

Triumph Bancorp, Inc.  
Form 10-Q  
May 04, 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 March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-36722

TRIUMPH BANCORP, INC.

(Exact name of registrant as specified in its charter)

Texas 20-0477066  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

12700 Park Central Drive, Suite 1700

Dallas, Texas 75251

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(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, 18,111,475 shares, as of May 3, 2016

TRIUMPH BANCORP, INC.

FORM 10-Q

MARCH 31, 2016

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PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

March 31, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share amounts)

	March 31, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Cash and due from banks	\$ 18,616	\$ 23,447
Interest bearing deposits with other banks	105,099	81,830
Total cash and cash equivalents	123,715	105,277
Securities - available for sale	161,517	163,169
Securities - held to maturity, fair value of \$26,133 and \$0, respectively	25,796	—
Loans held for sale, at fair value	3,043	1,341
Loans, net of allowance for loan and lease losses of \$12,093 and \$12,567, respectively	1,233,747	1,279,318
Federal Home Loan Bank stock, at cost	4,234	3,818
Premises and equipment, net	19,934	22,227
Other real estate owned, net	7,478	5,177
Goodwill	15,968	15,968
Intangible assets, net	10,909	11,886
Bank-owned life insurance	29,658	29,535
Deferred tax assets, net	15,240	15,945
Other assets	36,556	37,652
Total assets	\$ 1,687,795	\$ 1,691,313
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Noninterest bearing	\$ 160,818	\$ 168,264
Interest bearing	1,099,575	1,080,686
Total deposits	1,260,393	1,248,950
Customer repurchase agreements	9,641	9,317
Federal Home Loan Bank advances	110,000	130,000
Junior subordinated debentures	24,754	24,687
Other liabilities	8,893	10,321
Total liabilities	1,413,681	1,423,275
Commitments and contingencies - See Note 8 and Note 9		
Stockholders' equity - See Note 12		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196
Common stock	181	181
Additional paid-in-capital	194,687	194,297

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Treasury stock, at cost	(597 )	(560 )
Retained earnings	68,909	64,097
Accumulated other comprehensive income	1,188	277
Total stockholders' equity	274,114	268,038
Total liabilities and stockholders' equity	\$ 1,687,795	\$ 1,691,313

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Interest and dividend income:		
Loans, including fees	\$ 16,088	\$ 13,239
Factored receivables, including fees	7,822	7,509
Taxable securities	768	678
Tax exempt securities	7	12
Cash deposits	208	141
Total interest income	24,893	21,579
Interest expense:		
Deposits	1,993	1,570
Junior subordinated debentures	302	272
Other borrowings	109	12
Total interest expense	2,404	1,854
Net interest income	22,489	19,725
Provision for loan losses	(511 )	645
Net interest income after provision for loan losses	23,000	19,080
Noninterest income:		
Service charges on deposits	659	612
Card income	546	523
Net OREO gains (losses) and valuation adjustments	(11 )	26
Net gains on sale of securities	5	—
Net gains on sale of loans	12	542
Fee income	534	422
Bargain purchase gain	—	12,509
Asset management fees	1,629	958
Other	1,607	1,067
Total noninterest income	4,981	16,659
Noninterest expense:		
Salaries and employee benefits	12,252	13,269
Occupancy, furniture and equipment	1,493	1,572
FDIC insurance and other regulatory assessments	224	263
Professional fees	1,073	1,327
Amortization of intangible assets	977	764



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Advertising and promotion	519	543
Communications and technology	1,432	886
Other	2,108	2,159
Total noninterest expense	20,078	20,783
Net income before income tax	7,903	14,956
Income tax expense	2,897	912
Net income	5,006	14,044
Dividends on preferred stock	(194 )	(192 )
Net income available to common stockholders	\$4,812	\$13,852
Earnings per common share		
Basic	\$0.27	\$0.78
Diluted	\$0.27	\$0.76

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income	\$5,006	\$14,044
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	1,456	988
Reclassification of amount realized through sale of securities	(5 )	—
Tax effect	(540 )	(368 )
Total other comprehensive income (loss)	911	620
Comprehensive income	\$5,917	\$14,664

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock – Series A		Preferred Stock – Series B		Common Stock		Additional Paid-in-Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income		Total Equity
	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Par Amount		Shares Outstanding	Cost		Comprehensive Income	Total Equity	
Balance, January 1, 2015	45,500	\$4,550	51,956	\$5,196	17,963,783	\$180	\$191,049	10,984	\$(161)	\$35,744	\$951	\$237,509	
Stock based compensation	—	—	—	—	—	—	696	—	—	—	—	696	
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(90)	—	(90)	
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(102)	—	(102)	
Net income	—	—	—	—	—	—	—	—	—	14,044	—	14,044	
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	620	620	
Balance, March 31, 2015	45,500	\$4,550	51,956	\$5,196	17,963,783	\$180	\$191,745	10,984	\$(161)	\$49,596	\$1,571	\$252,677	
Balance, January 1, 2016	45,500	\$4,550	51,956	\$5,196	18,018,200	\$181	\$194,297	34,523	\$(560)	\$64,097	\$277	\$268,038	
Forfeiture of restricted stock awards	—	—	—	—	(2,777)	—	37	2,777	(37)	—	—	—	
Stock based compensation	—	—	—	—	—	—	353	—	—	—	—	353	
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(91)	—	(91)	
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(103)	—	(103)	
Net income	—	—	—	—	—	—	—	—	—	5,006	—	5,006	
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	911	911	

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Balance,

March 31, 2016	45,500	\$4,550	51,956	\$5,196	18,015,423	\$181	\$194,687	37,300	\$(597)	\$68,909	\$1,188	\$274,114
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See accompanying condensed notes to consolidated financial statements.

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## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$5,006	\$14,044
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Depreciation	572	528
Net accretion on loans and deposits	(1,190 )	(1,194 )
Amortization of junior subordinated debentures	67	64
Net amortization on securities	176	160
Amortization of intangible assets	977	764
Deferred taxes	(133 )	(58 )
Provision for loan losses	(511 )	645
Stock based compensation	353	696
Origination of loans held for sale	(891 )	(19,276 )
Proceeds from loan sales	2,006	19,705
Net gains on sale of securities	(5 )	—
Net gains on sale of loans	(12 )	(542 )
Net OREO (gains) losses and valuation adjustments	11	(26 )
Bargain purchase gain	—	(12,509 )
(Increase) decrease in other assets	1,272	(172 )
Increase (decrease) in other liabilities	(1,428 )	1,493
Net cash provided by (used in) operating activities	6,270	4,322
<b>Cash flows from investing activities:</b>		
Purchases of securities available for sale	(3,264 )	—
Proceeds from sales of securities available for sale	4,345	—
Proceeds from maturities, calls, and pay downs of securities available for sale	1,829	1,491
Purchases of securities held to maturity	(25,775)	—
Purchases of loans (shared national credits)	(995 )	—
Net change in loans	45,253	(5,153 )
Purchases of premises and equipment, net	(494 )	(311 )
Net proceeds from sale of OREO	59	1,955
Purchases of FHLB and FRB stock, net	(416 )	437
Cash paid for acquisitions, net of cash acquired	—	(124,990)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765

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Net cash provided by (used in) investing activities	20,542	(89,806 )
Cash flows from financing activities:		
Net increase in deposits	11,496	8,530
Increase (decrease) in customer repurchase agreements	324	(616 )
Increase (decrease) in Federal Home Loan Bank advances	(20,000)	(3,000 )
Proceeds from the issuance of other borrowings	—	99,975
Repayment of other borrowings	—	(1,659 )
Dividends on preferred stock	(194 )	(192 )
Net cash provided by (used in) financing activities	(8,374 )	