues to be among the best in the industry, and noninterest expenses in line with our expectations with acquisition integration processes and infrastructure projects proceeding well. While the seasonal factors I mentioned earlier affected our first quarter, we experienced record first quarter loan growth of $63 million or 2.2%.

Since going public, Triumph's loan growth has been at best essentially flat or down in the first quarter with the bulk of our annual growth occurring in the last three quarters of the year. This is largely a function of the well-documented seasonal factors that affect the trucking industry in Q1. By expanding the loan portfolio in the first quarter, which we think is partially driven by additional market penetration and partly by a strong economy, we believe we're well positioned from a relatively higher base for a repeat of a similar pattern and a strong year of growth ahead.

Loan yields are down 8 basis points to 7.65%, driven largely by the impact of our mid Q4 acquisitions of Valley Bank and the branches from Independent Bank. The total cost of deposits was up 1 basis point to 68 basis points. Net interest margin was down 10 basis points to 6.06%, which is still a leader among our peers. Loan yields in Q1 would have been 11 basis points lower excluding the Triumph Healthcare Finance portfolio. THF contributed approximately $1.6 million of revenue and $550,000 of expense through the March 16th sale date.

Noninterest income excluding the gain on sale of Triumph Healthcare Finance and losses on securities and OREO was down slightly from Q4 to $4.5 million but in line with historical Q1 seasonal trends associated with factoring and overdrafts and up 17% versus Q1 of the prior year adjusting for the impact of the sale of Triumph Capital Advisors and its revenue earned during that period.

Noninterest expenses were $34 million, in line with the guidance we gave for this quarter on our last earnings call. We expect Q2 noninterest expense to be $35 million. This increase is related to the development of TriumphPay, the cost of technology upgrades to our factoring operating system, and the development of our transportation receivable financing platform for blockchain as well as integrating our Q4 acquisitions. It does not include the run rate impact of our pending acquisitions. Asset quality remains acceptable. Net charge offs were $1.3 million or 5 basis points of average loans. NPAs moved slightly higher but we do not see an adverse trend or concern. Our goal is to get NPAs below 1% by the end of the year.

For some specific highlights I want to point out:

First, our loan growth was diversified across many product lines. We grew commercial real estate and construction development loans by approximately 5% and 7% respectively, and our asset-based lending group grew loans by almost 8% in the quarter. End-of-period balances in our mortgage warehouse group were down approximately 4% off of a record Q4 finish. Average mortgage warehouse balances for the quarter were up 5% or $8.9 million to $187.5 million over the fourth quarter.

Second, at Triumph Business Capital, our factoring subsidiary, quarter-over-quarter purchases increased by $40 million to $912.3 million during Q1. Compared to Q4, the number of invoices purchased by TBC increased by 10,000 to 521,906 and the average dollar value of these invoices grew $46.00 from $1705.00 to $1751.00. We've included a table in our earnings release published last evening that provides some further breakout of this information between both transportation and non-transportation invoices.

Transportation-related invoices comprised approximately 85% of all invoices we purchased in Q1. Our number of active clients, which I've always advised you to monitor as evidence of how we're planting the seeds of future value creation in our factoring business, increased by 280 clients to a total of 3,438 clients, which is approximately 9% growth in a single quarter. I want to pause here and congratulate our team on yet another tremendous performance. We can't control the economic factors around transportation but we can control the client experience through ingenuity and hard work. Our TBC team is excelling at both, and as a result of their efforts, we continue to increase our market share organically. For further perspective, from the first quarter of 2017, period-end clients are up almost 900 or 35%, purchases are up $391 million or 75%, and the number of invoices purchased in the quarter are up 146,000 or 39%, and the average invoice size is up 26% at $1751.00.

On our last call we told you we would begin reporting some metrics surrounding TriumphPay, our payments processing technology for transportation, to give you some measure of how our efforts are playing out in the market. We currently have 61 clients using the TriumphPay system. Three of these clients are integrated directly into the TriumphPay platform and the remaining 58 clients are freight broker factors paying through the platform. During Q1, TriumphPay processed 35,780 invoices, paying 11,438 distinct carriers approximately $51 million. This is a new product for Triumph and for the industry itself with only a handful of competitors. We expect to see meaningful progress over the coming quarters in adding clients to the platform and we will keep you informed along the way. Since the end of Q1 we have onboarded two more clients, one of whom is a top-100 freight broker. We expect this investment to enhance our position as the leading transportation factor in the nation and be transformative for the industry and certainly for our institution.

Previously, we've talked about BiTA, the Blockchain in Transport Alliance, of which Triumph is a charter member with board representation. BiTA has over 750 members and the aggregate trade volume of the association's membership represents over 85% of domestic freight tonnage. Triumph is on the leading edge of transformative technologies in this market, and we will be presenting a demonstration of our technology solution for payable processing and accounts receivable financing at the BiTA conference in Atlanta in May.

In addition to executing on our day-to-day business and investing in the development of potentially transformative payment technologies, we also completed the sale of our Healthcare Finance portfolio in Q1. Shortly after quarter end, we announced the acquisition of three banks and the acquisition of a leading transportation factoring company. These acquisitions are consistent with what we have told the market: Acquiring banks with solid deposit franchises in strategic locations and deepening our penetration into commercial finance markets where we have a presence. We also issued approximately 5.4 million shares of our common stock for total gross proceeds of approximately $200 million. To do all of this in a single quarter, which is well beyond what many banks do in a year, took an extreme amount of effort and diligence from our team members. For those of you who are listening to this call, I want to say well done and thank you.

With that, I'll turn the call back over to the operator for any questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question you may press star (*) then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question please press star (*) then two (2).

At this time the first question comes from Brad Gailey with KBW.

Brady Gailey
Hey, it's Brady. Good morning, guys.

Aaron Graft
Good morning.

Brady Gailey
So just the 2Q expense guide of $35 million, that's obviously without any of the deals layered in there and it feels like ICC will close sometime soon. So with ICC in there, that should add another $2 [million] to $3 million of expenses in 2Q. Is that the right way to think about that?

Bryce Fowler
This is Bryce. Let me give you some metrics. The closing date isn't certain, but the base run rate of ICC is right at $10 million a year rough numbers. And then, of course, there'll be a little amortization of their customer intangible in there. So, the monthly run rate on that is more like just over $1 million a month net-net depending on when it closes overall.

Aaron Graft
So, Brady, this is Aaron. If it closes in May, which we expect, it'll only partially affect Q2. But with Bryce's number plus the $35 million base rate we gave you that that should be where we end up ultimately on Q2.

Brady Gailey
Gotcha. So $35 million plus a month at around $1 million, maybe a little less than $1 million it should be sub-$36 million-ish. Okay. And then with the M&A that was just announced, so you all are developing the franchise in Texas, Colorado, New Mexico. I know in the past you've looked everywhere for M&A. But as you hone into this geography, do you think your forward M&A will be focused in this Texas to Colorado area?

Aaron Graft
Yes. We've called out before that West Texas was an area we've looked, that still remains an area of interest for us when we find the right opportunity. We look other places in Texas. We're the eighth largest, if you take banks under $20 billion in assets, I think we're the eighth largest in Colorado pro forma these transactions. We would like to continue to take ground there as well and then we think there's some opportunities in New Mexico. That being said, if something large that was very liquid that, as you could appreciate, that would support our strategy going forward showed up somewhere else, we would look at it, but that's not where we spend our time looking.

Brady Gailey
All right. And then finally, for me, just on TriumphPay. As you grow this business, it just seems like the opportunity is large. You're going after a bigger segment of the transportation market. Is there any way to frame out a couple of years down the road how large of an opportunity TriumphPay is for you guys?

Aaron Graft
Brady, I wish I could, and it's not that we're trying to be cagey on this. It's just it's so large it's hard for us to predict. We have been in front of some of the top two and three freight brokers in the country, and will they ever come to a point where they integrate with TriumphPay? I have no idea. But if one did, you can appreciate the volumes would grow dramatically. Beyond that, there are hundreds and thousands of other freight brokers who we would like to call on. And as we improve our system, improve our sales pitch, improve our market position and just capitalize on all the spot freight data that we have, we think we have the second largest collection of spot market data of anybody anywhere.

And so as all of that starts to play out, we think we're well positioned to land some really some large clients and lots of mid-sized clients and continue to serve the small clients. So we're casting a very wide net. And so it would be hard for me to tell you what to look for other than I would say it's very similar to our factoring business is just watch for client growth. If we come to you over the next few quarters and every quarter, we're adding new clients, what you should know is that it's difficult to bring a client onto the TriumphPay platform because of the technology integration, not only with their transportation management system, but also with their accounting system. And so once that's done, there's a very good chance as long as we deliver value to that client that they will stay with us for the long term. So watch for net client growth and that'll be the harbinger of where this is headed.

Brady Gailey
Great. Thanks for the color, guys.

Operator
Next is Brad Milsaps with Sandler O'Neill.

Brad Milsaps
Hey, good morning, guys.

Aaron Graft
Good morning.

Brad Milsaps
Hey Aaron, I wanted to see if you could talk a little bit about funding costs in the quarter. It looked like your cost of deposits were only up maybe about 2 basis points linked-quarter. I know you benefited from full quarter of Valley. You've got more funding, more cheap funding coming in the third quarter. But it looks like, counter to the rest of the industry, you were able to really control funding costs in the first quarter and I just wanted to see how sustainable you thought that was and anything you did differently in the first quarter to keep that limited to only a couple of basis points.

Bryce Fowler
Hey, this is Bryce. I think what's really down underneath was occurring there were sort of the big benefit of the Valley and the Independent Bank branch acquisitions being folded into this. I think, overall, you also see the deposit balances were down at quarter end. A lot of that is run off of CDs, including a good chunk of it was broker listing service-type deposits, as well as some other just relatively expensive deposits we were just choosing to not continue to pay up to either retain or grow.

We have not yet had to adjust rates in our retail branch network in terms of in response to market rates or pricing competition, so that's good. I don't see a need immediately to see that, to do that right now. But I think going in through this quarter, just to be prepared to fund ICC until the bank deal's close, we'll have to grow deposits pretty strong in here. And a lot of that will probably be in the realm of wholesale-oriented broker listing service, those types of things. We'll have to pay market rates to grow that up.

Brad Milsaps
Okay, thanks. I appreciate the additional disclosure around all the transportation factoring. I know this is a small piece of it, but you called out part of it is included in there, there's about $590,000 of noninterest income. That's actually down year-over-year. I always thought that would increase as you grow that business. What's the big driver there? I know it's not a big part of it, but just curious if that can be a bigger contributor as you think about fee income in

general for you guys?

Bryce Fowler
Yeah, a modest amount of fee income year-over-year is classified differently on the income statement now. That's contributing to the appearance of that going down overall. Really the levels are pretty stable underneath in terms of total revenue.

Aaron Graft
But, Brad, the answer's also the fee opportunity in this space. We think there's multiple opportunities when you think about these thousands of clients that we interface with daily. One of the things that's been a disappointment to me is that we have not engaged these clients with a banking relationship, which, if you think about it, if we're trying to transfer money to them, do their fuel card process, et cetera, when we onboard a factoring client, whenever possible and it's not always possible, we ought to open a banking account relationship with them. And as we do that and that grows, that creates opportunity for more fee income business around serving those clients. So there's some things we're looking at to enhance that.

But it's really more about enhancing the client experience and the stickiness of the clients, because overall, our story as a whole, but especially this story, it's a spread story. We buy these invoices at a very small discount but we do it on a very rapid turn, and that's how we create earnings from this business.

Brad Milsaps
Got it. Thanks, guys. I appreciate it.

Operator
Next is Brett Rabatin from Piper Jaffray.

Brett Rabatin
Hi, good morning, everyone.

Aaron Graft
Good morning.

Brett Rabatin
Wanted to just ask, Aaron, you talked a lot about the trucking and receivables. I was curious, can you give us maybe a little more color around some of the other lines of business? And I was just curious, if you're, and I know you're hyper focused on that piece of the growth opportunity, but maybe talk about the mortgage warehouse and anything else that you see as potential outsized drivers for growth in the rest of the year.

Dan Karas
Good morning, Brett, it's Dan Karas. Thanks for asking the question. Mortgage warehouse by comparison had a tremendous quarter, down 4% period end to quarter end, but average balance is up 5%, as Aaron said. So we continue to provide high-quality service. We fought through a difficult quarter with some pricing pressure, and I expect us to continue to improve, especially as the season ticks up in Q2 and Q3.

ABL clients fundamentally have been sound. They continue to grow. We're upsizing facilities and because we've added scale, we've been able to stay with those clients longer. Utilization rates are high, so we continue to see growth in the ABL business.

And lastly, equipment finance had a solid first quarter, but it all came late. And we've gone into Q2 with about the strongest pipeline for new business that we've had since that business started. So overall, I'm pretty optimistic about warehouse, ABL, equipment. And then lastly, we're not fighting runoff headwinds from the acquisitions we completed in Q4, and that adds some benefit to us as well.

Brett Rabatin
Okay, great. I appreciate the color there. And then the other thing I wanted to ask was just around the margin. Obviously, it's going to be benefiting from ICC and then the funding will help from the banks. Can you maybe just give us some idea of, presuming deposit betas stay similar or don't increase too much, what you guys are thinking on the margin? And then specifically on deposit betas, what's your assumption for increases there?

Bryce Fowler
This is Bryce. There's a lot of moving parts in that, but I think…

Brett Rabatin
Yeah.

Bryce Fowler
…if you walk through, we tried to disclose the impact of the sale of the healthcare portfolio, which did hold up loan yields this quarter. That's obviously not on a go-forward run rate, but that's going to be more than offset by the 26-ish kind of yield on the ICC acquired factoring portfolio that's in there. So two big variables shifting there. And so I'm not going to be able to give you a real precise answer here. But again, we'll have some dilution back through from the bank acquisitions that's then coming but then the funding benefit as well. So we still think that overall, net interest margins when we get everything closed, will be better than they are today net-net.

Aaron Graft
Yeah, yeah. We think it probably doesn't expand out of the 6% range, but it certainly goes up.

Brett Rabatin
Okay, fair enough. I appreciate the color. Thanks, guys.

Operator
The next questioner is Matt Olney with Stephens.

Matt Olney
Hey, thanks. Good morning, guys.

Aaron Graft
Good morning, Matt.

Matt Olney
Aaron, you noted that the number of factoring clients continue to increase. I think it was up 280 clients this quarter. You've got nice momentum there. Can you just talk about that momentum and the pace of growth being 30%, 35%? That's impressive. And I'm curious if you think that can continue for the rest of 2018.

Aaron Graft
Sure. Well, we've owned Triumph Business Capital since 2012, and if you go back and look at the annualized growth every year, it has achieved pretty much at that rate. So the answer is, yes. I think, it's from a market opportunity, there's no question. We are talking about a huge market that, even with ICC, we might be 5% of, and we think we're the dominant player.

But due to the investments we've made, we opened an office in Chicago to serve that market even better and just the stuff we're doing, I think there will no doubt, from a market opportunity, be the opportunity to acquire clients.

A factor that I think plays into that, Matt, is that we believe that owner-operators or that the shipping industry is using more owner-operators right now. And there's a variety of reasons, whether the large transportation companies no longer benefit from a lot of depreciation because of the new tax regime. A lot of factors that we don't - it's too early to say for certain, but it feels like to us a lot of people are coming back into the industry, not as employees, but as independent contractors or part of small teams. When they come into the industry as an owner-operator, as an entrepreneur, they need financing.

And so we think that pie is growing, and of course, we think we're getting a larger portion. The gating item now with the technology upgrade in place just becomes our ability to hire quality people to give the level of service that's required to achieve same-day funding for our customers, which is a - it's a very hard thing to do to fund hundreds of thousands of invoices monthly on a same-day basis. Picking up almost 120 to 130 people with the ICC transaction, who are well trained in this, who will benefit from our enhanced technology, improves that human resource gating issue to achieving our goals. So between the upgraded technology, the new team members who will be joining us, our hiring efforts, our brand position in the market, and an overall growing market, I see no reason why we won't continue to deliver the same level of client growth as we have in the past.

Matt Olney
Okay, that's great. I appreciate the color. And then on TriumphPay, I'll give it my shot here and see what you guys will give us. You mentioned that there was an addition of a top-100 freight broker in recent weeks. And when that example is fully onboarded, can you indicate what type of NFE that we're talking about could be additive to your platform on a larger freight broker of that size?

Aaron Graft
I can't, Matt, and here's the reason why. So first of all, when you say a top-100 freight broker, from the difference from number one to number 100 is enormous. The second reason is this, remember that this game for us is about creating presence in the payment process system. So the thing we don't know, but we have some pretty good assumptions about, when we go in with a freight broker and embed ourselves and do their payment processing and then offer QuickPay to the ultimate carrier that, or reverse factoring, is what we're doing there.

The unknown factor at that point is, what is your level of penetration. If we can get 30% to 40% of the carriers who are using the system to accept our quick pays, we will outperform our projections internally, materially. If we only get 10% to 15% penetration, then we're in line with a base case scenario. And it seems to us the gating item there is pricing the QuickPay appropriately.

In other words, pricing it inside of where the third-party factoring industry would be, because we obviously don't have the verification costs that they would have. And so if we price that appropriately, efficient market theory would tell us that we would start to see rising adoption. Just because we onboard someone and start offering quick pays on their behalf to the thousands of carriers they use, that won't flip day one. It'll be a steady progression of continuing to pick up clients who choose to take a QuickPay through TriumphPay rather than selling their invoices to a factoring company.

There's a lot of competing dynamics in there, but I would say that we have some internal estimates, but nothing we're confident enough to share with the market as something that that we think we can be held accountable to. What we should be held accountable to is growing the client base, growing the net number of payments going through the system. And if that happens, that's going to sow the seeds for future growth.

Matt Olney
Okay, that's helpful. And then lastly for me, you mentioned the goal on the NPAs, getting those below 1% by the end of the year. Can you just talk about what credits are remaining in that bucket? And any concentration of any certain asset classes and how are you thinking about the resolution and the potential cost to move those off your balance sheet by the end of the year?

Dan Karas
Good morning, Matt, it's Dan.

Matt Olney
Good morning.

Dan Karas
We have some concentration in that NPA category, and we're focused on removing several of those. And frankly, moving three or four credits out of that bucket will have a material impact on improving the ratio overall. So the timing of any workout is always a challenge to determine. But we feel good about where we are from a loan-to-value perspective, from progress in trying to exit those, for price, for the value we're going to get. I don't see enormous cost in the exit at this point. So just to sum it up, if we move three or four credits, it may not get us to one, but it's going to move us a long way towards that goal.

Aaron Graft
And maybe describe the largest three, what industry are they in, specific industries.

Dan Karas
I think we've talked about this before that we had a couple of foundries in the portfolio we took on a few years ago. We took them on at probably the exact wrong time, and we've not yet exited those relationships. And so that heavy manufacturing continues to plague us a bit. Those are the largest clients we need to move out, and we've made really good progress in getting out of those and getting those resolved.

Aaron Graft
Yes, the largest two, Matt, that are in that space where we're just trying to move the legacy real estate that we've moved our basis down to where we think it'll clear the market. I think moving those two assets would move us pretty close to the 1% NPA goal and neither of those are over $10 million, I think, one is $6 million net exposure and one's in the $5 million range. Those are our largest NPAs.

Matt Olney
Okay, that's helpful. Thank you, guys.

Operator
Next is Gary Tenner, D.A. Davidson.

Gary Tenner
Thanks. Good morning, guys.

Aaron Graft
Good morning.

Gary Tenner
I was curious the data on TriumphPay versus Triumph Business Capital overall, the average invoice size for this quarter, at least, the TriumphPay 20% or so below the average invoice size, I think, of Triumph Business Capital. Could you talk about that? Are there any differences in the dynamics of the client base or anything that would have a smaller invoice size over time?

Aaron Graft
Well, TriumphPay is purely transportation. Transportation invoices are generally the smallest. So when you're seeing the total average invoice size for Triumph Business Capital, you're picking up the 15% non-transportation invoices that are being paid through that.

Gary Tenner
Okay. And just to be clear, the total numbers in terms of clients and invoices that you've indicated for Triumph Business Capital includes the TriumphPay data as well. It's not separate, it's all included in it?

Aaron Graft
Correct, correct

Gary Tenner
Great. And then just a fee income question. In terms of your insurance business that you've started working out a couple of quarters ago in terms of the fee income there. Can you talk about just the seasonality for you guys within that line of business?

Aaron Graft
Yeah, I don't know that there's a big seasonal shift, it's whenever the renewal dates come around. And so just let me just remind everyone that that business was started to serve the trucking industry, specifically the factoring clients that we have. The guys who lead that business have done a great job of not only serving those clients, but moving up market. Insurance renewals don't all come at the same time of the year, so there's not a lot of seasonal difference.

What you're seeing, I think, is just continuing growth in that business incrementally, every month, every quarter. They're getting more clients than they're losing, and so we think they're doing a great job. It's never going to be a primary line here. But in and of itself, they're creating a nice little business that serves an industry that, as you know, we're very connected to.

Gary Tenner
Okay guys. Thank you.

Operator
As a reminder, please press star (*) then one (1) if you have a question.

Next is Jared Shaw with Wells Fargo.

Timur Braziler
Hi, good morning. This is actually Timur Braziler filling in for Jared. First question, just looking at some of the past acquisitions, certainly, they've gone a long way in helping control funding costs here in the last few quarters. I'm just wondering how they're contributing from a growth standpoint, especially on the deposit side. Have those franchises been primarily left alone to do what they had been doing, or is there an active effort to ramp up deposit generation out of those markets?

Aaron Graft
Well, Timur, this is Aaron. There is active effort. If you look at the total numbers, they've been pretty flat. So that's a result of a couple of things. Number one, when you do an acquisition, there's going to be run off. I don't care how good you are. There's going to be people, you know, either they're related to employees who no longer continue with the bank or for whatever reasons. And so we battled through that run off.

The second thing is, you should remember is the bulk of all of our deposit locations, all of our branch footprint are in low-growth markets. And so for us, in some of those markets, we already have a 100% of the market, because we're the only bank there. We still think there's an opportunity to grow by delivering a better product, but we're not in high-growth highly competitive markets. The efforts that we're undertaking which involve, there's 15 or 16 different initiatives that are technology-related, user interface, mobile app-related, treasury management-related, that we are turning up this year, we've already turned on a few. By the end of the year, we'll have all of them. Essentially, all of the off-the-shelf technology we could possibly turn on, we will have turned on, including with some of our own unique twists and enhancements and people behind them.

That being said, and I think as a result, in some of those markets that are not highly penetrated by regional banks, we will be able to offer a treasury management product and other products that should enhance our ability to capture deposit growth. But overall, just relying on treasury management alone, there's a lot of people announcing that and doing that well. I think we can compel some of that deposit growth because of our lending relationships with ABL clients and equipment finance clients. And so we should be able to pick it up within our footprint. But we could do our best in those, say, within the footprint we gained in the recent acquisitions and the ones we will gain in the pending acquisitions. I don't think we'll be able to generate loans organically, especially transactional deposit accounts in those markets organically that can stay up with a commercial finance portfolio that's growing 25% a year.

Timur Braziler
Understood. That's a good color. And maybe just looking at the broader M&A outlook. Certainly, you'll be busy with integrating these three transactions over the next couple quarters. If something were to come up and more in the near-term, is there additional capacity to take something else on, or should we likely see the full integration of these deals prior to looking elsewhere?

Aaron Graft

Well, I think there's capacity to evaluate another opportunity, because the people who do that are primarily tasked with the evaluation piece. It's plausible to think of closing another deal this year, but it's unlikely. I think right now, as the pending acquisitions are now in the process of and there's a lot of touch points and we have a playbook for how we do our M&A process. That's going to consume the operational integration for us through on into probably well into the fourth quarter. The folks who are tasked with evaluating new acquisition opportunities, they are continuing to look and we will - we like to keep that pipeline full. And so I would think in a best-case scenario in Q3 or Q4 you could hear us do another announcement, but that acquisition and integration wouldn't happen most likely until Q1 of 2019.

Timur Braziler
Okay. And then just one last one for me. Looking at the projected cost savings for the two deals for the two banks and then Interstate, let's say, about $6.5 million for the banks, $1.8 million for Interstate. What's the timing there? How fast could those be realized? Is there an opportunity to actually realize all of that savings in 2018, or will some of that likely slip over into next year?

Bryce Fowler
This is Bryce. We modeled that out kind of evenly over four quarters at post acquisition. I think we're hopeful that we can do it faster than that, but that's the speed we assumed. A good chunk of it probably will be a little earlier than that at acquisition date, but it's a good assumption.

Timur Braziler
Great. Thank you.

Operator
Again, if you have a question please press star (*) then one (1). We'll pause a moment to see if there are any further questions.

This concludes our question-and-answer session. I would like to turn the conference back over to Aaron Graft for any closing remarks.

CONCLUSION

Aaron Graft
Thank you all for joining us. We look forward to speaking with you in the future. Have a great day.

Operator
This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.