

Triumph Bancorp, Inc.  
Form 10-Q  
November 02, 2015

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, 2015

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, 18,040,072 shares, as of October 30, 2015

TRIUMPH BANCORP, INC.

FORM 10-Q

September 30, 2015

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets</u>	2
	<u>Consolidated Statements of Income</u>	3
	<u>Consolidated Statements of Comprehensive Income</u>	4
	<u>Consolidated Statements of Changes in Equity</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Condensed Notes to Consolidated Financial Statements</u>	7
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risks</u>	69
Item 4.	<u>Controls and Procedures</u>	70

PART II — OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	71
Item 1A.	<u>Risk Factors</u>	71
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	71
Item 3.	<u>Defaults Upon Senior Securities</u>	71
Item 4.	<u>Mine Safety Disclosures</u>	71
Item 5.	<u>Other Information</u>	71

Item 6. Exhibits

72

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PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

1

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## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

September 30, 2015 and December 31, 2014

(Dollar amounts in thousands, except per share amounts)

	September 30, 2015	December 31, 2014
	(Unaudited)	
<b>ASSETS</b>		
Cash and due from banks	\$ 23,256	\$ 21,312
Interest bearing deposits with other banks	92,527	139,576
Total cash and cash equivalents	115,783	160,888
Securities - available for sale	156,820	162,024
Securities - held to maturity, fair value of \$745 and \$750, respectively	747	745
Loans held for sale, at fair value	2,174	3,288
Loans, net of allowance for loan and lease losses of \$11,544 and \$8,843, respectively	1,173,757	997,035
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	7,992	4,903
Premises and equipment, net	21,807	21,933
Other real estate owned, net	6,201	8,423
Goodwill	15,968	15,968
Intangible assets, net	13,027	13,089
Bank-owned life insurance	29,406	29,083
Deferred tax assets, net	15,838	15,956
Other assets	21,943	14,563
Total assets	\$ 1,581,463	\$ 1,447,898
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Noninterest bearing	\$ 167,931	\$ 179,848
Interest bearing	1,032,105	985,381
Total deposits	1,200,036	1,165,229
Customer repurchase agreements	15,584	9,282
Federal Home Loan Bank advances	61,000	3,000
Junior subordinated debentures	24,620	24,423
Other liabilities	16,304	8,455
Total liabilities	1,317,544	1,210,389
<b>Commitments and contingencies - See Note 8 and Note 9</b>		
<b>Stockholders' equity - See Note 12</b>		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196
Common stock	181	180
Additional paid-in-capital	193,465	191,049

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Treasury stock, at cost	(184	)	(161	)
Retained earnings	59,785		35,744	
Accumulated other comprehensive income	926		951	
Total stockholders' equity	263,919		237,509	
Total liabilities and stockholders' equity	\$ 1,581,463		\$ 1,447,898	

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, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Interest and dividend income:</b>				
Loans, including fees	\$15,716	\$13,706	\$46,113	\$41,942
Factored receivables, including fees	8,829	7,681	24,992	19,791
Taxable securities	649	666	1,987	1,986
Tax exempt securities	17	15	45	46
Cash deposits	92	50	342	185
<b>Total interest income</b>	<b>25,303</b>	<b>22,118</b>	<b>73,479</b>	<b>63,950</b>
<b>Interest expense:</b>				
Deposits	1,764	1,289	5,001	3,538
Senior secured note	—	134	—	411
Junior subordinated debentures	283	276	833	819
Other borrowings	25	24	44	51
<b>Total interest expense</b>	<b>2,072</b>	<b>1,723</b>	<b>5,878</b>	<b>4,819</b>
<b>Net interest income</b>	<b>23,231</b>	<b>20,395</b>	<b>67,601</b>	<b>59,131</b>
Provision for loan losses	165	1,375	3,351	4,047
<b>Net interest income after provision for loan losses</b>	<b>23,066</b>	<b>19,020</b>	<b>64,250</b>	<b>55,084</b>
<b>Noninterest income:</b>				
Service charges on deposits	710	811	1,988	2,363
Card income	574	544	1,675	1,582
Net OREO gains (losses) and valuation adjustments	(58 )	(11 )	20	(340 )
Net gains on sale of securities	15	10	257	26
Net gains on sale of loans	363	484	1,396	1,058
Fee income	542	448	1,466	1,267
Bargain purchase gain	1,708	—	14,217	—
Gain on branch sale	—	12,619	—	12,619
Asset management fees	1,744	374	3,976	503
Other	700	525	2,731	1,968
<b>Total noninterest income</b>	<b>6,298</b>	<b>15,804</b>	<b>27,726</b>	<b>21,046</b>
<b>Noninterest expense:</b>				
Salaries and employee benefits	12,416	11,032	37,727	29,379
Occupancy, furniture and equipment	1,575	1,319	4,702	4,044



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FDIC insurance and other regulatory assessments	252	280	786	821
Professional fees	1,344	1,043	3,523	2,428
Amortization of intangible assets	1,179	746	2,838	2,196
Advertising and promotion	618	1,102	1,687	2,228
Communications and technology	951	954	2,764	2,787
Other	2,210	1,985	6,936	5,634
Total noninterest expense	20,545	18,461	60,963	49,517
Net income before income tax	8,819	16,363	31,013	26,613
Income tax expense	2,891	6,089	6,389	9,631
Net income	5,928	10,274	24,624	16,982
Income attributable to noncontrolling interests	—	(582 )	—	(1,471 )
Net income attributable to Triumph Bancorp, Inc.	5,928	9,692	24,624	15,511
Dividends on preferred stock	(196 )	(197 )	(583 )	(583 )
Net income available to common stockholders	\$5,732	\$9,495	\$24,041	\$14,928
Earnings per common share				
Basic	\$0.32	\$0.96	\$1.36	\$1.52
Diluted	\$0.32	\$0.91	\$1.33	\$1.47

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, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
Net income	\$5,928	\$10,274	\$24,624	\$16,982
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	(204 )	(31 )	226	1,138
Reclassification of amount realized through sale of securities	(15 )	10	(257 )	(26 )
Tax effect	81	16	6	(409 )
Total other comprehensive income (loss)	(138 )	(5 )	(25 )	703
Comprehensive income	5,790	10,269	24,599	17,685
Income attributable to noncontrolling interests	—	(582 )	—	(1,471 )
Comprehensive income attributable to Triumph Bancorp, Inc.	\$5,790	\$9,687	\$24,599	\$16,214

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock – Series A		Preferred Stock – Series B		Common Stock			Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Consolidating Interest	Total Equity
	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Par Amount	Additional Paid-in-Capital	Shares Outstanding	Cost				
Balance, January 1, 2014	45,500	\$4,550	51,956	\$5,196	9,832,585	\$98	\$104,631	—	\$—	\$18,992	\$133	\$26,997	\$160,400
Issuance of restricted stock	—	—	—	—	58,395	1	54	—	—	—	—	—	55
Stock based compensation	—	—	—	—	—	—	613	—	—	—	—	—	613
Common stock repurchase, net of	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock splits	—	—	—	—	444	—	6	—	—	—	—	—	6
Reclassification of treasury stock	—	—	—	—	(4,646)	—	—	4,646	(68)	—	—	—	(68)
Dividends on Series T-1 and Series A	—	—	—	—	—	—	—	—	—	(1,313)	—	—	(1,313)
Dividends on Series A	—	—	—	—	—	—	—	—	—	(272)	—	—	(272)
Dividends on Series B	—	—	—	—	—	—	—	—	—	(311)	—	—	(311)
Class B distributions	—	—	—	—	—	—	—	—	—	(64)	—	—	(64)
Class B redemption	—	—	—	—	—	—	—	—	—	—	—	(1,100)	(1,100)
Net income	—	—	—	—	—	—	—	—	—	16,982	—	—	16,982
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	703	—	703
Balance, September 30, 2015	45,500	\$4,550	51,956	\$5,196	9,886,778	\$99	\$105,304	4,646	\$(68)	\$34,014	\$836	\$25,897	\$175,800

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Balance, December 31, 2014	Balance, January 1, 2015	Net income, January 1 to December 31, 2015	Other comprehensive income, January 1 to December 31, 2015	Net income, January 1 to December 31, 2015	Other comprehensive income, January 1 to December 31, 2015	Net income, January 1 to December 31, 2015	Other comprehensive income, January 1 to December 31, 2015	Net income, January 1 to December 31, 2015	Other comprehensive income, January 1 to December 31, 2015	Net income, January 1 to December 31, 2015	Other comprehensive income, January 1 to December 31, 2015	Net income, January 1 to December 31, 2015	Other comprehensive income, January 1 to December 31, 2015	Net income, January 1 to December 31, 2015
45,500	45,500	51,956	5,196	17,963,783	\$180	\$191,049	10,984	\$(161)	\$35,744	\$951	\$—	\$—	\$237,500	
—	—	—	—	77,956	1	(1 )	—	—	—	—	—	—	—	
—	—	—	—	(1,667 )	—	23	1,667	(23 )	—	—	—	—	—	
—	—	—	—	—	—	2,394	—	—	—	—	—	—	2,394	
—	—	—	—	—	—	—	—	—	(273 )	—	—	—	(273 )	
—	—	—	—	—	—	—	—	—	(310 )	—	—	—	(310 )	
—	—	—	—	—	—	—	—	—	24,624	—	—	—	24,624	
—	—	—	—	—	—	—	—	—	—	(25 )	—	—	(25 )	
45,500	45,500	51,956	5,196	18,040,072	\$181	\$193,465	12,651	\$(184)	\$59,785	\$926	\$—	\$—	\$263,900	

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$24,624	\$16,982
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,608	1,406
Net accretion on loans and deposits	(3,905 )	(7,313 )
Amortization of junior subordinated debentures	197	188
Net amortization on securities		