

Triumph Bancorp, Inc.
Form 10-Q
May 06, 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 March 31, 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, 18,041,072 shares, as of May 6, 2015

TRIUMPH BANCORP, INC.

FORM 10-Q

MARCH 31, 2015

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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, 2015 and December 31, 2014

(Dollar amounts in thousands, except per share amounts)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and due from banks	\$ 24,836	\$ 21,312
Interest bearing deposits with other banks	153,606	139,576
Total cash and cash equivalents	178,442	160,888
Securities - available for sale	161,360	162,024
Securities - held to maturity, fair value of \$750 and \$750, respectively	746	745
Loans held for sale, at fair value	3,401	3,288
Loans, net of allowance for loan and lease losses of \$9,286 and \$8,843, respectively	1,002,160	997,035
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	4,466	4,903
Premises and equipment, net	21,716	21,933
Other real estate owned (OREO), net	6,991	8,423
Goodwill	15,968	15,968
Intangible assets, net	14,243	13,089
Bank-owned life insurance	29,193	29,083
Deferred tax assets, net	14,983	15,956
Other assets	19,074	14,563
Total assets	\$ 1,472,743	\$ 1,447,898
LIABILITIES AND EQUITY		
Liabilities		
Deposits		
Noninterest bearing	\$ 167,538	\$ 179,848
Interest bearing	1,006,141	985,381
Total deposits	1,173,679	1,165,229
Customer repurchase agreements	8,666	9,282
Federal Home Loan Bank advances	—	3,000
Junior subordinated debentures	24,487	24,423
Other liabilities	13,234	8,455
Total liabilities	1,220,066	1,210,389
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	180	180

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Additional paid-in-capital	191,745	191,049
Treasury stock, at cost	(161)	(161)
Retained earnings	49,596	35,744
Accumulated other comprehensive income	1,571	951
Total stockholders' equity	252,677	237,509
Total liabilities and stockholders' equity	\$ 1,472,743	\$ 1,447,898

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Interest and dividend income:		
Loans, including fees	\$ 13,239	\$ 14,376
Factored receivables, including fees	7,509	5,272
Taxable securities	678	657
Tax exempt securities	12	16
Cash deposits	141	58
Total interest income	21,579	20,379
Interest expense:		
Deposits	1,570	1,108
Senior secured note	—	140
Junior subordinated debentures	272	271
Other	12	5
Total interest expense	1,854	1,524
Net interest income	19,725	18,855
Provision for loan losses	645	925
Net interest income after provision for loan losses	19,080	17,930
Noninterest income:		
Service charges on deposits	612	738
Card income	523	490
Net realized gains (losses) and valuation adjustments on OREO	26	(77)
Net gains on sale of securities	—	16
Net gains on sale of loans	542	255
Fee income	422	398
Bargain purchase gain	12,509	—
Asset management fees	958	—
Other	1,067	789
Total noninterest income	16,659	2,609
Noninterest expense:		
Salaries and employee benefits	13,269	8,876
Occupancy, furniture and equipment	1,572	1,390
FDIC insurance and other regulatory assessments	263	261
Professional fees	1,327	592

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Amortization of intangible assets	764	726
Advertising and promotion	543	443
Communications and technology	886	888
Other	2,159	1,720
Total noninterest expense	20,783	14,896
Net income before income tax	14,956	5,643
Income tax expense	912	1,916
Net income	14,044	3,727
Income attributable to noncontrolling interests	—	(387)
Net income attributable to Triumph Bancorp, Inc.	14,044	3,340
Dividends on preferred stock	(192)	(192)
Net income available to common stockholders	\$13,852	\$3,148
Earnings per common share		
Basic	\$0.78	\$0.32
Diluted	\$0.76	\$0.32

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, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income	\$14,044	\$3,727
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	988	586
Reclassification of amount realized through sale of securities	—	(16)
Tax effect	(368)	(218)
Total other comprehensive income (loss)	620	352
Comprehensive income	14,664	4,079
Income attributable to noncontrolling interests	—	(387)
Comprehensive income attributable to Triumph Bancorp, Inc.	\$14,664	\$3,692

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, 2015 and 2014

(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	Non-Controlling Interest	Total Equity
	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Par Amount	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	\$160,000	
Issuance of restricted stock	—	—	—	—	13,511	—	—	—	—	—	—	—	—	
Stock based compensation	—	—	—	—	—	—	113	—	—	—	—	—	113	
Dividends T-1 and Class A	—	—	—	—	—	—	—	—	—	(394)	—	—	(394)	
Dividends Class B	—	—	—	—	—	—	—	—	—	(90)	—	—	(90)	
Dividends Class B	—	—	—	—	—	—	—	—	—	(102)	—	—	(102)	
Contributions	—	—	—	—	—	—	—	—	—	(22)	—	—	(22)	
Net income	—	—	—	—	—	—	—	—	—	3,727	—	—	3,727	
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	352	—	352	
Balance, March 31, 2014	45,500	\$4,550	51,956	\$5,196	9,846,096	\$98	\$104,744	—	\$—	\$22,111	\$485	\$26,997	\$164,000	
Balance, January 1, 2015	45,500	\$4,550	51,956	\$5,196	17,963,783	\$180	\$191,049	10,984	\$(161)	\$35,744	\$951	\$—	\$237,000	
Stock based compensation	—	—	—	—	—	—	696	—	—	—	—	—	696	
Dividends Class A	—	—	—	—	—	—	—	—	—	(90)	—	—	(90)	
Dividends Class B	—	—	—	—	—	—	—	—	—	(102)	—	—	(102)	

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Income	—	—	—	—	—	—	—	—	—	14,044	—	—	14,0
Comprehensive	—	—	—	—	—	—	—	—	—	—	620	—	620
Income, March	45,500	\$4,550	51,956	\$5,196	17,963,783	\$180	\$191,745	10,984	\$(161)	\$49,596	\$1,571	\$—	\$252,

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2015 and 2014

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 14,044	\$ 3,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	528	464
Net accretion on loans and deposits	(1,194)	(3,176)
Amortization of junior subordinated debentures	64	62
Net amortization on securities	160	70
Amortization of intangible assets	764	726
Deferred taxes	(58)	(15)
Provision for loan losses	645	925
Stock based compensation	696	113
Origination of loans held for sale	(19,276)	(11,453)
Proceeds from loan sales	19,705	12,204
Net gains on sale of securities	—	(16)
Net gains on sale of loans	(542)	(255)
Net realized (gains) losses and valuation adjustments on OREO	(26)	77
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	36,765	—
Bargain purchase gain	(12,509)	—
(Increase) decrease in other assets	(172)	153
Increase (decrease) in other liabilities	1,493	(6,009)
Net cash provided by (used in) operating activities	41,087	(2,403)
Cash flows from investing activities:		
Purchases of securities available for sale	—	(7,504)
Proceeds from sales of securities available for sale	—	6,777
Proceeds from maturities, calls, and pay downs of securities available for sale	1,491	20,593
Net change in loans	(5,153)	(2,918)
(Purchases) sales of premises and equipment, net	(311)	91
Net proceeds from sale of OREO	1,955	229
Net cash paid for CLO warehouse investments	—	(5,000)
Redemption of FHLB and Federal Reserve Bank stock	437	569
Cash paid for acquisitions, net of cash acquired	(124,990)	—
Net cash provided by (used in) investing activities	(126,571)	12,837

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Cash flows from financing activities:		
Net increase in deposits	8,530	5,552
Increase (decrease) in customer repurchase agreements	(616)	6,340
Decrease in Federal Home Loan Bank advances	(3,000)	(250)
Repayment of senior secured note	—	(314)
Proceeds from the issuance of other borrowings	99,975	—
Repayment of other borrowings	(1,659)	—
Distributions on noncontrolling interest and preferred stock	(192)	(608)
Net cash provided by financing activities	103,038	10,720
Net increase in cash and cash equivalents	17,554	21,154
Cash and cash equivalents at beginning of period	160,888	85,797
Cash and cash equivalents at end of period	\$ 178,442	\$ 106,951
Supplemental cash flow information:		
Interest paid	\$ 1,856	\$ 3,342
Income taxes paid	\$ 528	\$ 966
Supplemental noncash disclosures:		
Loans transferred to OREO	\$ 497	\$ 98
Securities transferred in satisfaction of other borrowings	\$ 98,316	\$ —
Loans transferred to branch assets held for sale	\$ —	\$ 86,405
Premises and equipment transferred to branch assets held for sale	\$ —	\$ 2,287

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), National Bancshares, Inc. (NBI), NBI's wholly owned subsidiary Triumph Community Bank, N.A. (TCB), Triumph Savings Bank, SSB (TSB), TSB's wholly owned subsidiary Advance Business Capital LLC (ABC), which currently operates under the d/b/a of Triumph Business Capital, and TSB's wholly owned subsidiary Triumph Insurance Group (TIG). In addition, (i) TSB does business under the Triumph Commercial Finance name with respect to its commercial finance business, including asset-based lending, equipment lending and general factoring and (ii) TCB does business under the Triumph Healthcare Finance name with respect to its healthcare asset-based lending 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, 2014. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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.

Adoption of New Accounting Standards

Effective January 1, 2015, the Company adopted Accounting Standards Update (ASU) No. 2014-04, "Receivables – Troubled Debt Restructurings by Creditors" (ASU 2014-04). Issued in January 2014, ASU 2014-04 affects all creditors when an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable has occurred. Adoption of this ASU did not have a material impact on the Company's financial statements.

Effective January 1, 2015, the Company retrospectively adopted ASU No. 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02). Issued in February 2015, ASU 2015-02 simplifies consolidation accounting by reducing the number of consolidation models and changing various aspects of current GAAP, including certain consolidation criteria for variable interest entities. Adoption of this ASU did not have a material impact on the Company's financial statements.

Newly Issued, But Not Yet Effective Accounting Standards

On May 28, 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", 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 is currently effective for the Company on January 1, 2017 and early application is not permitted. However, the FASB has voted to propose having the new standard take effect for reporting periods beginning after December 15, 2017 for public companies, 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.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 – Business combinations AND DIVESTITURES

Doral Money Acquisition

On February 27, 2015, Triumph Bancorp, Inc., through its subsidiary Triumph Capital Advisors, LLC, entered into a Purchase and Sale Agreement with the Federal Deposit Insurance Corporation (FDIC), in its capacity as receiver of Doral Bank, to acquire 100% of the equity of Doral Money, Inc. (DMI), a subsidiary of Doral Bank, and the management contracts associated with two active collateralized loan obligations (CLOs) with approximately \$700,000,000 in assets under management. The consideration transferred in the acquisition consisted of cash paid at closing of \$133,263,000 and a sales price adjustment of \$2,601,000 which was accrued for at March 31, 2015 and settled on April 7, 2015, for total consideration transferred of \$135,864,000. The primary purpose of the acquisition was to expand the CLO assets under management at Triumph Capital Advisors, LLC.

On February 26, 2015, the Company entered into a \$99,975,000 secured term loan credit facility payable to a third party, with an interest rate equal to LIBOR plus 3.5%, and a maturity date of March 31, 2015. The proceeds from the loan were used by the Company to partially fund the DMI acquisition.

The acquisition was completed on March 3, 2015, at which time the Company also repaid the \$99,975,000 third party secured term loan credit facility in full by delivering the securities issued by the CLOs that were acquired from DMI with an acquisition date fair value of \$98,316,000 and cash representing payments received on the CLO securities in the amount of \$1,659,000.

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

(Dollars in thousands)	
Assets acquired:	
Cash	\$8,273
CLO Securities	98,316
Intangible asset - CLO management contracts	1,918
Loans	36,765
Prepaid corporate income tax	3,014
Other assets	772
	149,058
Liabilities assumed:	
Deferred tax liability	663
Other liabilities	22
	685
Fair value of net assets acquired	148,373
Net consideration transferred	135,864
Bargain purchase gain	\$(12,509)

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company completed the acquisition via an FDIC bid process for DMI as part of the Doral Bank failure and the resulting nontaxable bargain purchase gain represents the excess of the fair value of the net assets acquired over the fair value of the net consideration transferred. Provisional estimates for intangible assets and the bargain purchase gain have been recorded for the acquisition as independent valuations, income taxes, and contingent liabilities associated with the acquisition have not been finalized. The Company does not expect any significant differences from estimated values upon completion of the valuations.

The Company has incurred pre-tax expenses related to the acquisition of approximately \$243,000 for the three months ended March 31, 2015, which are included in professional fees in the consolidated statements of income.

In addition, during March 2015 the Company sold the loans acquired in the DMI acquisition to third parties for a sales price equal to their acquisition date fair value of \$36,765,000. No gains or losses were recognized on the sales.

Sale of Pewaukee Branch

On July 11, 2014, Triumph Community Bank sold its operating branch in Pewaukee, Wisconsin, which constituted its sole branch in the state, to a third party for net cash proceeds of \$57,409,000. Under the terms of the agreement, the acquirer assumed branch deposits of \$36,326,000, purchased selected loans in the local market with a carrying amount of \$78,071,000, and acquired the premises and equipment associated with the branch. The transaction resulted in the Company recording a pre-tax gain of \$12,619,000, net of transaction costs, in the third quarter of 2014.

Doral Healthcare Acquisition

On June 13, 2014, Triumph Bancorp, Inc., through its subsidiary, Triumph Community Bank, acquired the lending platform and certain assets of Doral Healthcare Finance (DHF), an asset based lender focused exclusively on the healthcare industry. DHF was a division of DMI which was a subsidiary of Doral Bank. The purpose of the acquisition was to enhance the Company's commercial finance offerings. In conjunction with the acquisition, DHF was rebranded Triumph Healthcare Finance. The acquisition was not considered significant to the Company's financial statements and therefore pro forma financial data and related disclosures are not included.

The Company acquired loans with a fair value of \$45,334,000 at the acquisition date in addition to other assets and liabilities. Under the terms of the agreement, the Company paid cash in the amount of \$49,482,000 and recognized \$1,921,000 in goodwill that was allocated to the Company's Banking segment. Goodwill represents the excess of the fair value of consideration transferred over the fair value of net assets acquired. Goodwill resulted from a combination of expected enhanced service offerings and cross-selling opportunities. Goodwill will be amortized for tax purposes, but not for financial reporting purposes.

DHF's results of operations are included in the Company's results since the acquisition date.

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

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(Dollars in thousands)

Assets acquired:	
Loans	\$45,334
Customer relationship intangible	2,029
Premises and equipment	50
Other assets	276
	47,689
Liabilities assumed:	
Customer deposits	128
Fair value of net assets acquired	47,561
Cash paid	49,482
Goodwill	\$1,921

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Information about the acquired loan portfolio subject to purchased credit impaired (PCI) loan accounting guidance as of the acquisition date is as follows:

PCI Loans:

(Dollars in thousands)	PCI
Contractual balance at acquisition	\$5,009
Contractual cash flows not expected to be collected (nonaccretable difference)	(873)
Expected cash flows at acquisition	4,136
Accretable yield	(482)
Fair value of acquired PCI loans	\$3,654

Loans acquired and not otherwise classified as PCI were predominately short term in nature and had a gross contractual balance and fair value at acquisition of \$41,680,000. Substantially all contractual cash flows were subsequently collected on all non-PCI loans acquired.

NOTE 3 - SECURITIES

Securities have been classified in the financial statements as available for sale or held to maturity. The amortized cost of securities and their approximate fair values at March 31, 2015 and December 31, 2014 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2015				
Available for sale securities:				
U.S. Government agency obligations	\$ 93,077	\$ 1,476	\$ —	\$94,553
Mortgage-backed securities, residential	26,955	650	—	27,605
Asset backed securities	18,500	129	(44)	18,585
State and municipal	6,654	41	—	6,695
Corporate bonds	13,501	219	—	13,720
SBA pooled securities	200	2	—	202
Total available for sale securities	\$ 158,887	\$ 2,517	\$ (44)	\$ 161,360
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value

Held to maturity securities:				
Other debt securities	\$ 746	\$ 4	\$ —	\$ 750

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands) December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	\$ 93,150	\$ 691	\$ —	\$ 93,841
Mortgage-backed securities, residential	28,298	580	—	28,878
Asset backed securities	18,559	129	(90)	18,598
State and municipal	6,833	28	—	6,861
Corporate bonds	13,492	144	—	13,636
SBA pooled securities	207	3	—	210
Total available for sale securities	\$ 160,539	\$ 1,575	\$ (90)	\$ 162,024
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
Other debt securities	\$ 745	\$ 5	\$ —	\$ 750

The amortized cost and estimated fair value of securities at March 31, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	Securities Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 1,467	\$ 1,471	\$ 225	\$ 225
Due from one year to five years	102,564	104,041	521	525
Due from five years to ten years	7,626	7,811	—	—
Due after ten years	1,575	1,645	—	—
	113,232	114,968	746	750
Mortgage-backed securities, residential	26,955	27,605	—	—
Asset backed securities	18,500	18,585	—	—
SBA pooled securities	200	202	—	—
	\$ 158,887	\$ 161,360	\$ 746	\$ 750

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For the three months ended March 31, 2015, there were no sales of securities. For the three months ended March 31, 2014, securities were sold resulting in proceeds of \$6,777,000, gross gains of \$25,000, and gross losses of \$9,000.

Securities with a carrying amount of approximately \$111,587,000 and \$113,980,000 at March 31, 2015 and December 31, 2014, respectively, were pledged to secure securities sold under agreements to repurchase, Federal Home Loan Bank advances, and for other purposes required or permitted by law.

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Information pertaining to securities with gross unrealized losses at March 31, 2015 and December 31, 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are summarized as follows:

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2015						
U.S. Government agency obligations	\$—	\$ —	\$—	\$ —	\$—	\$ —
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	4,848	(31)	4,965	(13)	9,813	(44)
State and municipal	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
SBA pooled securities	—	—	—	—	—	—
	\$4,848	\$ (31)	\$4,965	\$ (13)	\$9,813	\$ (44)
December 31, 2014						
U.S. Government agency obligations	\$—	\$ —	\$—	\$ —	\$—	\$ —
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	8,703	(82)	4,959	(8)	13,662	(90)
State and municipal	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
SBA pooled securities	—	—	—	—	—	—
	\$8,703	\$ (82)	\$4,959	\$ (8)	\$13,662	\$ (90)

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

As of March 31, 2015, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2015, management believes the unrealized losses detailed in the previous table are temporary and no other than temporary impairment loss has been recognized in the Company's consolidated statements of income.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Loans at March 31, 2015 and December 31, 2014 consisted of the following:

(Dollars in thousands)	March 31, 2015	December 31, 2014
Commercial real estate	\$236,659	\$249,164
Construction, land development, land	52,203	42,914
1-4 family residential properties	73,605	78,738
Farmland	24,805	22,496
Commercial	371,614	364,567
Factored receivables	171,452	180,910
Consumer	11,201	11,941
Mortgage warehouse	69,907	55,148
Total	1,011,446	1,005,878
Allowance for loan and lease losses	(9,286)	(8,843)
	\$1,002,160	\$997,035

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Total loans include net deferred origination fees and costs and deferred factoring fees totaling \$926,000 and \$906,000 at March 31, 2015 and December 31, 2014, respectively.

Loans with carrying amounts of \$137,795,000 and \$141,427,000 at March 31, 2015 and December 31, 2014, respectively, were pledged to secure Federal Home Loan Bank advance capacity.

Allowance for Loan and Lease Losses

The activity in the allowance for loan and lease losses (ALLL) during the three months ended March 31, 2015 and 2014 is as follows:

(Dollars in thousands)	Beginning				Ending
Three months ended March 31, 2015	Balance	Provision	Charge-offs	Recoveries	Balance
Commercial real estate	\$ 533	\$ 590	\$ (89)	\$ 41	\$ 1,075
Construction, land development, land	333	11	—	—	344
1-4 family residential properties	215	90	(105)	23	223
Farmland	19	7	—	—	26
Commercial	4,003	(7)	(2)	2	3,996
Factored receivables	3,462	(45)	(67)	30	3,380
Consumer	140	(21)	(95)	60	84
Mortgage warehouse	138	20	—	—	158
	\$ 8,843	\$ 645	\$ (358)	\$ 156	\$ 9,286

(Dollars in thousands)	Beginning				Ending
Three months ended March 31, 2014	Balance	Provision	Charge-offs	Recoveries	Balance
Commercial real estate	\$ 348	\$ 53	\$ —	\$ 1	\$ 402
Construction, land development, land	110	84	—	—	194
1-4 family residential properties	100	149	(145)	99	203
Farmland	7	—	—	—	7
Commercial	1,145	174	(12)	212	1,519
Factored receivables	1,842	357	(40)	14	2,173
Consumer	49	94	(141)	73	75
Mortgage warehouse	44	14	—	—	58
	\$ 3,645	\$ 925	\$ (338)	\$ 399	\$ 4,631

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The following table presents loans individually and collectively evaluated for impairment, as well as purchased credit impaired (PCI) loans, and their respective allowance allocations:

(Dollars in thousands) March 31, 2015	Loan Evaluation				ALLL Allocations			
	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	\$1,929	\$ 226,444	\$8,286	\$236,659	\$100	\$ 570	\$405	\$ 1,075
Construction, land development, land	—	50,772	1,431	52,203	—	344	—	344
1-4 family residential properties	476	71,068	2,061	73,605	16	205	2	223
Farmland	—	24,805	—	24,805	—	26	—	26
Commercial	6,871	360,285	4,458	371,614	701	3,295	—	3,996
Factored receivables	1,271	170,181	—	171,452	797	2,583	—	3,380
Consumer	—	11,201	—	11,201	—	84	—	84
Mortgage warehouse	—	69,907	—	69,907	—	158	—	158
	\$10,547	\$ 984,663	\$ 16,236	\$1,011,446	\$1,614	\$ 7,265	\$407	\$ 9,286

(Dollars in thousands) December 31, 2014	Loan Evaluation				ALLL Allocations			
	Individually	Collectively	PCI	Total loans	Individually	Collectively	PCI	Total ALLL
Commercial real estate	\$1,934	\$ 238,640	\$8,590	\$249,164	\$—	\$ 533	\$—	\$ 533
Construction, land development, land	—	41,431	1,483	42,914	—	333	—	333
1-4 family residential properties	627	76,041	2,070	78,738	—	215	—	215
Farmland	—	22,496	—	22,496	—	19	—	19
Commercial	7,188	353,022	4,357	364,567	716	3,287	—	4,003
Factored receivables	1,271	179,639	—	180,910	1,033	2,429	—	3,462
Consumer	—	11,941	—	11,941	—	140	—	140
Mortgage warehouse	—	55,148	—	55,148	—	138	—	138
	\$11,020	\$ 978,358	\$ 16,500	\$1,005,878	\$1,749	\$ 7,094	\$—	\$ 8,843

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(Unaudited)

The following is a summary of information pertaining to impaired loans at March 31, 2015 and December 31, 2014:

(Dollars in thousands)	Impaired Loans and Purchased Credit			Impaired Loans Without a Valuation Allowance		
	Impaired Loans With a Valuation Allowance	Recorded Investment	Unpaid Principal	Related Allowance	Recorded Investment	Unpaid Principal
March 31, 2015						
Commercial real estate	\$ 532	\$ 532	\$ 100	\$ 1,397	\$ 1,228	
Construction, land development, land	—	—	—	—	—	
1-4 family residential properties	96	107	16	380	498	
Farmland	—	—	—	—	—	
Commercial	1,574	1,641	701	5,297	5,298	
Factored receivables	1,271	1,271	797	—	—	
Consumer	—	—	—	—	—	
Mortgage warehouse	—	—	—	—	—	
PCI	1,102	3,809	407	—	—	
	\$4,575	\$ 7,360	\$ 2,021	\$ 7,074	\$ 7,024	
December 31, 2014						
Commercial real estate	\$ —	\$ —	\$ —	\$ 1,934	\$ 1,960	
Construction, land development, land	—	—	—	—	—	
1-4 family residential properties	—	—	—	627	748	
Farmland	—	—	—	—	—	
Commercial	1,845	2,527	716	5,343	5,368	
Factored receivables	1,271	1,271	1,033	—	—	
Consumer	—	—	—	—	—	
Mortgage warehouse	—	—	—	—	—	
PCI	—	—	—	—	—	
	\$3,116	\$ 3,798	\$ 1,749	\$ 7,904	\$ 8,076	

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(Dollars in thousands)	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Average Impaired Loans	Interest Recognized	Average Impaired Loans	Interest Recognized
Commercial real estate	\$1,931	\$ 14	\$251	\$ 1
Construction, land development, land	—	—	—	—
1-4 family residential properties	691	28	313	3
Farmland	—	—	—	—
Commercial	7,030	163	5,331	—
Factored receivables	1,271	—	715	—
Consumer	—	—	—	—
Mortgage warehouse	—	—	—	—
PCI	459	—	4,831	974
	\$11,382	\$ 205	\$11,441	\$ 978

Loans included in the above tables are non-PCI impaired loans and PCI loans that have deteriorated subsequent to acquisition and as a result have been deemed impaired and an allowance recorded. PCI loans that have not deteriorated subsequent to acquisition are not considered impaired and therefore do not require an allowance and are excluded from the tables above.

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The following table presents the unpaid principal and recorded investment for loans at March 31, 2015 and December 31, 2014. The difference between the unpaid principal balance and recorded investment is principally associated with (1) premiums and discounts associated with acquisition date fair value adjustments on acquired loans (both PCI and non-PCI), (2) net deferred origination costs and fees, and (3) previous charge-offs.

(Dollars in thousands)	Recorded	Unpaid	
March 31, 2015	Investment	Principal	Difference
Commercial real estate	\$236,659	\$249,504	\$(12,845)
Construction, land development, land	52,203	53,876	(1,673)
1-4 family residential properties	73,605	76,849	(3,244)
Farmland	24,805	24,713	92
Commercial	371,614	373,801	(2,187)
Factored receivables	171,452	172,388	(936)
Consumer	11,201	11,277	(76)
Mortgage warehouse	69,907	69,907	—
	\$1,011,446	\$1,032,315	\$(20,869)

	Recorded	Unpaid	
December 31, 2014	Investment	Principal	Difference
Commercial	\$249,164	\$263,060	\$(13,896)
Construction, land development, land	42,914	44,609	(1,695)
1-4 family residential properties	78,738	82,263	(3,525)
Farmland	22,496	22,400	96
Commercial	364,567	366,753	(2,186)
Factored receivables	180,910	181,817	(907)
Consumer	11,941	12,012	(71)
Mortgage warehouse	55,148	55,148	—
	\$1,005,878	\$1,028,062	\$(22,184)

At March 31, 2015 and December 31, 2014, the Company had \$17,635,000 and \$18,976,000, respectively, of customer reserves associated with factored receivables. These amounts represent customer reserves held to settle any payment disputes or collection shortfalls, may be used to pay customers' obligations to various third parties as directed by the customer, are periodically released to or withdrawn by customers, and are reported as deposits in the consolidated balance sheets.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

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Past Due and Nonaccrual Loans

The following is a summary of contractually past due and nonaccrual loans at March 31, 2015 and December 31, 2014:

(Dollars in thousands)	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
March 31, 2015				
Commercial real estate	\$549	\$ —	\$ 1,991	\$2,540
Construction, land development, land	101	—	—	101
1-4 family residential properties	504	—	530	1,034
Farmland	—	—	—	—
Commercial	6,249	—	6,871	13,120
Factored receivables	5,045	1,145	—	6,190
Consumer	189	—	—	189
Mortgage warehouse	—	—	—	—
PCI	—	—	6,262	6,262
	\$12,637	\$ 1,145	\$ 15,654	\$29,436

(Dollars in thousands)	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total
December 31, 2014				
Commercial real estate	\$643	\$ —	\$ 1,995	\$2,638
Construction, land development, land	—	—	—	—
1-4 family residential properties	584	49	638	1,271
Farmland	—	—	—	—
Commercial	114	—	7,188	7,302
Factored receivables	7,202	651	—	7,853
Consumer	296	—	—	296
Mortgage warehouse	—	—	—	—
PCI	260	—	6,206	6,466
	\$9,099	\$ 700	\$ 16,027	\$25,826

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current collateral and financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes every loan and is performed on a regular basis. Large groups of smaller balance homogeneous loans, such as consumer loans, are analyzed primarily based on payment status. The Company uses the following definitions for risk ratings:

Pass:

Loans classified as pass are loans with low to average risk and not otherwise classified as special mention, substandard or doubtful.

Special Mention:

Loans classified as special mention have low to acceptable risks. Liquidity, asset quality, and debt service coverage are as a whole satisfactory and performance is generally as agreed.

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Substandard:

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful:

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

PCI:

At acquisition, PCI loans had the characteristics of substandard loans and it was probable, at acquisition, that all contractually required principal and interest payments would not be collected. The Company evaluates these loans on a projected cash flow basis with this evaluation performed quarterly.

As of March 31, 2015 and December 31, 2014 based on the most recent analysis performed, the risk category of loans is as follows:

(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	PCI	Total
March 31, 2015						
Commercial real estate	\$220,010	\$ 2,321	\$ 6,042	\$ —	\$8,286	\$236,659
Construction, land development, land	50,772	—	—	—	1,431	52,203
1-4 family residential	70,959	76	509	—	2,061	73,605
Farmland	24,805	—	—	—	—	24,805
Commercial	355,217	198	11,741	—	4,458	371,614
Factored receivables	170,181	—				