Triumph Bancorp, Inc.
Form 10-Q
October 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

OR

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

Commission File Number 001-36722

TRIUMPH BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

12700 Park Central Drive, Suite 1700

Dallas, Texas 75251

(Address of principal executive offices)

(214) 365-6900

(Registrant's telephone number, including area code)

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

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

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

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

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

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

Common Stock — $0.01 par value, 18,104,543 shares, as of October 25, 2016

TRIUMPH BANCORP, INC.

FORM 10-Q

September 30, 2016

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	$ 26,212	$ 23,447
Interest bearing deposits with other banks	78,513	81,830
Total cash and cash equivalents	104,725	105,277
Securities - available for sale	286,574	163,169
Securities - held to maturity, fair value of $30,849 and $0, respectively	29,316	—
Loans held for sale, at fair value	9,623	1,341
Loans, net of allowance for loan and lease losses of $14,912 and $12,567, respectively	1,944,943	1,279,318
Federal Home Loan Bank stock, at cost	8,397	3,818
Premises and equipment, net	45,050	22,227
Other real estate owned, net	8,061	5,177
Goodwill	28,598	15,968
Intangible assets, net	18,851	11,886
Bank-owned life insurance	36,347	29,535
Deferred tax assets, net	20,042	15,945
Other assets	34,963	37,652
Total assets	$ 2,575,490	$ 1,691,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 339,999	$ 168,264
Interest bearing	1,610,678	1,080,686
Total deposits	1,950,677	1,248,950
Customer repurchase agreements	15,329	9,317
Federal Home Loan Bank advances	230,000	130,000
Junior subordinated debentures	32,640	24,687
Subordinated notes	48,676	—
Other liabilities	13,647	10,321
Total liabilities	2,290,969	1,423,275
Commitments and contingencies - See Note 9 and Note 10		
Stockholders' equity - See Note 13		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196

Common stock	182	181
Additional paid-in-capital	196,306	194,297
Treasury stock, at cost	(751)	(560)
Retained earnings	77,846	64,097
Accumulated other comprehensive income	1,192	277
Total stockholders’ equity	284,521	268,038
Total liabilities and stockholders' equity	$ 2,575,490	$ 1,691,313

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three and Nine Months Ended September 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest and dividend income:				
Loans, including fees	$23,123	$15,716	$57,758	$46,113
Factored receivables, including fees	9,021	8,829	25,482	24,992
Taxable securities	1,154	649	2,887	1,987
Tax exempt securities	80	17	93	45
Cash deposits	93	92	498	342
Total interest income	33,471	25,303	86,718	73,479
Interest expense:				
Deposits	2,408	1,764	6,421	5,001
Junior subordinated debentures	382	283	996	833
Other borrowings	263	25	487	44
Total interest expense	3,053	2,072	7,904	5,878
Net interest income	30,418	23,231	78,814	67,601
Provision for loan losses	2,819	165	4,247	3,351
Net interest income after provision for loan losses	27,599	23,066	74,567	64,250
Noninterest income:				
Service charges on deposits	984	710	2,338	1,988
Card income	767	574	1,890	1,675
Net OREO gains (losses) and valuation adjustments	63	(58)	(1,152)	20
Net gains (losses) on sale of securities	(68)	15	(63)	257
Net gains on sale of loans	—	363	16	1,396
Fee income	655	542	1,693	1,466
Bargain purchase gain	—	1,708	—	14,217
Asset management fees	1,553	1,744	4,787	3,976
Other	2,145	700	5,239	2,731
Total noninterest income	6,099	6,298	14,748	27,726
Noninterest expense:				
Salaries and employee benefits	14,699	12,416	39,180	37,727
Occupancy, furniture and equipment	1,921	1,575	4,948	4,702
FDIC insurance and other regulatory assessments	143	252	648	786
Professional fees	1,874	1,344	4,048	3,523

Amortization of intangible assets	958	1,179	2,652	2,838
Advertising and promotion	779	618	1,926	1,687
Communications and technology	1,966	951	4,661	2,764
Other	3,452	2,210	8,138	6,936
Total noninterest expense	25,792	20,545	66,201	60,963
Net income before income tax	7,906	8,819	23,114	31,013
Income tax expense	3,099	2,891	8,675	6,389
Net income	4,807	5,928	14,439	24,624
Dividends on preferred stock	(301)	(196)	(690)	(583)
Net income available to common stockholders	$4,506	$5,732	$13,749	$24,041
Earnings per common share				
Basic	$0.25	$0.32	$0.77	$1.36
Diluted	$0.25	$0.32	$0.76	$1.33

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Nine Months Ended September 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$4,807	$5,928	$14,439	$24,624
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(597)	(204)	1,396	226
Reclassification of amount realized through sale of securities	68	(15)	63	(257)
Tax effect	196	81	(544)	6
Total other comprehensive income (loss)	(333)	(138)	915	(25)
Comprehensive income	$4,474	$5,790	$15,354	$24,599

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock Liquidation Preference Amount	Common Stock Shares Outstanding	Common Stock Par Amount	Additional Paid-in-Capital	Treasury Stock Shares Outstanding	Treasury Stock Cost	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2015	$ 9,746	17,963,783	$ 180	$ 191,049	10,984	$ (161)	$ 35,744	$ 951	$ 237,509
Issuance of restricted stock awards	—	77,956	1	(1)	—	—	—	—	—
Forfeiture of restricted stock awards	—	(1,667)	—	23	1,667	(23)	—	—	—
Stock based compensation	—	—	—	2,394	—	—	—	—	2,394
Series A Preferred dividends	—	—	—	—	—	—	(273)	—	(273)
Series B Preferred dividends	—	—	—	—	—	—	(310)	—	(310)
Net income	—	—	—	—	—	—	24,624	—	24,624
Other comprehensive income	—	—	—	—	—	—	—	(25)	(25)
Balance, September 30, 2015	$ 9,746	18,040,072	$ 181	$ 193,465	12,651	$ (184)	$ 59,785	$ 926	$ 263,919
Balance, January 1, 2016	$ 9,746	18,018,200	$ 181	$ 194,297	34,523	$ (560)	$ 64,097	$ 277	$ 268,038
Issuance of restricted stock awards	—	101,105	1	(1)	—	—	—	—	—
Forfeiture of restricted stock awards	—	(7,274)	—	111	7,274	(111)	—	—	—

Excess tax benefit on restricted stock vested	—	—	—	35	—	—	—	—	35
Stock based compensation	—	—	—	1,864	—	—	—	—	1,864
Purchase of treasury stock	—	(5,053)	—	—	5,053	(80)	—	—	(80)
Series A Preferred dividends	—	—	—	—	—	—	(274)	—	(274)
Series B Preferred dividends	—	—	—	—	—	—	(312)	—	(312)
TARP Preferred Stock assumed in acquisition	10,500	—	—	—	—	—	—	—	10,500
TARP Preferred dividends	—	—	—	—	—	—	(104)	—	(104)
Redemption of TARP Preferred Stock	(10,500)	—	—	—	—	—	—	—	(10,500)
Net income	—	—	—	—	—	—	14,439	—	14,439
Other comprehensive income	—	—	—	—	—	—	—	915	915
Balance, September 30, 2016	$ 9,746	18,106,978	$ 182	$ 196,306	46,850	$ (751)	$ 77,846	$ 1,192	$ 284,521

See accompanying condensed notes to consolidated financial statements.

5

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$14,439	$24,624
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,905	1,608
Net accretion on loans and deposits	(4,833)	(3,905)
Amortization of junior subordinated debentures	225	197
Net amortization on securities	1,242	458
Amortization of intangible assets	2,652	2,838
Deferred taxes	(427)	(540)
Provision for loan losses	4,247	3,351
Stock based compensation	1,864	2,394
Origination of loans held for sale	(891)	(50,482)
Proceeds from sale of loans originated for sale	2,248	52,992
Net (gains) losses on sale of securities	63	(257)
Net (gain) loss on transfer of loans to loans held for sale	(167)	—
Net gains on sale of loans	(16)	(1,396)
Net OREO (gains) losses and valuation adjustments	1,152	(20)
Bargain purchase gain	—	(14,217)
Income from CLO warehouse investments	(2,415)	(444)
(Increase) decrease in other assets	3,746	146
Increase (decrease) in other liabilities	(3,458)	3,625
Net cash provided by (used in) operating activities	21,576	20,972
Cash flows from investing activities:		
Purchases of securities available for sale	(3,414)	(20,560)
Proceeds from sales of securities available for sale	24,327	17,635
Proceeds from maturities, calls, and pay downs of securities available for sale	17,330	7,896
Purchases of securities held to maturity	(29,117)	—
Purchases of loans (shared national credits)	(995)	(25,597)
Proceeds from sale of loans	9,057	—
Net change in loans	(222,326)	(147,556)
Purchases of premises and equipment, net	(3,003)	(1,482)
Net proceeds from sale of OREO	1,709	2,989
Net cash paid for CLO warehouse investments	(15,000)	(5,000)
Net proceeds from CLO warehouse investments	25,500	2,450

Purchases of FHLB and FRB stock, net	(4,029)	(3,089)
Cash paid for acquisitions, net of cash acquired	(14,479)	(127,591)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765
Net cash provided by (used in) investing activities	(214,440)	(263,140)
Cash flows from financing activities:		
Net increase in deposits	48,894	35,028
Increase (decrease) in customer repurchase agreements	6,012	6,302
Increase (decrease) in Federal Home Loan Bank advances	100,000	58,000
Proceeds from issuance of subordinated notes, net	48,676	—
Proceeds from the issuance of other borrowings	—	99,975
Repayment of other borrowings	—	(1,659)
Redemption of TARP preferred stock	(10,500)	—
Purchase of treasury stock	(80)	—
Dividends on preferred stock	(690)	(583)
Net cash provided by (used in) financing activities	192,312	197,063
Net increase (decrease) in cash and cash equivalents	(552)	(45,105)
Cash and cash equivalents at beginning of period	105,277	160,888
Cash and cash equivalents at end of period	$104,725	$115,783
Supplemental cash flow information:		
Interest paid	$7,415	$5,757
Income taxes paid, net	$7,478	$5,002
Supplemental noncash disclosures:		
Loans transferred to OREO	$425	$747
Premises transferred to OREO	$2,215	$—
Securities transferred in satisfaction of other borrowings	$—	$98,316
Loan purchases, not yet settled (shared national credits)	$—	$3,983
Loans transferred to loans held for sale at fair value	$18,680	$—

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

TBK Bank also does business under the following names: (i) Triumph Community Bank ("TCB") and Triumph Savings Bank ("TSB") with respect to its community banking business in respective markets; (ii) Triumph Commercial Finance ("TCF") with respect to its asset-based lending, equipment lending and general factoring commercial finance products; (iii) Triumph Healthcare Finance ("THF") with respect to its healthcare asset-based lending business; and (iv) Triumph Premium Finance ("TPF") with respect to its insurance premium financing business.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") for interim financial information and in accordance with guidance provided by the Securities and Exchange Commission. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary for a fair presentation. Transactions between the subsidiaries have been eliminated. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The Company has four reportable segments consisting of Factoring, Banking, Asset Management, and Corporate. The Company's Chief Executive Officer uses segment results to make operating and strategic decisions.

Newly Issued, But Not Yet Effective Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard was originally effective for the Company on January 1, 2017. However, in

August 2015 the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers – Deferral of the Effective Date” which deferred the mandatory effective date the new standard would take effect to reporting periods beginning after December 15, 2017, with early adoption allowed as of the original effective date for public companies. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the effect that ASU 2016-01 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. The Company is currently assessing the impact that the adoption of this standard will have on the financial condition and results of operations of the Company.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In March 2016, the FASB issued ASU 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The FASB issued this ASU to improve the accounting for share-based payments. ASU 2016-09 simplifies several aspects of the accounting for share-based payment award transactions, including: the presentation of income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and calculation of diluted earnings per share. The amendments in this ASU are effective for fiscal years beginning after December 31, 2016, and interim periods within those years for public business entities. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. Adoption of ASU 2016-09 is not expected to have a material impact on the Company’s financial statements.

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

NOTE 2 – Business combinations

Southern Transportation Insurance Agency

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

ColoEast Bankshares, Inc.

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

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

The consideration transferred was comprised of a combination of cash and the assumption of ColoEast’s TARP Preferred Stock. The Company has recognized goodwill of $12,059,000, which was calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable net assets acquired and was allocated to the Company’s Banking segment. The goodwill in this acquisition resulted from expected synergies and expansion into the Colorado and Kansas markets. The goodwill will not be amortized for tax purposes. The initial accounting for the ColoEast acquisition has not been completed because the fair value of certain assets acquired and income taxes associated with the transaction have not yet been finalized.

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

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

PCI	Total

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

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following presents information at the acquisition date for non-purchase credit impaired loans acquired in the transaction:

(Dollars in thousands)